

Stock Code: 6581



# 2021 Annual Report

This Annual Report is available on  
Website of the Company: <https://www.tsutw.com.tw>

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V. Overseas Securities Exchange Where Securities are Listed and Method of

Inquiry: None.

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## Table of Contents

<b>One. Letter to Shareholders .....</b>	1
<b>Two. Company Profile .....</b>	8
I.    Date of incorporation .....	8
II.    Company History .....	8
<b>Three. Corporate Governance Report .....</b>	13
I.    Organizational System: .....	13
II.    Information on the Company's Directors, President, Vice Presidents, and the Heads of All the Company's Departments and Branch Units.....	20
III.    Remuneration Paid During the Most Recent Fiscal Year to Directors, President, and Vice Presidents .....	32
IV.    Implementation of Corporate Governance.....	37
V.    Information on CPA Professional Fees .....	68
VI.    Information on Replacement of CPAs.....	68
VII.    Where Company Chairman, President, or Any Manager in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Firm or at an Affiliated Enterprise of Such CPA Firm, Name, Title, and Period of Employment in Such Firms Shall be Disclosed.....	69
VIII.    Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Manager, or Shareholder with a Stake of More than 10 Percent .....	69
IX.    Relationship among the Company's 10 Largest Shareholders, Who Are Related Parties, Spouses, or Relatives within Second Degree of Kinship to Each Other .....	71
X.    Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company .....	72
<b>Four. Capital Overview.....</b>	73
I.    Capital and Shares.....	73
II.    Corporate Bonds.....	78
III.    Preference Shares.....	78
IV.    Global Depository Shares.....	78
V.    Employee Stock Options.....	78
VI.    New Restricted Employee Shares .....	78
VII.    Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies .....	78
VIII.    Implementation of the fund utilization plan.....	79
<b>Five. Operational Highlights .....</b>	80
I.    Business Activities .....	80

II.	Analysis of the Market as Well as Production and Marketing Situation.....	90
III.	Number of Employees for the Two Most Recent Fiscal Years, and During the Current Fiscal Year Up to the Date of Publication of the Annual Report, Their Average Years of Service, Average Age, and Education Levels (Including Percentage of Employees at Each Level).....	101
IV.	Disbursements for Environmental Protection .....	102
V.	Labor Relations .....	102
VI.	Information Security Management.....	104
VII.	Important Contracts.....	106
<b>Six. Financial Information</b> .....		<b>107</b>
I.	Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years with Names of CPAs and Their Audit opinions Indicated .....	107
II.	Financial Analysis for the Most Recent Five Fiscal Years .....	111
III.	Audit Committee's Audit Report for the Most Recent Fiscal Year's Financial Statements .....	115
IV.	Most Recent Annual Financial Report .....	116
V.	Most Recent Standalone Financial Statements with Independent Auditors' Report....	166
VI.	In the Most Recent Fiscal Year and Up to the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliates and How Said Difficulties Will Affect the Company's Financial Situation .....	218
<b>Seven. Review and Analysis of the Company's Financial Position and Financial Performance, and Risks</b> .....		<b>219</b>
I.	Financial Position.....	219
II.	Financial Performance.....	220
III.	Cash Flow.....	221
IV.	Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year .....	222
V.	Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Reinvestment Profitability, and Investment Plans for Coming Year.....	222
VI.	Risk Analysis.....	222
VII.	Other Important Matters.....	226
<b>Eight. Special Disclosure</b> .....		<b>227</b>
I.	Information on the Company's Affiliated Company .....	227
II.	Private Placement of Securities During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report .....	228
III.	Holding or Disposal of Shares in the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of	

Publication of the Annual Report .....	228
IV. Other Supplementary Information .....	228
<b>Nine. Other Matters .....</b>	<b>229</b>

## One. Letter to Shareholders

Dear Shareholders,

The Company processed 142,393 metric tons of EAF dust in 2021 and recovered 51,283 metric tons of crude zinc oxide resources with an average zinc content of 57.59%. Kiln No. 1 processed 60,051 metric tons with 22,028 metric tons of crude zinc oxide output, while Kiln No. 2 processed 82,342 metric tons with 29,255 metric tons of crude zinc oxide output. Possessing the only high-temperature smelting technology and equipment in Taiwan that can completely reuse hazardous electric EAF dust waste harmlessly, the Company disposed of EAF dust from the illegal disposal site at Dadu River in Changhua County in 2021 free of charge, fulfilling its corporate social responsibility.

In 2021, in response to China's policies and environmental issues that resulted in local zinc smelters reducing production, and the increase in European green electricity prices forcing Nyrstar, Europe's largest zinc refinery, to announce a reduction in production, international zinc prices have continued to rise. The annual average zinc price for 2021 was US\$3,005, representing a 33% increase over the annual average zinc price of US\$2,265 for 2020, resulting in a 49% increase in zinc oxide sales unit price of NT\$10,234 compared to the same period last year. Total revenue from zinc oxide sales increased by NT\$467,453,000, up 43% compared to the same period last year.

In 2021, the Company's subsidiary Taiwan Steel Resources Co., Ltd. handled 51,552 tons of LF slag, 8,179 tons of EAF slag and 105,067 tons of rotary kiln slag, contributing approximately 10% of the consolidated revenue.

The Company passed environmental impact assessments (EIA) for 11 new waste items in three major categories in the end of 2020. In the fourth quarter of 2021, the Company started to receive zinc-containing products, SRF-derived fuel products, and stainless-steel EAF dust waste, which contributed to overall revenue. Incineration of fly ash is expected to start in February of 2022, and other wastes such as zinc-containing dewatered sludge, zinc-containing sludge, and heat waste from the electroplating industry will enter the plant one by one in the first half of 2022. In the Company's strategy to expand and diversify its business scope, in addition to the existing EAF dust and contaminated soil, we will expand into the collection and reuse of domestic waste that is difficult to handle and has a high unit cost.

After a year-long effort, the Company has successfully obtained the permits for reuse of new waste categories from the competent authorities, namely the Industrial Development Bureau and the Environmental Protection Administration, as well as the trial operation permit issued by the Changhua County Environmental Protection Bureau, and successfully completed the strategic deployment to officially kickstart acceptance and pilot operations. After the completion of the pilot operation in the first quarter of 2022, the Company will successfully transform into a multi-faceted operations, which is expected to significantly increase growth momentum and revenue, and become the leader of the resource recycling industry in Taiwan.

## I. Business Results for FY2021

### 1. Business plan implementation results

(1) The following table shows the status of the reuse and removal of EAF dust collected in FY2021.

Unit: Metric tons / NT\$1,000

Year Item	2021		2020		Growth (%)	
	Volume	Amount	Volume	Amount	Volume	Amount
Reuse	142,393	76,393	147,249	341,885	(3.3)	(77.66)
Disposal	145,075	-	142,022	-	2.15	-

(2) The following table indicates the status of reuse and disposal of contaminated soil in FY2021.

Unit: Metric tons / NT\$1,000

Year Item	2021		2020		Growth (%)	
	Volume	Amount	Volume	Amount	Volume	Amount
Reuse	4,712	31,155	12,776	82,801	(63.12)	(62.37)
Disposal	4,686	-	8,974	-	(47.78)	-

(3) The status of reuse and disposal of slag by Taiwan Steel Resources Co., Ltd for 2021 are as follows:

Unit: Metric tons / NT\$1,000

Item	Year	2021		2020		Growth (%)	
		Volume	Amount	Volume	Amount	Volume	Amount
Reuse	2021	164,798	245,564	163,917	178,057	0.54	37.91
Disposal	2021	173,203	-	169,375	-	2.26	-

(4) The Company's production and sales of zinc oxide in 2021 are as follows:

Unit: Metric tons / NT\$1,000

Item	Year	2021		2020		Growth (%)	
		Volume	Amount	Volume	Amount	Volume	Amount
Unwashed	Output and cost	51,283	597,799	51,996	522,920	(1.37)	14.32
	Domestic sales	5,282	168,626	3,903	79,772	35.33	111.38
	Export	44,948	1,388,994	48,569	1,010,394	(7.46)	37.47

## 2. Budget Implementation

Unit: NT\$1,000

Item	Actual amount	Estimated amount	Difference
Operating revenue	1,853,873	1,760,866	93,007
Operating cost	840,496	940,242	(99,746)
Gross profit	1,013,377	820,624	192,753
Operating expenses	284,596	208,683	75,913
Net operating income	728,781	611,941	116,840
Net income before tax	724,831	610,719	114,112
Net income after tax	564,869	482,009	82,860

The main differences are due to:

- (1) International zinc prices rose in 2021, resulting in higher unit sales prices.
- (2) Actual operating costs were lower than budgeted due to good control of coke, the main fuel, which saw no increase in consumption by the Company.
- (3) Operating expenses increased due to the increase in ocean freight charges for European containers in 2021.

### 3. Financial structure and profitability analysis.

#### (1) Consolidated Financial Statements

Item	Year	2021	2020
Financial structure (%)	Ratio of liabilities to assets	14.09	29.46
	Ratio of long-term capital to property, plant and equipment	115.16	136.73
Profitability	Asset return ratio (%)	12.02	8.65
	Equity return ratio (%)	15.38	11.65
	Ratio of income before tax to paid-in capital (%)	65.14	47.06
	Net profit ratio (%)	30.47	25.12
	Earnings per share (NTD)	5.08	3.66

#### (2) Standalone Financial Statements

Item	Year	2021	2020
Financial structure (%)	Ratio of liabilities to assets	6.88	6.72
	Ratio of long-term capital to property, plant and equipment	352.72	319.03
Profitability	Asset return ratio (%)	14.33	10.90
	Equity return ratio (%)	15.38	11.65
	Ratio of income before tax to paid-in capital (%)	65.14	47.06
	Net profit ratio (%)	33.82	26.98
	Earnings per share (NTD)	5.08	3.66

#### 4. Research and Development

The research & development status of the Company for 2021 is as follows:

- (1) We designed the proportion of non-structural concrete and controlled low strength material (CLSM).
- (2) We conducted a research project on reducing slag as raw materials for brick kilns.

### II. 2022 Business Plan

#### 1. Business Guidelines

The Company passed environmental impact assessments (EIA) for 11 new waste items in three major categories. In the fourth quarter of 2021, the Company started to receive zinc-containing products, SRF-derived fuel products, and stainless-steel EAF dust waste, which contributed to overall revenue. Incineration of fly ash is expected to start in February of 2022, and other wastes such as zinc-containing dewatered sludge, zinc-containing sludge, and heat waste from the electroplating industry will enter the plant one by one in the first half of 2022. In the Company's strategy to expand and diversify its business scope, in addition to the existing steelmaking EAF dust and contaminated soil waste, we will expand into the collection and reuse of domestic waste that is difficult to handle and has a high unit cost. In 2022, the Company will mitigate the impact of international zinc prices on revenue by expanding new revenue growth from waste disposal fees, and we expect our year-on-year operating performance in 2022 to grow.

Our subsidiary Taiwan Steel Resources Co., Ltd. has stepped into the reuse of slag to produce green and eco-friendly building materials, which is in line with the policy of circular economy. For the stabilized slag, the plant has set up two dedicated ready-mixed concrete plants for recycled aggregates, which will be shipped in 2021, and will enter into the ready-mixed concrete industry using slag. We are in full control of the flow of materials, and have already completed the contract with downstream manufacturers and started material supplies.

#### 2. Expected sales/Volume of reuse

Unit: Metric tons

Product	Volume
Sales of zinc oxide	54,350
Reuse of EAF dust	143,600
Reuse of contaminated soil	3,650
EIA approved new waste	40,000

### 3. Important Production and Marketing Policies

To fulfill our corporate social responsibility, we will uphold our consistent business philosophy, plan resources effectively, and control potential hazards and environmental impact sources in production activities, products, and services through the operation of our environmental safety and health management system effectively, thereby achieving sustainable operation

## III. Future Development Strategies

To pursue the Company's sustainable development, we have formulated the short-term and long-term development strategies below:

1. The short-term business development strategy will be to increase reusable waste treatment.
2. Long-term development strategy:
  - (1) Promote the reuse of other difficult-to-treat waste materials.
  - (2) Pursue the installation of solar panels on the roof of the plant to develop green power projects.

## IV. Impact of External Competition Environment, Legal Environment, and Overall Business Environment

At present, more than 80% of the total output of domestic EAF dust is reused by the Company. The Company occupies a leading position in the EAF dust reuse industry among domestic electric arc furnace steelmaking plants. The environmental protection laws and regulations in our country have been developed with reference to those of European countries and the US, so they are relatively advanced and complete. This has enabled the Company to be competitive in this industry.

Domestic forward-looking infrastructure construction business opportunities are influenced by changes in politics. At present, the forward-looking infrastructure projects, and the areas of construction licenses under application continue to increase, and overseas Taiwanese businesspeople continue to return to and invest in Taiwan. Thus, the impact of COVID-19 on the domestic construction industry and the needs for steel have been relatively small. In the future, we will continue to increase customers and sources of materials in terms of other waste resources that are difficult to be treated, and to increase the volume of treatment/reuse. This will not only give us an excellent advantage in

the domestic competition but also diversify our operational risks.

In 2021, in response to China's policies and environmental issues that resulted in local zinc smelters reducing production, and the increase in European green electricity prices forcing Nyrstar, Europe's largest zinc refinery, to announce a reduction in production, international zinc prices have continued to rise. If international zinc prices fall in the future, the Company has the competitive advantage of strategically increasing its handling fees to mitigate the impact on its business operations.

There are many contaminated sites caused by major domestic enterprises, and new companies are constantly stepping into the remediation, clearance, and reuse of contaminated soil. The Company's rotary kilns can treat soil contaminated by high concentrations of heavy metals and toxic substances, significantly distinguishing us from other competitors in the industry, so we are highly competitive. So far, we have obtained the general permits for reuse of 13 contaminated soils. With the high unit price of S-02 hazardous contaminated soils, the Company has a competitive advantage in terms of prices and volume and can provide proper treatment methods of domestic contaminated soils, which is well-aligned with the government's Resource Sustainable Recycling Implementation Program.

After a year-long effort, the Company has successfully obtained the permits for reuse of new waste categories from the competent authorities, namely the Industrial Development Bureau and the Environmental Protection Administration, as well as the trial operation permit issued by the Changhua County Environmental Protection Bureau, and successfully completed the strategic deployment to officially kickstart acceptance and pilot operations. After the completion of the pilot operation in the first quarter of 2022, the Company will successfully transform into a multi-faceted operations, which is expected to significantly increase growth momentum and revenue, and become the leader of the resource recycling industry in Taiwan.

I would like to thank all our shareholders again for your support and encouragement. I wish you good health and all the best.

Chairman Lin Ming-Ju

## Two. Company Profile

I. Date of incorporation: May 24, 1995.

II. Company History:

Time	Major Milestones
1995 May	➤ Mid-North part Environmental Engineering Co., Ltd. was formally established with a authorized and paid-in capital of NT\$15 million. The Board of Directors elected Mr. Mark Lin from Feng Hsin Steel Co., Ltd. as the Chairman.
1996 August	➤ The extraordinary shareholders' meeting approved the merger of the Mid-North part Environmental Engineering Co., Ltd. and the South area Xiaogang Industrial Company, which was then renamed "Taiwan Steel Union Co., Ltd.", and confirmed that the authorized capital would be increased to NT\$500 million, and a capital increase in cash of NT\$285 million was conducted with the paid-in capital increased to NT\$300 million. The shareholders were twelve companies, namely Feng Hsin Steel Co., Ltd., Tung Ho Steel Enterprise Corp., Kuei Hung Industrial Co., Ltd., Wei Chih Steel Industrial Co., Ltd., Shyeh Sheng Fuat Steel & Iron Works Co., Ltd., Jeng Tai Wood Co., Ltd., Lung Ching Steel Enterprise Co., Ltd., King Shing Industrial Co., Ltd., UPC Technology Corporation, Hanhua Company, Hai Kwang Enterprise Corporation, and Jin Yongsheng Company. The Board of Directors elected Mr. Mark Lin from Feng Hsin Steel Co., Ltd. as the Chairman.
December	➤ The Industrial Development Bureau, Ministry of Economic Affairs, approved the establishment of a joint treatment system for EAF dust and waste.
1998 January	➤ Obtained the permit for the establishment of the zinc oxide manufacturing process (M01) for stationary pollution sources.
September	➤ Conducted a capital increase in cash of NT\$100 million, with the paid-in capital increasing to NT\$400 million.
1999 February	➤ Obtained the permit for the establishment of a waste treatment

Time	Major Milestones
	plant (factory) in Changhua County.
2000	<p>June ➤ Began disposing of EAF dust, and the Company began to operate formally.</p> <p>February ➤ Obtained the factory registration certificate from the Ministry of Economic Affairs.</p>
2001	<p>June ➤ Obtained the permit for operating the zinc oxide manufacturing process (M01) for stationary pollution sources.</p> <p>October ➤ Obtained the permit for operating the dumping ground process (M02) for stationary pollution sources.</p> <p>December ➤ Obtained a license for joint clearance and treatment of business waste from the Ministry of Economic Affairs.</p>
2003	December ➤ The annual processing capacity for EAF dust (wet basis) exceeded 50,000 metric tons.
2004	December ➤ The annual processing capacity for EAF dust (wet basis) exceeded 60,000 metric tons.
2005	August ➤ The authorized capital approved by the Ministry of Economic Affairs was in the amount of NT\$1 billion; after a capital increase in cash of NT\$500 million, and capitalization of NT\$15.6 million from 2004 earnings, the total paid-in capital was NT\$915.6 million. After the capital increase, the new shareholders were Feng Hsin Steel Co., Ltd., Tung Ho Steel Enterprise Corp., Hai Kwang Enterprise Corporation, Shyeh Sheng Fuat Steel & Iron Works Co., Ltd., Jeng Tai Wood Co., Ltd., UPC Technology Corporation, Wei Chih Steel Industrial Co., Ltd., Yihongxing Company, and Hanhua Company.
2007	<p>July ➤ The authorized capital approved by the Ministry of Economic Affairs was in the amount of NT\$1.2 billion; after capitalization of NT\$208.7568 million from 2006 earnings, the total paid-in capital was NT\$1.1243568 million.</p> <p>December ➤ Passed the ISO14001 environmental management system certification of the British Standards Institution (BSI).</p>

Time	Major Milestones
2008	July ➤ The authorized capital approved by the Ministry of Economic Affairs was in the amount of NT\$1.3 billion; after capitalization of NT\$159.65865 million from 2007 earnings, the total paid-in capital was NT\$1.28401545 million.
2010	May ➤ Completed the second rotary kiln and obtained the use permit.
2012	December ➤ The annual capacity of the first rotary kiln for treating EAF dust reached 86,932 metric tons.
2013	March ➤ The total volume of EAF dust treated since June 1999 has reached one million tons. August ➤ Conducted capitalization of earnings of NT\$71.90487 million, with the total registered capital of NT\$1.6 billion and the total paid-in capital of NT\$1.35592032 billion.
	December ➤ The volume of EAF dust treated by the second rotary kiln reached 100,000 tons.
2014	July ➤ Conducted capitalization of earnings of NT\$71.86378 million, with the total registered capital of NT\$1.6 billion and the total paid-in capital of NT\$1.4277841 billion. Obtained OHSAS18001 certificate.
2014	December ➤ The annual capacity of the first rotary kiln for treating EAF dust reached 89,000 metric tons.
2015	August ➤ Obtained ISO14064 assurance statement.
2015	September ➤ Obtained the finalized EPA Official Letter Huan-Shu-Zong No. 1040075104, titled "Table of the Fourth Change in the Environmental Impact Statement of Taiwan Electric Arc Furnace Steelmaking Industry Waste Joint Treatment System Establishment Modification Program" for reference (water cooling modified to air cooling in No. 1 slag cooling system). December ➤ Obtained the ISO 9001 certificate. ➤ Conducted a capital reduction by NT\$428.33523 with the

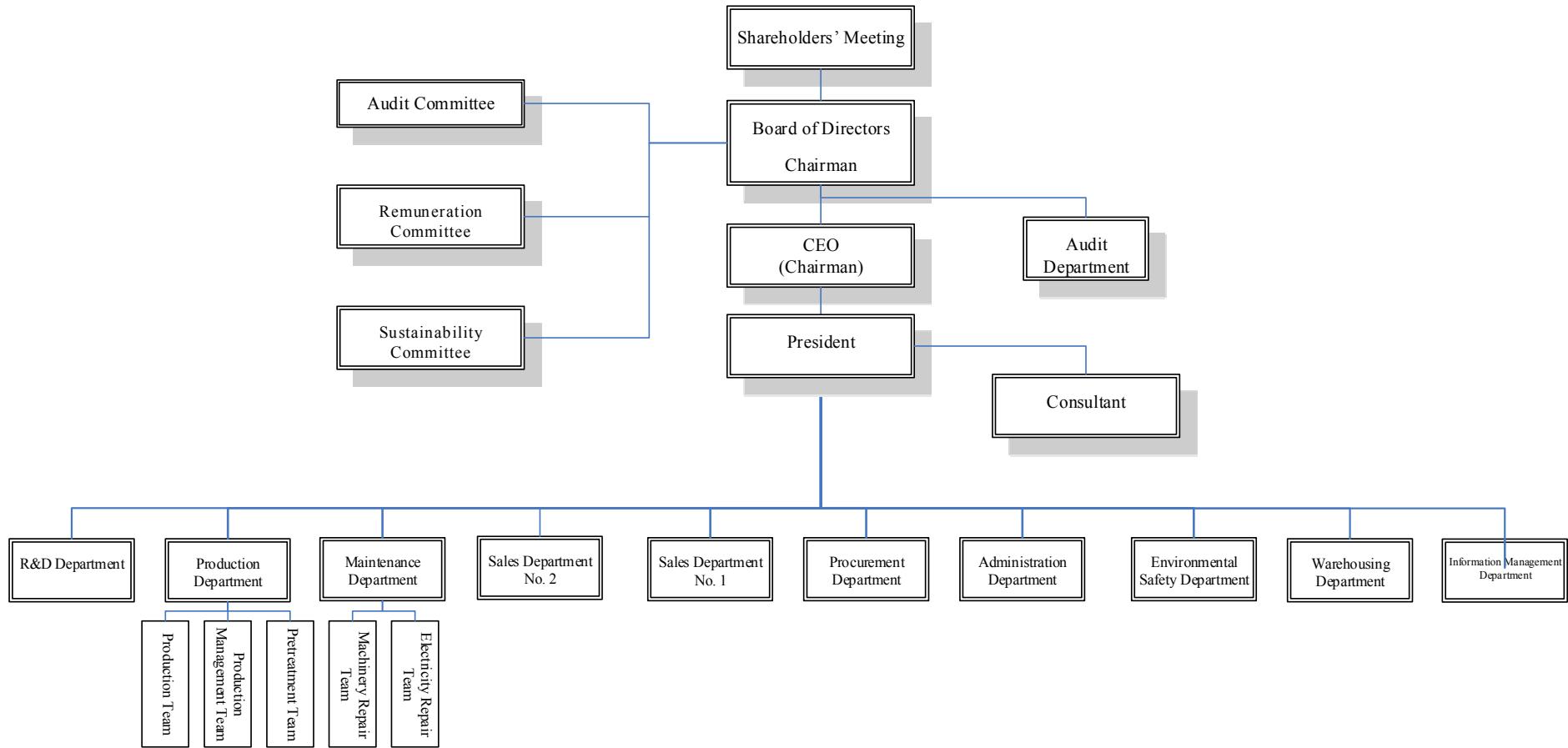
Time	Major Milestones
	registered total paid-in capital of NT\$1.6 billion, and the total paid-in capital of NT\$999.44887 million.
	➤ The annual capacity of the second rotary kiln for treating dust reached 109,900 metric tons.
2016	<p>February ➤ Obtained the general permit for reuse of the contaminated soils from the EPA.</p> <p>May ➤ The Company's stock went public on May 19, 2016.</p> <p>July ➤ Invested in the establishment of Taiwan Steel Resources Co., Ltd., a wholly-owned subsidiary.</p> <p>August ➤ Established the first term of the Remuneration Committee.</p> <p>September ➤ The Company's stock was listed on the emerging stock market.</p> <p>September ➤ Established the first term of the Audit Committee.</p>
2017	December ➤ Obtained the general permit for reuse of EAF dust from the Industrial Development Bureau, Ministry of Economic Affairs.
2018	<p>January ➤ Conducted capital increase in cash of NT\$113.26 million, with the registered total capital of NT\$1.6 billion, and the total paid-in capital of NT\$1.11270887 billion.</p> <p>➤ The Company's stock was listed on the Taiwan Stock Exchange for trading.</p> <p>December ➤ Treated the dust dumped illegally in Xinfeng Township, Hsinchu County free of charge</p>
2019	<p>February ➤ The total volume of EAF dust treated since June 1999 has reached two million tons.</p> <p>August ➤ Won the 5<sup>th</sup> Taiwan Mittelstand Awards from Minister of Economic Affairs.</p> <p>November ➤ Won the Sustainable Individual Performance at the 12<sup>th</sup> Taiwan Corporate Sustainability Awards (TCSA) -Circular Economy Leadership Award and the Silver Award of the Corporate Sustainability Reports Award.</p>

Time	Major Milestones
2020	October ➤ Won the Sustainable Individual Performance at the 13 <sup>th</sup> Taiwan Corporate Sustainability Awards (TCSA) -Circular Economy Leadership Award and the Gold Award of the Corporate Sustainability Reports Award.
2021	January ➤ Obtained the finalized EPA Official Letter Huan-Shu-Zong No. 1100003875, titled "The Second Environmental Impact Difference Analysis Report of the Environmental Impact Statement of EAF Dust Resource Recycling Site Establishment Modification Program" for reference (12 additional waste resources added). ➤ Obtained permission to recycle EAF dust collected from other domestic electric furnace steel mill plants (including carbon steel and stainless steel furnace plants) and EAF dust disposal sites (A-7101). February ➤ Won bid for washed fly ash recycling project at the Taoyuan Waste Incineration Plant (9,400 tons/year) May ➤ Obtain permission to recycle products with 15~40% zinc content produced by recycling or processing facilities (4,000 metric tons/year) August ➤ Obtained a general waste recycling permit for the Hsin Jung BOO incineration plant (19,000 metric tons) from the Department of Environmental Protection, Taoyuan City Government November ➤ Received permission from the Ministry of Economic Affairs for a pilot project for the recycling and reuse of sludge, lead and its compounds, and inorganic sludge (zinc-containing sludge) from the electroplating process (550 metric tons) ➤ Awarded 2-star rating (highest level) for Taiwan's 2021 Taiwan Circular Economy Outstanding Enterprise Award ➤ Won the Sustainable Individual Performance at the 14 <sup>th</sup> Taiwan Corporate Sustainability Awards (TCSA) -Circular Economy Leadership Award and the Silver Award of the Corporate Sustainability Reports Award. December ➤ Obtained special reuse permit for incineration fly ash (medical waste disposal facility) from the EPA (83 tons/month)

### Three. Corporate Governance Report

#### I. Organizational System:

##### 1. Organizational chart



## 2. Functions of each main department

Department	Functions
Production Department	<ol style="list-style-type: none"> <li>Establishment, execution, evaluation, review, revision, or abolition of the production management system.</li> <li>Planning, operation, and management of the recycle of business wastes, such as EAF dust, contaminated soils, and incineration fly ashes.</li> <li>Records of operation of and basic maintenance and management of production process equipment.</li> <li>Granulation in granulation plant.</li> <li>Zinc oxide output planning.</li> <li>Packaging and storage of zinc oxide products.</li> <li>Operation of wastewater treatment plant.</li> <li>Operation and maintenance of pollution prevention and control facilities of the in-plant exhaust gas system.</li> <li>Operational technique testing and improvement.</li> <li>Budgeting for the Production Department and implementation of the budget.</li> <li>Execution and coordination of tasks related to environmental protection, labor safety and health, and quality control.</li> <li>Preparation of instructions on the processes, pollution sources, and the operation of control and prevention equipment.</li> <li>Filling out the guarantee for inspection work.</li> <li>Filling in the records of proper disposal of business waste.</li> <li>Submission of purchase requests for all equipment required by the Production Department.</li> <li>Implementation and maintenance of ISO9001 quality management system.</li> </ol>
Maintenance Department	<ol style="list-style-type: none"> <li>Establishment, execution, evaluation, review, revision, or abolition of the maintenance system for plants and equipment.</li> <li>Daily repair and maintenance of electromechanical equipment.</li> <li>Planning and execution of the repair and maintenance and shutdown of mechanical and electrical equipment for annual preventive maintenance.</li> <li>Supervision of equipment improvement projects.</li> <li>Execution of equipment improvement proposals.</li> <li>Fire management business, and implementation and filing of reports on fire drills for self-defense.</li> <li>Regular inspection of high- and low-voltage electrical equipment and filing of reports.</li> <li>Building public safety inspection and filing of reports.</li> </ol>
Sales Department No. 1	<ol style="list-style-type: none"> <li>Establishment, execution, evaluation, review, revision, or abolition of the business management system documents.</li> <li>Attendance at the Board of Directors quarterly in a non-voting capacity</li> </ol>

Department	Functions
Sales Department No. 2	<p>to report on the sales results for the previous quarter.</p> <p>3. Negotiation of relevant agreements on dust, crude zinc oxide, incineration fly ashes, and confirmation, signing, and execution of relevant terms and conditions.</p> <p>4. Development of business promotion plans and strategies for dust, crude zinc oxide, and incineration fly ashes.</p> <p>5. Setting of the selling price formula of crude zinc oxide.</p> <p>6. Domestic and export sales quotation for crude zinc oxide and shipping schedule planning.</p> <p>7. Quotation for dust and incineration fly ashes and customer data collection.</p> <p>8. Communication with customers</p> <p>9. Tracking of production status and pre-scheduling of delivery plans.</p> <p>10. Response to customer complaints.</p> <p>11. Collection of accounts receivable.</p> <p>12. Visit to customers and provision of services to customers.</p> <p>13. Request for payment for sales-related expenses.</p> <p>14. Business promotion in domestic and overseas markets and collection of relevant industry information.</p> <p>15. Sales of equipment, salvage stocks, and tailings.</p>
Procurement Department	<p>1. Establishment, execution, evaluation, review, revision, or abolition of the business management system documents.</p> <p>2. Attendance at the Board of Directors quarterly in a non-voting capacity to report on the results of the cases received for the previous quarter.</p> <p>3. Negotiation of relevant agreements on contaminated soils, and confirmation, signing, and execution of relevant terms and conditions.</p> <p>4. Development of business promotion plans and strategies for contaminated soils.</p> <p>5. Quotation for contaminated soil business, assistance in arranging disposal operations, and collection of customer data.</p> <p>6. Contact with sources of cases and evaluation.</p> <p>7. Collection of accounts receivable.</p> <p>8. Visit to customers and provision of services to customers.</p> <p>9. Technician certification.</p>
	<p>1. Development, execution, evaluation, review, revision, or abolition of the procurement system or procurement plans.</p> <p>2. Investigation, collection, and analysis of market data on domestic and overseas sourcing markets.</p> <p>3. Supplier management and evaluation.</p> <p>4. Analysis and compilation of procurement and outsourcing materials.</p> <p>5. Purchase, contracting, and payment application regarding materials, factory supplies, and equipment.</p>

Department	Functions
	<ol style="list-style-type: none"> <li>6. Outsourcing, contracting and payment application regarding repair, improvement, and new construction projects.</li> <li>7. Response to cases of breach of procurement contracts, construction defects, and claims for compensation.</li> <li>8. Issue of letters of credit for imported equipment, application to the Industrial Development Bureau for tax exemption of imported environmental equipment, and other import procedures.</li> <li>9. Outsourcing, contract signing, and settlement of service contracts.</li> <li>10. Food, accommodation, and transportation arrangements for foreign consultants, technicians, and customers during technical cooperation in Taiwan.</li> <li>11. Study, coordination, and planning of procurement operations on computers.</li> </ol>
Administration Department	<ol style="list-style-type: none"> <li>1. Overall financial planning of the Company, capital use and dispatch, and transactions with financial institutions.</li> <li>2. Development, execution, evaluation, review, revision, or abolition of the Company's financial system and operating procedures.</li> <li>3. Development, execution, evaluation, review, revision, or abolition of accounting and tax management operations, as well as decision support analysis and reporting.</li> <li>4. Planning and coordination of Board meetings.</li> <li>5. Planning and coordination of the shareholders' meetings.</li> <li>6. Planning and coordination of functional committee meetings.</li> <li>7. Development, execution, evaluation, review, revision, or abolition of various stock affairs business activities.</li> <li>8. Design, formulation, execution, evaluation, review, revision, or abolition of the Company's various personnel administrative management systems.</li> <li>9. Employee attendance, evaluation management, and relevant data file management.</li> <li>10. Insurance underwriting planning for labor and health insurance, property insurance (movable property and immovable property), and liability insurance.</li> <li>11. Communication with the capital market and maintenance of investor relations.</li> <li>12. Design, formulation, execution, evaluation, review, revision, or abolition of the Company's various general affairs management systems.</li> <li>13. Promotion and execution of document control operations.</li> <li>14. Planning, execution, audit, follow-up, sorting, and drafting of statements on internal control self-assessments.</li> <li>15. Handling of matters that shall be declared or disclosed on the Market Observation Post System (MOPS) as a public company in accordance with</li> </ol>

Department	Functions
	regulations.
Environmental Safety Department	<ol style="list-style-type: none"> <li>1. Amendment to, and implementation, operation, management, and maintenance of the ISO14001 environmental management system and the ISO45001 occupational health and safety management system documents.</li> <li>2. Application for, change in, and extension of environmental protection-related permits (including environmental impact assessment, stationary pollution sources operation permits, general reuse permits, water pollution prevention and control permits, waste cleanup disposal plans, permits for operation with a small amount of toxic chemical substances, etc.).</li> <li>3. Online filing of reports as required by the environmental protection laws and the occupational safety and health laws.</li> <li>4. ISO14064 greenhouse gas inventory, certification, and registration.</li> <li>5. Voluntary inspection management of and filing of reports on public dangerous articles.</li> <li>6. Coordination and cooperation related to audits, supervision, inspection, and guidance by local competent authorities, competent authorities in charge of environmental protection, and competent authorities in charge of given business (including environmental impact assessment supervision and tracking).</li> <li>7. Inspection and supervision of plant-wide environment and occupational safety and health.</li> <li>8. Safety and health management of subcontracted operations.</li> <li>9. Formulation of safety and health work rules and voluntary inspection plans.</li> <li>10. Arrangement of matters related to plant-wide environmental monitoring and operating environment monitoring.</li> <li>11. Application for and arrangement of annual health examination for employees and assistance with the implementation of health management.</li> <li>12. Implementation of environmental safety and health education and training.</li> <li>13. Assistance with investigation, correction, and prevention of in-plant environmental pollution incidents and industrial safety accidents.</li> <li>14. Implementation of research projects related to environmental safety and health.</li> <li>15. Handling of official documents related to environmental safety and health.</li> <li>16. Collection and processing of and report on environmental protection opinions from the public and relevant groups.</li> <li>17. Cooperation with questionnaires, testing, and research projects</li> </ol>

Department	Functions
	<p>conducted by environmental protection agencies and academic groups.</p> <p>18. Cleaning and maintenance of the plant area and windbreaks and green belts adopted in the plant.</p> <p>19. Cleanup of debris in ditches, catch basins, storage tanks, and sludge in ditches in the plant.</p> <p>20. Relevant fund applications.</p> <p>21. Maintenance of relations with the neighborhood.</p> <p>22. Other matters related to environmental safety and health support in the plant.</p>
R&D Department	<ol style="list-style-type: none"> <li>1. Planning, formulation, execution, evaluation, review, revision, or abolition of the R&amp;D system.</li> <li>2. R&amp;D of recycle technologies.</li> <li>3. Collection of the latest information on various relevant technologies at home and abroad.</li> <li>4. Formulation, execution, review, evaluation, revision, or abolition of inspection and testing standards for materials purchased, manufacturing processes, and shipments.</li> <li>5. Establishment, execution, evaluation, review, revision, or abolition of product inspection methods and standards.</li> </ol>
Audit Department	<ol style="list-style-type: none"> <li>1. Formulation, execution, evaluation, review, revision, or abolition of the internal audit system and implementation rules in accordance with the law.</li> <li>2. Formulation and execution of an annual audit plan.</li> <li>3. Non-routine ad-hoc audits or audit of abnormal cases.</li> <li>4. Writing of audit reports, provision of suggestions about improvement, and tracking of improvement effectiveness.</li> <li>5. Attendance at the Board of Directors quarterly in a non-voting capacity to report on the implementation and results of the audit plan.</li> <li>6. Internal control system self-assessment verification and filing of a report.</li> <li>7. Disclosure of the execution of the audit plan, the deficiencies in the internal control system, and the improvement to abnormalities on MOPS in accordance with the regulations.</li> <li>8. Other matters that need to be implemented in accordance with relevant laws and regulations.</li> </ol>
Warehousing Department	<ol style="list-style-type: none"> <li>1. Establishment, execution, evaluation, review, revision, or abolition of various warehousing management systems.</li> <li>2. Management of the incoming and outgoing materials.</li> <li>3. Filing of reports on business waste online.</li> <li>4. Preparation of reports on incoming and outgoing materials.</li> <li>5. Cleaning management of warehouse environment.</li> <li>6. Management of incoming and outgoing materials on truck scales.</li> </ol>

Department	Functions
	<p>7. Flexible intermediate bulk container (FIBC) crushing.</p> <p>8. Pre-treatment operations, such as bag crushing, storage, transportation, mixing, sieving, and magnetic separation for receiving business waste.</p> <p>9. Daily and annual inventory counts.</p> <p>10. Outsourced transportation vehicles and personnel management.</p> <p>11. Materials requisition and return management.</p>
Information Management Department	<p>1. Planning, formulation, execution, evaluation, review, revision, or abolition of various information management systems.</p> <p>2. Network software and hardware planning, establishment, maintenance, and update management.</p> <p>3. Management of systematized work processes at each unit.</p> <p>4. Information security planning and management.</p> <p>5. Maintenance of computer hardware and equipment.</p> <p>6. Server room security control and maintenance management.</p> <p>7. Backup system establishment and maintenance management.</p> <p>8. Allocation of the license quantity of purchased software copyrights and management of such records</p>

II. Information on the Company's Directors, President, Vice Presidents, and the Heads of All the Company's Departments and Branch Units:

1. Information on Directors

(1) Members of the Board of Directors

March 28, 2022

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors, or supervisors who are spouses or within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman	R.O.C.	Feng Hsin Steel Co., Ltd.	53	2019.05.29	3 years	1995.05.05	22,091,587	19.85%	26,012,587	23.38%	-	-	-	-	-	Institutional director of Wen Shan Resort Corporation Institutional director of Chien Shing Harbour Service Co., Ltd. Institutional director of Pro-Ascentek Investment Corporation	-	-	-	-
	R.O.C.	Representative: Mark Lin	Male 75	2019.05.29	3 years	1995.05.24	-	-	18,000	0.02%	365,000	0.33%	-	-	-	Business Administration Department, New Taipei Municipal Tamsui Commercial Industrial Vocational Senior High School Chairman of the Feng Hsin Steel Co., Ltd. Chairman of the Taiwan Steel and Iron Industries Association Vice Chairman of the Chinese National Federation of Industries	Chief Executive Officer (CEO) of the Company Chairman of Great Fortune Holding Limited Supervisor of Ta Chia Iron & Steel Co., Ltd. Chairman of FengYu Resources Co., Ltd.	Vice General Manager	Lin, Tsai-Hsiang	Father and son
Director	R.O.C.	Tung Ho Steel Enterprise Corp.	60	2019.05.29	3 years	1995.05.05	24,829,009	22.31%	24,829,009	22.31%	-	-	-	-	-	Institutional director of Xiaogang Warehousing Co., Ltd. Institutional director of Chien Shing Harbour Service Co., Ltd. Institutional director of Tung Kang Steel Structure Corporation Institutional director of Tungho Steel Wind Power Co. Ltd. Institutional director of Katec Creative Resources Corp. Institutional director of Katec R&D Corporation Institutional director of Dongjing Investment Co., Ltd. Institutional director of Lishi Venture Capital Co., Ltd. Institutional director of Liyu Venture Capital Co., Ltd. Institutional director of Tung Sugar Energy Service Co.,Ltd.	-	-	-	-
	R.O.C.	Representative: Liu, Ming-Tsung	Male 56	2019.05.29	3 years	2008.05.22	-	-	-	-	-	-	-	-	Master's, Department of Materials Science and Engineering, National Taiwan University	Production Vice General Manager of Tung Ho Steel Enterprise Corp. Director of Taiwan Steel Resources Co., Ltd. Director of Fujian Zhongrida Metal Co., Ltd. General Manager of Katec Creative Resources Corp.	-	-	-	-
	R.O.C.	Representative: Chen, Fu-Chin	Male 67	2019.05.29	3 years	2018.07.12	-	-	-	-	-	-	-	-	Kaohsiung Municipal Kaohsiung Industrial High School Production Vice General Manager of Tung Ho Steel Enterprise Corp. Chairman of Katec Creative Resources Corp.	-	-	-	Note 2	
	R.O.C.	Representative: Li, Wei-Bin	Male 54	2021.12.21	3 years	2021.12.21	-	-	-	-	-	-	-	-	Graduate of National Taipei Institute of Technology, Department of Mechanical Engineering Manager Taoyuan Plant of Tung Ho Steel Enterprise Corp.	Manager Taoyuan Plant of Tung Ho Steel Enterprise Corp.	-	-	-	Note 2

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors, or supervisors who are spouses or within the second degree of kinship			Remark	
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation		
Director	R.O.C.	Feng Hsin Steel Co., Ltd.	53	2019.05.29	3 years	1995.05.05	22,091,587	19.85%	26,012,587	23.38%	-	-	-	-		Institutional director of Wen Shan Resort Corporation Institutional director of Chien Shing Harbour Service Co., Ltd. Institutional director of Pro-Ascentek Investment Corporation	-	-	-	-	
	R.O.C.	Representative: Lin, Chih-Kang	Male 68	2019.05.29	3 years	2003.05.26	-	-	-	-	-	-	-	-	Department of Metallurgy, National Cheng Kung University Production Vice President of Feng Hsin Steel Co., Ltd.	Director of Taiwan Steel Resources Co., Ltd. Chairman of Megaflow Industry, Inc.	-	-	-	-	
Director	R.O.C.	Hai Kwang Enterprise Corporation	53	2019.05.29	3 years	2005.08.02	9,691,512	8.71%	9,691,512	8.71%	-	-	-	-		Institutional director of E Chang Iron Steel Works Co., Ltd. Institutional director of Zhengtong Environmental Technology Co., Ltd.	-	-	-	-	
	R.O.C.	Representative: Huang, Wei-Han	Male 35	2019.05.29	3 years	2016.09.22	-	-	-	-	-	-	-	-	Department of Chemical and Materials Engineering, Tamkang University Chairman of Passion Trading Co., Ltd.	Chairman of Hai Kwang Enterprise Corporation Chairman of E Chang Iron Steel Works Co., Ltd. Chairman of Zhengtong Environmental Technology Co., Ltd. Chairman of Haiming Investment Co., Ltd.	-	-	-	-	
Director	R.O.C.	Shyeh Sheng Fuat Steel & Iron Works Co., Ltd.	56	2019.05.29	3 years	1996.11.20	9,677,573	8.70%	9,677,573	8.70%	-	-	-	-		Institutional director of Xiaogang Warehousing Co., Ltd.	-	-	-	-	
	R.O.C.	Representative: Huang, Huang-Chang	Male 64	2019.05.29	3 years	1996.11.20	-	-	-	-	60,000	0.05%	-	-	Department of Business Administration, Chung Yuan Christian University Chairman of Shyeh Sheng Fuat Steel & Iron Works Co., Ltd.	Chairman and General Manager of Shyeh Sheng Fuat Steel & Iron Works Co., Ltd. Director of Sheng Fuat Steel Construction Co., Ltd. Director of Xiaogang Warehousing Co., Ltd. Person in Charge of Fengshan Gas Station Co., Ltd.	-	-	-	-	
Director	R.O.C.	Chien Shun Steel Co., Ltd.	48	2019.05.29	3 years	1999.12.06	6,116,469	5.50%	6,116,469	5.50%	-	-	-	-		-	-	-	-	-	
	R.O.C.	Representative: Chen, Mei-Hui	Female 48	2019.05.29	3 years	2016.11.16	-	-	-	-	-	-	-	-	Chih Ping Senior High School	Salesperson of Chien Shun Steel Co., Ltd.	-	-	-	-	
Director	R.O.C.	United Steel Corporation	34	2019.05.29	3 years	2018.06.19	3,767,671	3.39%	3,767,671	3.39%	-	-	-	-		-	-	-	-	-	
	R.O.C.	Representative: Yeh, Shih-Cheng	Male 81	2019.05.29	3 years	2018.06.19	-	-	-	-	-	-	-	-		Chairman of United Steel Corporation Chairman of Houfeng Investment Co., Ltd. Supervisor of Taiwan Steel Resources Co., Ltd.	-	-	-	-	
Independent Director	R.O.C.	Lin, Hung-Tuan	Male 67	2019.05.29	3 years	2016.09.22	-	-	-	-	-	-	-	-	Chairman of the Taiwan Resource Recycling Industries Association Senior Auditor of the Council for Economic Planning and Development Section Chief of the Sustainable Development Division, Industrial Development Bureau, Ministry of Economic Affairs Specialist of the Sustainable Development Division, Industrial Development Bureau, Ministry of Economic Affairs	-	-	-	-	-	
Independent Director	R.O.C.	Wu, Chuan-Chuan	Male 67	2019.05.29	3 years	2016.09.22	-	-	-	-	-	-	-	-	Master's in Accounting, University of Oklahoma Chief Financial Officer of Zhongyu Investment Co., Ltd. CPA of KPMG in Taiwan Accountant in Charge in Central Taiwan of KPMG in Taiwan	Independent Director of Champion Microelectronic Corp. Independent Director of Rexon Industrial Corporation Ltd. Independent Director of GuangZhou Seagull Kitchen And Bath Products Co., Ltd.	-	-	-	-	-

Title	Nationality or place of registration	Name	Gender Age	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at the Company or other companies	Executives, directors, or supervisors who are spouses or within the second degree of kinship			Remark
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Independent Director	R.O.C.	Chang, Tien-Chin	Male 64	2019.05.29	3 years	2016.09.22	-	-	-	-	-	-	-	-	Associate Technical Specialist, Department of Labor Inspection, Council of Labor Affairs, Executive Yuan Head of Department of Civil Engineering, National Taipei University of Technology Professor and Director, Institute of Environmental Planning and Management, National Taipei University of Technology, Chairman of Taiwan Water Environment Regeneration Association Director of R&D Center, National Taipei University of Technology Dean of the College of Engineering, National Taipei University of Technology	Professor, Institute of Environmental Engineering and Management, National Taipei University of Technology, Managing Director of Taiwan Power Company	-	-	-	-

Note 1: The Chairman and the CEO of the Company are the same person. As the CEO mainly directs the management team, establishes vision, strategies, and implements various business activities, having the same person serving as the Chairman and the CEO will facilitate the efficiency of the Company's leadership. More than 90% of the Company's directors are not also concurrently employees or managers and it is expected that the number of independent directors for the 10th Board of Directors will be increased to 4 seats when elections are held during the shareholders' meeting on May 2022.

Note 2: Tung Ho Steel Enterprise Corp. changed its representative from Chen, Fu-Chin to Li, Wei-Bin on December 21, 2021.

(2) Major Shareholders of Institutional Shareholders

April 28, 2022

Name of institutional shareholder	Major Shareholders of Institutional Shareholders
Feng Hsin Steel Co., Ltd.	Chengchuang Investment Co., Ltd. (5.35%); Fengshuo Investment Co., Ltd. (3.76%); Lin, Meng-Bi (2.52%); Lai, San-Ping (2.18%); Jin Fuli Investment Co., Ltd. (2.07%); Lin Chang, Shu-Wen (2.06%); Mark Lin (2.02%), Lai,Chao-Chuan(1.99%),Chung, Ching-Lin (1.84%), Lin Hsu,Yu-Mei(1.77%)
Tung Ho Steel Enterprise Corp.	Shenyuan Investment Co., Ltd. (14.89%); Maosheng Investment Co., Ltd. (6.71%); Hezhao Investment Co., Ltd. (6.48%); Fubon Life Insurance Co., Ltd.(2.22%), Public Service Pension Fund Management Board (1.82%); Yutai Investment Co., Ltd. (1.78%); Fubon Taiwan high dividend 30 ETF(1.62%), HSBC entrusted with the custody of the investment account of Morgan Stanley International Limited(1.27%), JPMorgan Taipei Branch entrusted with the custody of the Van Gard Emerging Markets Stock Index Fund Investment Account (1.15%), The New Labor Retirement Fund entrusts the First Financial Holding Co., Ltd investment account (1.12%)
Hai Kwang Enterprise Corporation	Haiming Investment Co., Ltd. (22.81%); Youming Investment Co., Ltd. (7.06%); Zongli Investment Co., Ltd. (5.93%); Huang, Yu-Ching (2.94%); Passion Trading Co., Ltd. (2.16%), Huang, Yu-Hsueh (1.58%), Huang,Yu-Yen(1.29%), Yuzhan Investment Co., Ltd.(1.11%), Huang,Wei-Han(1.05%), Huang,Cheng-Han(1.00%)
Shyeh Sheng Fuat Steel & Iron Works Co., Ltd.	Xiehuan Co., Ltd. (9.85%); Xieren Co., Ltd. (9.85%); Huang, Huang-Chang (9.5%); Huang Tien, Yu-Yun (9.29%); Shyeh Sheng Fuat Investment Co., Ltd. (8.3%); Xiechuang Co., Ltd. (8.3%); Xiehuang Co., Ltd. (8.3%); Hsiehhsingfa Co., Ltd. (8.3%); Xiechengfa Co., Ltd. (8.3%); Xiehongfa Co., Ltd. (6.2%); Xiexi Co., Ltd. (6.2%); Xie-Xi Co., Ltd. (6.2%)
Chien Shun Steel Co., Ltd.	Tongshun Investment Co., Ltd. (87.50%); Tong Shun Steel Co., Ltd. (10.50%); Wang Li, Hsiu-Chao (0.89%); Wang, Chi-Sheng (0.83%); Wang, Pi-Tzu (0.23%); Wang, Yu-Chun (0.05%)
United Steel Corporation	Houfeng Investment Co., Ltd. (24.6%); Tung Chou Industrial Co., Ltd. (10%); Yinghua Investment Co., Ltd. (9.9%); Baofanghua Investment Co., Ltd. (9.9%); Ruitai Investment Co., Ltd. (9.8%); Li, Chien-Hung (8.8%); Li, Chih-Tsung (7.7%); Tu, Shu-Chao (4.4%); Tu, Shu-Chin (3.8%); Li, Chang-Sheng(1.7%)

(3) Major Shareholders of Institutional Shareholders with Corporations as Their Major Shareholders

April 28, 2022

Name of institutional shareholder	Major shareholders of juridical persons
Chengchuang Investment Co., Ltd	Lin, Chen-Wei (22.97%); Lin, Cheng-Te (22.97%); Lin, Cheng-Hao (22.97%); Lin Chang, Shu-Wen (15.87%); Lin, Chin-Hsuan (7.49%); Lin, Liang-Hsuan (7.49%)
Fengshuo Investment Co., Ltd.	Feng Hsin Steel Co., Ltd. (18.2%); D&H Enterprises Co., Ltd. (15.75%); Mark Lin (10.00%); Hsieh, Jen-Tzu (5.00%); Chung, Ching-Lin (4.00%); Chung, Chao-Chuan (4.00%); Lin, Ling-Yu (3.13%); Lin, Chen-Ju (3.13%); Lin, Shan-I (3.13%); Lin, Ta-Chiao (3.13%)
Jin Fuli Investment Co., Ltd.	Lin, Cheng-Feng (24.73%); Lin, Cheng-Chang (24.47%); Lin, Chiu-Huang (16.67%); Lin, Pei-Fang (16.67%)
Shenyuan Investment Co., Ltd.	Hou Wang, Shu-Chao (78.92%)
Maosheng Investment Co., Ltd.	Hou Wang, Shu-Chao (41.78%) , Hou, Chieh-Teng (11.73%)
Hezhao Investment Co., Ltd.	Hou Wang, Shu-Chao (83.61%) and Shenyuan Investment Co., Ltd. (16.39%)
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd.(100%)
Public Service Pension Fund Management Board	N/A
Yutai Investment Co., Ltd.	Huang, Chih-Ming (42.5%); Huang, Tsung-Ling (17%); Cheng, Mei-Chu (8.1%)
Fubon Taiwan high dividend 30 ETF	N/A
HSBC entrusted with the custody of the investment account of Morgan Stanley International Limited	N/A
JPMorgan Taipei Branch entrusted with the custody of the Van Gard Emerging Markets Stock Index Fund Investment Account	N/A
The New Labor Retirement Fund entrusts the First	N/A

Name of institutional shareholder	Major shareholders of juridical persons
Financial Holding Co., Ltd investment account	
Haiming Investment Co., Ltd.	Huang, Wei-Han (21.1%); Huang, Cheng-Han (21.1%); Huang, Yu-Ching (9.6%); Huang, Yu-Yen (8.9%); Huang, Yu-Hsueh (7.9%); Huang, Hsiao-Wen (6.8%); Fu, Lin-Hsi (6%); Huang, Yu-Ping (4.9%); Lin, Wen-Chang (4.9%); Wu, Yung-Tzu (3.4%)
Youming Investment Co., Ltd.	Passion Trading Co., Ltd. (96%); Huang, Hsiao-Wen (2.5%); Huang, Wei-Han (0.5%); Huang, Cheng-Han (0.5%); Fu, Lin-Hsi (0.5%)
Zongli Investment Co., Ltd.	Passion Trading Co., Ltd. (20%); Huang, Hsiao-Wen (39%); Huang, Wei-Han (11%); Huang, Cheng-Han (20%); Fu, Lin-Hsi (10%)
Passion Trading Co., Ltd.	Huang, Hsiao-Wen (1.4%); Huang, Wei-Han (0.4%); Huang, Cheng-Han (0.7%); You Ming Investment Co., Ltd. (67.9%); Zongli Investment Co., Ltd. (29.6%)
Yuzhan Investment Co., Ltd.	Huang, Yu-Yen (32%), Wu, Cheng-Han(18%), Wu, Wei-Chi(17%), Wu, Tai-Jung(17%), Wu, Yung-Tzu(16%)
Xiehuan Co., Ltd.	Huang, Chao-Huan (99.97%); Huang, Huang-Chang (0.015%); Huang Tian, You-Yun (0.015%)
Xieren Co., Ltd.	Huang, Chao-Jen (99.97%); Huang, Huang-Chang (0.015%); Huang Tian, You-Yun (0.015%)
Shyeh Sheng Fuat Investment Co., Ltd.	Huang, Huang-Chang (99.96%) and Huang Tian, You-Yun (0.04%)
Xiechuang Co., Ltd.	Huang, Huang-Chang (99.96%) and Huang Tian, You-Yun (0.04%)
Xiehuang Co., Ltd.	Huang, Huang-Chang (99.96%) and Huang Tian, You-Yun (0.04%)
Hsiehhsingfa Co., Ltd.	Huang, Huang-Chang (99.96%) and Huang Tian, You-Yun (0.04%)
Xiechengfa Co., Ltd.	Huang, Huang-Chang (99.96%) and Huang Tian, You-Yun (0.04%)
Xiehongfa Co., Ltd.	Huang Tian, You-Yun (99.95%) and Huang, Huang-Chang (0.05%)
Xiexi Co., Ltd.	Huang Tian, You-Yun (99.95%) and Huang, Huang-Chang (0.05%)

Name of institutional shareholder	Major shareholders of juridical persons
Xie-Xi Co., Ltd.	Huang Tian, You-Yun (99.95%) and Huang, Huang-Chang (0.05%)
Tongshun Investment Co., Ltd.	Wang Li, Hsiao-Chao (55.543%); Wang, Pi-Chang (30.62%); Wang, Chien-Chih (8.824%); Wang, Pi-Tzu (0.005%); Wang, Chi-Sheng (0.005%); Li, Hsueh-Ju (0.005%)
Tong Shun Steel Co., Ltd.	Tung Hong Flaking Bran Industry Co., Ltd. (97.03%); Wang, Pi-Chang (0.02%); Wang, Pi-Tzu (0.02%)
Houfeng Investment Co., Ltd.	Yeh, Shi-Cheng (27.83); Yeh, Chun-Chih (24.83%); Yeh, Chun-Sheng (28.18%); Yeh Cheng, Yueh-Hsia (6.1%)
Tung Chou Industrial Co., Ltd.	Chou, Chen-Hui (9.48%); Chen, Lien-Chih (9.04%); Chou, Shih-Neng (11.92%); Chou, Lin-Wei (8.02%); Chou, Cheng-I (5.25%); Chou, Hsin-Ning (7.94%); Weng, Chang-Chi (0.80%); Huachang Investment Industrial Co., Ltd. (3.41%); Tongzen Industrial Co., Ltd. (1.63%); Chou, Shih-Hai (5.21%)
Yinghua Investment Co., Ltd.	Tseng, Jung-Hua (15%); Hsiao, Fang-Ching (5%); Tseng, Hsuan-Yu (10%); Tseng, Hsuan-Han (10%)
Ruitai Investment Co., Ltd.	Yeh Chang, A-Hui (30.98%); Yeh, Chun-Hung (25.32%); Yeh, Chun-Heng (22.09%); Yeh, Shu-Mei (13.51%)
Baofanghua Investment Co., Ltd.	Hsiao, Fang-Ching (14%); Tseng, Hsuan-Yu (11%); Tseng, Hsuan-Han (15%); Tseng, Jung-Hua (3%)

(4) Disclosure of Professional Qualifications of Directors and Independence of Independent Directors

April 28, 2022

Qualifications Name	Professional Qualifications and Experience	Independency	Number of other public companies where the individual concurrently serves as an independent director
Mark Lin	Chairman of the Taiwan Steel and Iron Industries Association Vice Chairman of the Chinese National Federation of Industries Chairman of Feng Hsin Steel Co., Ltd.		
Lin, Chih-Kang	Production Vice President of Feng Hsin Steel Co., Ltd.		
Liu, Ming-Tsung	Production Vice General Manager of Tung Ho Steel Enterprise Corp. General Manager of Katec Creative Resources Corp.		
Li, Wei-Bin	Manager Taoyuan Plant of Tung Ho Steel Enterprise Corp.		Not applicable, not an independent director
Huang, Wei-Han	Chairman of Hai Kwang Enterprise Corporation		
Huang, Huang-Chang	Chairman and General Manager of Shyeh Sheng Fuat Steel & Iron Works Co., Ltd.		
Yeh, Shih-Cheng	Chairman of United Steel Corporation		
Chen, Mei-Hui	Salesperson of Chien Shun Steel Co., Ltd.		
Wu, Chuan-Chuan	CPA of KPMG in Taiwan	<ol style="list-style-type: none"> <li>1. The individual, spouse, and relatives within the second degree of kinship are not directors, supervisors, or employees of the Company or its affiliated companies.</li> <li>2. The individual, spouse, and relatives within the second degree of kinship (or under the name of others) do not hold shares in the Company.</li> <li>3. Not a director, supervisor or employee of a company with specific relationship with the Company (please refer to Article 3, paragraph 1, subparagraphs 5~8 of the Regulations Governing</li> </ol>	2
Lin, Hung-Tuan	Chairman of the Taiwan Resource Recycling Industries Association		-

Qualifications Name	Professional Qualifications and Experience	Independency	Number of other public companies where the individual concurrently serves as an independent director
Chang, Tien-Chin	Professor, Institute of Environmental Engineering and Management, National Taipei University of Technology, Managing Director of Taiwan Power Company	Appointment of Independent Directors and Compliance Matters for Public Companies). 4. Not a professional individual that has provided commercial, legal, financial, accounting services or consultations to the Company over the past 2 years.	-

Note 1: None of the Company's directors (including independent directors) meet any of the criteria described in Article 30 of the Company Act.

## (5) Diversity and Independence of the Board of Directors:

### A. Diversity of the Board of Directors

To strengthen corporate governance and facilitate the sound development of the composition and structure of the Board, the Company stated in 4.5.3. of the Corporate Governance Best Practice Principles "In addition to considering the Company's business model, future development needs, and major shareholders' shareholdings, the Company shall evaluate various aspects of diversity of Board members, such as basic criteria and value (such as gender, nationality, age, and culture), professional backgrounds (such as law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

The current Board of Directors of the Company is composed of 11 directors, including three independent directors. All members have extensive experience and expertise in the fields of industry knowledge, financial accounting, business, and management. Moreover, the Company pays attention to gender equality in the composition of the Board. We hope that there shall be at least one female director on the Board to bring the ratio of female directors to 9% or higher. At present, the female director of the 9<sup>th</sup> Board of Directors is Ms. Chen, Mei-Hui. The implementation of the diversity of Board members is as follows:

- Basic composition, background, and experience

Name of director	Gender	Serves as an employee of the Company concurrently	Professional background	Professional skill	Industry experience
Mark Lin	Male	✓	✓	✓	✓
Liu, Ming-Tsung	Male		✓	✓	✓
Li, Wei-Bin	Male		✓	✓	✓
Lin, Chih-Kang	Male		✓	✓	✓
Huang, Wei-Han	Male		✓	✓	✓
Huang, Huang-Chang	Male		✓	✓	✓
Yeh, Shih-Cheng	Male		✓	✓	✓
Chen, Mei-Hui	Female		✓	✓	✓
Wu, Chuan-Chuan (independent director)	Male		✓	✓	✓
Lin, Hung-Tuan (independent director)	Male		✓	✓	✓
Chang, Tien-Chin (independent director)	Male		✓	✓	✓

- Diverse core capabilities

Name of director	Gender	Operational judgment	Accounting and financial analysis	Business management	Crisis management	Industry knowledge	International market perspective	Leadership	Decision-making
Mark Lin	Male	✓	✓	✓	✓	✓	✓	✓	✓
Liu, Ming-Tsung	Male	✓	✓	✓	✓	✓	✓	✓	✓
Li, Wei-Bin	Male	✓	✓	✓	✓	✓	✓	✓	✓
Lin, Chih-Kang	Male	✓	✓	✓	✓	✓	✓	✓	✓
Huang, Wei-Han	Male	✓	✓	✓	✓	✓	✓	✓	✓
Huang, Huang-Chang	Male	✓	✓	✓	✓	✓	✓	✓	✓
Yeh, Shih-Cheng	Male	✓	✓	✓	✓	✓	✓	✓	✓
Chen, Mei-Hui	Female	✓	✓	✓		✓	✓	✓	✓
Wu, Chuan-Chuan (independent director)	Male	✓	✓	✓	✓		✓	✓	✓
Lin, Hung-Tuan (independent director)	Male	✓		✓	✓	✓	✓	✓	✓
Chang, Tien-Chin (independent director)	Male	✓		✓	✓	✓	✓	✓	✓

## B. Independence of the Board of Directors

The Board of Directors of the Company consists of 3 independent directors and 8 directors, with independent directors making up approximately 27% of the Board. None of the Company's directors are related to each other as spouses or within the second degree of kinship.

2. Information on the Company's CEO, President, Vice Presidents, and the Heads of All the Company's Departments and Branch Units

March 28, 2022

Title	Nationality	Name	Gender	Date taking office	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at other companies	Managers who are spouses or within the second degree of kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chief Executive Officer	R.O.C.	Mark Lin	Male	2017.05.04	18,000	0.02%	365,000	0.33%	-	-	Business Administration Department, New Taipei Municipal Tamsui Commercial Industrial Vocational Senior High School Chairman of Feng Hsin Steel Co., Ltd. Chairman of the Taiwan Steel and Iron Industries Association Vice Chairman of the Chinese National Federation of Industries	Chairman of Great Fortune Holding Limited Supervisor of Ta Chia Iron & Steel Co., Ltd. Chairman of FengYu Resources Co., Ltd.	Vice General Manager	Lin, Tsai-Hsiang	Father and son	Note 1
General Manager	R.O.C.	Fang, Yen-Bin	Male	2007.03.01	60,000	0.05%	100	0.00%	-	-	Ph.D. in Environmental Engineering (Air Pollution), Illinois Institute of Technology Senior Manager of the Air Pollution Department, DAI Environmental Inc., Chicago, USA Senior Manager of General Energy Corp. (GEC), Chicago Principal Consultant of Huma-Tech Environmental Engineering Corp. - Fluidized-Bed Plant Project Principal Investigator Assistant Vice President of Project Department of TCEC Corporation -EPC Plant Construction Project Principal Investigator for two incineration plants	Chairman of Taiwan Steel Resources Co., Ltd. Representative of directors of FengYu Resources Co., Ltd.	-	-	-	Note 2
Vice President	R.O.C.	Lin, Tsai-Hsiang	Male	2019.09.01	270,000	0.24%	280,000	0.25%	182,000	0.16%-	Cal. State University Fullerton Marketing Assistant Administrator of the Business Department of Dragon Steel Corporation Manager of the Sales Department No. 1 of Taiwan Steel Union Co., Ltd.	Director of Feng Hsin Steel Co., Ltd. Director of Fengshuo Investment Co., Ltd. Representative of directors of Gwo Uei Metals Industry Co., Ltd. Representative of directors of Gwo Huei Iron & Steel Co., Ltd. Director of FengYu Resources Co., Ltd. Director of Chengchuang Investment Co., Ltd Director of Dao-Zu Co., Ltd. Chairman of Golden Empire Investment Co., Ltd.	Chief Executive Officer	Mark Lin	Father and son	Note 2
Factory Manager of Production Department	R.O.C.	Yang, Ming-Chu	Male	2003.05.01	30,000	0.03%	-	-	-	-	Department of Industrial Safety and Health of Hungkuang University	None	-	-	-	-
Manager of Sales Department No. 1	R.O.C.	Fu, Fang-Li	Male	2019.09.02	-	-	-	-	-	-	Manager of the Sales Department No. 1 of Taiwan Steel Union Co., Ltd.	None	-	-	-	-
Head of Maintenance Department	R.O.C.	Yu, Ching-Nan	Male	2000.01.01	-	-	-	-	-	-	Department of Electrical Engineering, Affiliated College of Continuing Education, National Formosa University Engineer, Mechanical and Electrical Environmental Engineering Department, BES Engineering Inc.	None	-	-	-	-
Manager of Procurement Department	R.O.C.	Chang, Chih-Yang	Male	2004.05.06	12,000	0.01%	12,000	0.01%	-	-	Department of Navigation, National Taiwan Ocean University Sales Director of Taiwan Kansai Paint Co., Ltd.	None	Head of Audit Department	Chao, Yu-Chiao	Couple	-
Head of Audit Department	R.O.C.	Chao, Yu-Chiao	Female	2015.04.01	12,000	0.01%	12,000	0.01%	-	-	Department of Public Finance, Feng Chia University; auditor of Asia Pacific & Co., CPAs Leader of Cost Accounting Team, Lianxun Computer Co., Ltd.; Section Chief/Assistant Manager in Finance, Lianxun Computer Co., Ltd. Manager of Administration Department of Taiwan Steel Union Co., Ltd.	None	Manager of Procurement Department	Chang, Chih-Yang	Couple	-
Manager of Administration Department	R.O.C.	Lin, Kun-Chieh	Male	2015.04.01	-	-	-	-	-	-	Department of Accounting, Tamkang University Master's, Department of Accounting, College of Management, National Changhua University of Education Assistant Manager of the Audit Department of Deloitte & Touche	None	-	-	-	-

Title	Nationality	Name	Gender	Date taking office	Shareholding		Spouse & minor shareholding		Shareholding by nominees		Experience (education)	Other position concurrently held at other companies	Managers who are spouses or within the second degree of kinship			Remark
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Manager of Environmental Safety Department	R.O.C.	Hsieh, Tsung-Lin	Male	2020.02.01	-	-	-	-	-	-	Master's in Environmental Engineering, National Cheng Kung University Assistant Project Manager of AECOM Taiwan Corporation	None	-	-	-	-
Manager of Sales Department No. 2	R.O.C.	Chen, Meng-Chia	Male	2021.04.06	-	-	-	-	-	-	Ph.D in Department of Environmental Engineering, National Taiwan University	None	-	-	-	-
Section Chief of Information Management Department	R.O.C.	Chang, Che-Chia	Male	2012.08.10	20,000	0.02%	-	-	-	-	Department of Information Management of Ling Tung University Master's, Department of Information Management, College of Management, National Changhua University of Education ERP Programmer of Data Systems Consulting Co., Ltd. Information Administrator of Huga Optotech Inc.	None	-	-	-	-
Acting Section Chief of Warehouse Department	R.O.C.	Lu, Jui-Fu	Male	2021.02.27	-	-	-	-	-	-	Master's in of Human Resource and Public Relations, Dayeh University Warehouse management worker of Taiwan Steel Union Co., Ltd.	None	-	-	-	-

Note 1: The Chairman and the CEO of the Company are the same person. As the CEO mainly directs the management team, establishes vision, strategies, and implements various business activities, having the same person serving as the Chairman and the CEO will facilitate the efficiency of the Company's leadership. More than 90% of the Company's directors are not also concurrently employees or managers and it is expected that the number of independent directors for the 10th Board of Directors will be increased to 4 seats when elections are held during the shareholders' meeting on May 2022.

Note 2: Lin, Tsai-Hsiang has been promoted from Vice President to President since April 1, 2022, and Fang, Yen-Bin has been relieved of his duties as President due to retirement since March 31, 2022.

### III. Remuneration Paid During the Most Recent Fiscal Year to Directors, President, and Vice Presidents

#### 1. Remuneration to Directors and Independent Directors

Unit: NT\$1,000

Title	Name	Remuneration						Ratio of total remuneration (A+B+C+D) to net income (%)	Relevant remuneration received by directors who are also employees						Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)	Compensation paid to directors from an investee other than the Company's subsidiaries or parent company					
		Base compensation (A)		Severance pay and pension (B)		Directors' compensation (C)			Salary, bonuses, and allowances (E)		Severance pay and pension (F)		Employee compensation (G)								
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	Cash	Stock	Cash	Stock		
Chairman	Representative of Feng Hsin Steel Co., Ltd.: Mark Lin																				
Director	Representative of Tung Ho Steel Enterprise Corp.: Liu, Ming-Tsung																				
Director	Representative of Tung Ho Steel Enterprise Corp.: Chen, Fu-Chin																				
Director	Representative of Tung Ho Steel Enterprise Corp.: Li, Wei-Bin(Noe2)																				
Director	Feng Hsin Steel Co., Ltd. Representative: Lin, Chih-Kang	-	-	-	-	7,200	7,200	195	195	1.31%	1.81%	2,219	-	-	-	783	-	-	1.84%	1.84%	None
Director	Representative of Hai Kwang Enterprise Corporation: Huang, Wei-Han																				
Director	Representative of Shyeh Sheng Fuat Steel & Iron Works Co., Ltd.: Huang, Huang-Chang																				
Director	Representative of Chien Shun Steel Co., Ltd.: Chen, Mei-Hui																				
Director	Representative of United Steel Corporation: Yeh, Shih-Cheng																				
Independent Director	Lin, Hung-Tuan	2,700	2,700	-	-	-	-	107	107	0.50%	0.50%	-	-	-	-	-	-	0.50%	0.50%	None	
Independent Director	Wu, Chuan-Chuan																				
Independent Director	Chang, Tien-Chin																				

1. Please state the policy, system, standards, and structure of the remuneration paid to independent directors, and specify the connection between the amount of remuneration paid and their responsibilities and risks assumed, time invested, and other factors. Directors' remuneration is determined based on each director's contribution to the Company's operational performance.

2. Except as disclosed in the above table, the remuneration received by the Company's directors for services rendered to all companies included in the financial statements (such as serving as a consultant in a non-employee capacity) in the most recent year: NT\$0.

Note 1: The remuneration paid to the Chairman's chauffeur in 2021 was NT\$120,000.

Note 2: Tung Ho Steel Enterprise Corp. changed its representative from Chen, Fu-Chin to Li, Wei-Bin on December 21, 2021.

### Range of remuneration

Range of remuneration paid to directors	Name of director			
	Sum of (A+B+C+D)		Sum of (A+B+C+D+E+F+G)	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Less than NT\$1,000,000	Feng Hsin Steel Co., Ltd. Representative: Mark Lin Tung Ho Steel Enterprise Corp. Representative: Liu, Ming-Tsung Tung Ho Steel Enterprise Corp. Representative: Chen, Fu-Chin Tung Ho Steel Enterprise Corp. Representative: Li, Wei-Bin Feng Hsin Steel Co., Ltd. Representative: Lin, Chih-Kang Hai Kwang Enterprise Corporation Representative: Huang, Wei-Han Shyeh Sheng Fuat Steel & Iron Works Co., Ltd. Representative: Huang, Huang-Chang Chien Shun Steel Co., Ltd. Representative: Chen, Mei-Hui United Steel Corporation Representative: Yeh, Shih-Cheng Lin, Hung-Tuan, Wu, Chuan-Chuan, Chang, Tien-Chin	Feng Hsin Steel Co., Ltd. Representative: Mark Lin Tung Ho Steel Enterprise Corp. Representative: Liu, Ming-Tsung Tung Ho Steel Enterprise Corp. Representative: Chen, Fu-Chin Tung Ho Steel Enterprise Corp. Representative: Li, Wei-Bin Feng Hsin Steel Co., Ltd. Representative: Lin, Chih-Kang Hai Kwang Enterprise Corporation Representative: Huang, Wei-Han Shyeh Sheng Fuat Steel & Iron Works Co., Ltd. Representative: Huang, Huang-Chang Chien Shun Steel Co., Ltd. Representative: Chen, Mei-Hui United Steel Corporation Representative: Yeh, Shih-Cheng Lin, Hung-Tuan, Wu, Chuan-Chuan, Chang, Tien-Chin	Tung Ho Steel Enterprise Corp. Representative: Liu, Ming-Tsung Tung Ho Steel Enterprise Corp. Representative: Chen, Fu-Chin Tung Ho Steel Enterprise Corp. Representative: Li, Wei-Bin Feng Hsin Steel Co., Ltd. Representative: Lin, Chih-Kang Hai Kwang Enterprise Corporation Representative: Huang, Wei-Han Shyeh Sheng Fuat Steel & Iron Works Co., Ltd. Representative: Huang, Huang-Chang Chien Shun Steel Co., Ltd. Representative: Chen, Mei-Hui United Steel Corporation Representative: Yeh, Shih-Cheng Lin, Hung-Tuan, Wu, Chuan-Chuan, Chang, Tien-Chin	Tung Ho Steel Enterprise Corp. Representative: Liu, Ming-Tsung Tung Ho Steel Enterprise Corp. Representative: Chen, Fu-Chin Tung Ho Steel Enterprise Corp. Representative: Li, Wei-Bin Feng Hsin Steel Co., Ltd. Representative: Lin, Chih-Kang Hai Kwang Enterprise Corporation Representative: Huang, Wei-Han Shyeh Sheng Fuat Steel & Iron Works Co., Ltd. Representative: Huang, Huang-Chang Chien Shun Steel Co., Ltd. Representative: Chen, Mei-Hui United Steel Corporation Representative: Yeh, Shih-Cheng Lin, Hung-Tuan, Wu, Chuan-Chuan, Chang, Tien-Chin
NT\$1,000,000 (inclusive)– NT\$2,000,000 (not inclusive)	None	None	None	None
NT\$2,000,000 (inclusive)– NT\$3,500,000 (not inclusive)	None	None	Feng Hsin Steel Co., Ltd. Representative: Mark Lin	Feng Hsin Steel Co., Ltd. Representative: Mark Lin
NT\$3,500,000 (inclusive)– NT\$5,000,000 (not inclusive)	None	None	None	None
NT\$5,000,000 (inclusive)– NT\$10,000,000 (not inclusive)	None	None	None	None
NT\$10,000,000 (inclusive)– NT\$15,000,000 (not inclusive)	None	None	None	None
NT\$15,000,000 (inclusive)– NT\$30,000,000 (not inclusive)	None	None	None	None
NT\$30,000,000 (inclusive)– NT\$50,000,000 (not inclusive)	None	None	None	None
NT\$50,000,000 (inclusive)– NT\$100,000,000 (not inclusive)	None	None	None	None
NT\$100,000,000 or more	None	None	None	None
Total	12 people in total	12 people in total	12 people in total	12 people in total

## 2. Remuneration to the President and Vice Presidents

Unit: NT\$1,000

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances (C)		Employee compensation (D)				Ratio of total remuneration (A+B+C+D) to net income (%)	Compensation paid to directors from an investee other than the Company's subsidiaries or parent company		
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company		All companies in the consolidated financial statements					
								Cash	Stock	Cash	Stock				
Chief Executive Officer	Mark Lin	5,869	6,889	203	203	757	757	6,918	-	6,918	-	2.43	2.61		
General Manager	Fang, Yen-Bin														
Vice General Manager	Lin, Tsai-Hsiang														

Note: The remuneration paid to the CEO's chauffeur in 2021 was NT\$120,000.

### Range of remuneration

Range of remuneration paid to the president and vice presidents	Name of president and vice presidents	
	The Company	All companies in the consolidated financial statements
Less than NT\$1,000,000	-	-
NT\$1,000,000 (inclusive)– NT\$2,000,000 (not inclusive)	-	-
NT\$2,000,000 (inclusive)– NT\$3,500,000 (not inclusive)	Mark Lin and Lin, Tsai-Hsiang	Mark Lin and Lin, Tsai-Hsiang
NT\$3,500,000 (inclusive)– NT\$5,000,000 (not inclusive)	-	-
NT\$5,000,000 (inclusive)– NT\$10,000,000 (not inclusive)	Fang, Yen-Bin	Fang, Yen-Bin
NT\$10,000,000 (inclusive)– NT\$15,000,000 (not inclusive)	-	-
NT\$15,000,000 (inclusive)– NT\$30,000,000 (not inclusive)	-	-
NT\$30,000,000 (inclusive)– NT\$50,000,000 (not inclusive)	-	-
NT\$50,000,000 (inclusive)– NT\$100,000,000 (not inclusive)	-	-
NT\$100,000,000 or more	-	-
Total	3 people in total	3 people in total

### 3. Remuneration to Managers

Unit: NT\$1,000

	Title	Name	Stock	Cash	Total	Ratio of total amount to net income (%)
Managerial Officer	Chief Executive Officer	Mark Lin	-	12,951	12,951	2.29
	General Manager	Fang, Yen-Bin				
	Vice General Manager	Lin, Tsai-Hsiang				
	Factory Manager of Production Department	Yang, Ming-Chu				
	Manager of Sales Department No. 1	Fu, Fang-Li				
	Head of Maintenance Department	Yu, Ching-Nan				
	Manager of Procurement Department	Chang, Chih-Yang				
	Head of Audit Department	Chao, Yu-Chiao				
	Manager of Administration Department	Lin, Kun-Chieh				
	Section Chief of Information Management Department	Chang, Che-Chia				

4. Separate comparisons and descriptions of total remuneration, as a percentage of net income stated in the parent company-only financial reports or individual financial reports, as paid by the company and all other companies included in the consolidated financial statements during the past 2 fiscal years to directors, the President, and Vice Presidents, with analysis and description of remuneration policies, standards, and packages, procedure for determining remuneration, and linkage thereof to operational performance and future risk exposure

Item	Year	2021		2020	
		The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Director		2.34%	2.34%	3.27%	3.27%
CEO, General Manager, and Vice General Managers		2.43%	2.61%	3.33%	3.58%

The remuneration to the Company's directors is clearly stipulated in the Company's Articles of Incorporation, and is determined based on the extent of their participation in the Company's operations and the value of their contributions, as well as the usual industry standards at home and abroad. The remuneration to the CEO, General Manager, and Vice General Managers includes salaries, bonuses, and employee compensation, and is determined based on their positions held, the responsibilities assumed, and their contribution to the Company while with reference to the usual industry standards. The procedures for determining such remuneration are also formulated in accordance with the Company's Articles of Incorporation and the approval authority. The remuneration paid by the Company to directors, the CEO, General Manager, and Vice General Managers has also had the Company's future operational risks and the positive correlation between such remuneration and the operational performance considered, which has also been submitted to the Remuneration Committee for approval, thereby achieving a balance between sustainable operation and risk control.

## IV. Implementation of Corporate Governance

### 1. Operation of the Board of Directors

In the most recent year (2021), the Board of Directors had held 5 meetings (A), and the directors' attendance is as follows:

Title	Name		Attendance in person B	By proxy	Attendance rate (%) [B/A]	Remark
Chairman	Representative of Feng Hsin Steel Co., Ltd.	Mark Lin	5	-	100	
Director	Representative of Tung Ho Steel Enterprise Corp.	Liu, Ming-Tsung	4	-	80	
Director	Representative of Tung Ho Steel Enterprise Corp.	Chen, Fu-Chin	5	-	100	
Director	Representative of Tung Ho Steel Enterprise Corp.	Li, Wei-Bin	-	-	-	2021/12/21 New appointment
Director	Representative of Feng Hsin Steel Co., Ltd.	Lin, Chih-Kang	5	-	100	
Director	Representative of Hai Kwang Enterprise Corporation	Huang, Wei-Han	3	-	60	
Director	Representative of Shyeh Sheng Fuat Steel & Iron Works Co., Ltd.	Huang, Huang-Chang	4	-	80	
Director	Representative of Chien Shun Steel Co., Ltd.	Chen, Mei-Hui	5	-	100	
Director	Representative of United Steel Corporation	Yeh, Shih-Cheng	5	-	100	
Independent Director	Lin, Hung-Tuan		4	-	80	
Independent Director	Wu, Chuan-Chuan		5	-	100	
Independent Director	Chang, Tien-Chin		5	-	100	

Other matters:

- I. With regard to the operations of the Board of Directors, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:
  - (I) Matters referred to in Article 14-3 of the Securities and Exchange Act: The Company has established an Audit Committee, in accordance with the provisions of Article 14-5 of the Securities Exchange Act, so the provisions of Article 14-3 of the Securities Exchange Act do not apply.
  - (II) Any recorded or written Board resolutions to which independent directors have objections or reservations to be noted in addition to the above: None.
- II. Regarding recusals of directors from voting due to conflicts of interests, the names of the directors, contents of motions, reasons for recusal, and results of voting shall be specified:

Date of board meeting	Session/Term	Name of director	Content of motion	Reasons for recusal	Participation in voting
2021.01.29	10 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors	Mark Lin	Discussion on compensation for employees and managers	As a party involved in the motion	Except for the recusal of the director with a conflict of interest, the remaining directors present passed the motion as it was without objection.

2021.04.22	12 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors	Mark Lin	Release of managerial officers from non-compete agreements	Father-son relationship with Vice President Lin, Tsai-Hsiang	Except for the recusal of directors with a conflict of interest, the remaining directors present passed the resolution without objection.
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III. A publicly listed company shall disclose the cycle and period, scope, method, and content of the self-evaluation (or peer evaluation) of the Board of Directors:

Implementation of performance evaluation of the Board of Directors				
Cycle	Period	Scope	Method	Content
Once a year	The performance of the Board of Directors and functional committees from January 1, 2021 to December 31, 2021.	The performance of the Board of Directors, functional committees, and individual directors.	Internal self-evaluation of the Board of Directors and directors' self-evaluation.	<p>(1) Board performance evaluation: It includes the degree of participation in the Company's operations, the quality of the Board's decisions, the composition and the structure of the Board, the selection and continuing education of directors, and internal control.</p> <p>(2) Performance evaluation of individual directors: It includes perception of the Company's goals and missions, awareness of directors' responsibilities, the degree of participation in the Company's operations, internal relationship management and communication, directors' professional and continuing education, and internal control.</p> <p>(3) Functional committee performance evaluation: The degree of participation in the Company's operations, awareness of the functional committees' responsibilities, the decision-making quality of the functional committees, the composition of the functional committees, the selection of members, and internal control.</p>

IV. The goals of strengthening the functions of the Board of Directors in the year and the most recent year (such as setting up an audit committee or enhancing information transparency), and evaluation of the implementation:

1. The Company adopts a candidate nomination system for directors and independent directors, have re-elected such directors comprehensively on May 29, 2019 with the term of office from May 29, 2019 to May 28, 2022.
2. The Company's extraordinary shareholders' meeting resolved a decision to establish an audit committee and to abolish the system of supervisors on September 22, 2016
3. To strengthen the management mechanism and improve the supervisory function, the Board of Directors has established two functional committees: the Remuneration Committee and the Audit Committee, which convene meetings in accordance with the committee charters adopted by the Board of Directors to review and discuss relevant issues. They submit their conclusions and suggestions to the Board of Directors for resolution, and the operations are effective. The committee charters adopted by the Board of Directors cover the number of committee members, term of office, powers and responsibilities, rules of meeting procedures, and resources that the Company shall provide when executing duties.
4. The Company formulated, with the approval from the Board of Directors, the Rules of the Performance Evaluation of the Board of Directors. Performance evaluation of the Board of Directors and functional committees are conducted at the beginning of each year. According to the assessment on the 2021 performance, only some directors failed to hit targets in terms of meeting attendances in the self-assessment questionnaires for board members. The results of all the other self-assessment questionnaires were normal. The overall attendance rate of the board reached the average of at least 80% criterion during the year of corporate governance assessments.
5. Please refer to the sections dedicated to "Investors", "Shareholder Services", and "Corporate

<p>Governance" on the Company's website (<a href="http://www.tsutw.com.tw">http://www.tsutw.com.tw</a>) for more information on the Company's corporate governance.</p> <p>6. The Company's Board of Directors adopted a resolution to engage a corporate governance officer on February 23, 2021 to manage the corporate governance business comprehensively and provide the support required by the Board.</p> <p>V. Succession planning for Board members and critical management personnel:</p> <ol style="list-style-type: none"> <li>1. Succession planning for Board members: Regarding the succession planning of the Board of Directors, the Company's directors are appointed by institutional shareholders, who designates personnel with relevant abilities in business, financial accounting, or corporate governance. As independent directors shall have work experience required for the fields of business, legal affairs, finance, accounting, or the Company's business in accordance with the law, they are selected by professionals from the domestic academic circle and the domestic industry.</li> <li>2. Succession planning for management personnel: The Company regularly reviews and selects a list of employees with potential at all levels, and offers internal/external training programs on professional skills, management skills, communication skills, or job rotation.</li> </ol>					
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## 2. Operation of the Audit Committee

In the most recent year (2021), the Audit Committee had held 5 meetings (A), and the independent directors' attendance is as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Remark
Independent Director	Lin, Hung-Tuan	5	0	100	-
Independent Director	Wu, Chuan-Chuan	5	0	100	-
Independent Director	Chang, Tien-Chin	5	0	100	-

Other matters:

### I. Main focus of annual work of the Audit Committee:

The committee is composed of three independent directors with the main focus of the annual work to assist the Board in supervising the Company's fair expression of relevant financial statements; the selection (dismissal), independence, and performance of CPAs; the effective implementation of the Company's internal control system; compliance with the Company's relevant laws and regulations (such as internal control system, acquisition or disposition of assets, derivative trading, loans to others, endorsements/guarantees provided to others); management and control of the Company's existing or potential risks, and to execute other duties as required by law (appointment and dismissal of chief financial officer or chief internal auditor supervisor).

### II. If any of the following circumstances occur to the Audit Committee during its operations, it shall state the date and period of the Audit Committee meeting, the content of the motion, the content of the objections, reservations or material recommendations of the independent directors, the results of the Audit Committee's resolutions and the Company's handling of the Audit Committee's opinions.:

#### (I) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Date of Audit Committee meeting	Content of motion	Audit Committee's resolution results, and the Company's handling of such opinions	Resolution results of the Board of Directors
7 <sup>th</sup> meeting of 2 <sup>nd</sup> term on 2021.01.28	Internal audit report by the chief internal auditor Proposal for capital increase for the subsidiary Taiwan Steel Resources Co., Ltd. Proposal for appointment of Yen, Hsiao-Fang and Chiang, Shu-Ching, CPAs at Deloitte & Touche, to audit the 2021 financial statements and tax reports and their professional audit fees Adjustment to the Company's Rules of Procedures for Shareholders' Meetings Amendment to the Company's Financial Statement Preparation Process Management Regulations Amendment to the Company's Information System Processing System	Submitted to the Board of Directors with the consent of all members present	Approved by all the directors present at the 10 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on January 29, 2021

Date of Audit Committee meeting	Content of motion	Audit Committee's resolution results, and the Company's handling of such opinions	Resolution results of the Board of Directors
8 <sup>th</sup> meeting of 2 <sup>nd</sup> term on 2021.02.22	Discussions on the Company's 2020 financial statements and business report	Submitted to the Board of Directors with the consent of all members present	Approved by all the directors present at the 11 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on February 23, 2021
	Submitted a proposal for issue of the Company's 2020 statement on the internal control system		
	Adjustment to the Company's Rules of Procedures for Shareholders' Meetings		
9 <sup>th</sup> meeting of 2 <sup>nd</sup> term on 2021.04.21	Internal audit report by the chief internal auditor	Submitted to the Board of Directors with the consent of all members present	Approved by all the directors present at the 12 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on April 22, 2021
	Report on preparation of consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the first quarter of 2021.		
10 <sup>th</sup> meeting of 2 <sup>nd</sup> term on 2021.7.23	Internal audit report by the chief internal auditor	Submitted to the Board of Directors with the consent of all members present	Approved by all the directors present at the 13 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on July 26, 2021
	Report on preparation of consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the second quarter of 2021.		
11 <sup>th</sup> meeting of 2 <sup>nd</sup> term on 2021.10.21	Report on preparation of consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the third quarter of 2021.	Submitted to the Board of Directors with the consent of all members present	Approved by all the directors present at the 14 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on October 25, 2021
	Report on the Company's FY2022 annual audit plan		
	Report on the change of attesting CPAs		
	Proposed application for endorsement and guarantee of short-term financing for the Company's subsidiary Taiwan Steel Resources, Co., Ltd.		
	Retroactive recognition of the approval for the release of the Company's managerial officers from non-compete agreements.		

Note: The independent directors have no objections, reservations or significant recommendations on the above proposals.

(II) Except for the above matters, other matters that have not been approved by the Audit Committee and approved by more than two-thirds of all directors: None.

II. Regarding recusals of directors from voting due to conflicts of interests, the names of the independent directors, contents of motions, reasons for recusal, and results of voting shall be specified: None.

III. Communications between the independent directors, the Company's chief internal auditor, and CPAs (shall include the material matters, methods, and results of communication on the Company's financial and business status).

1. In the quarterly Audit Committee meetings, independent directors listen to the chief internal auditor's report on the findings and deficiencies in the internal audits and improvements in the previous quarter, and provide opinions and instructions.
2. Independent directors may investigate the Company's business and financial status at any time, inspect documents, and request managers to submit a report. If they have any doubt, they can communicate with the heads of relevant units for review and improvement.
3. Independent directors and CPAs communicate and discuss issues regularly, such as issues communicated between the Company's corporate governance unit and the management, in the Audit Committee meetings every year

3. Corporate Governance Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Does the Company establish and disclose its Corporate Governance Best-Practice Principles based on the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established the Corporate Governance Best-Practice Principles as approved by the Board of Directors on August 16, 2016, and approved the fourth version of said principles on April 22, 2020 in accordance with the amended Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies in the Taiwan Stock Exchange Official Letter Tai-Zheng-Ji-Li No. 1090002299 dated February 13, 2020. The fourth version is also disclosed under "Corporate Governance" on MOPS.	No difference.
II. Shareholding structure & shareholders' rights (I) Has the Company established internal operating procedures to deal with shareholders' suggestions, doubts, disputes and litigations, and does the Company implement the procedures in accordance with the procedure?	✓		The Company has set up the Procedures for Processing Internal Material Information, and has engaged a spokesperson and a deputy spokesperson to respond to shareholders' suggestions, doubts, disputes, litigation, and other relevant matters, and appoint a stock affairs agency to handle relevant business.	No difference.
(II) Does the Company possess a list of its major shareholders with controlling power as well as the ultimate owners of those major shareholders?	✓		The Company keeps abreast of the list of directors, managers, and major shareholders holding more than 10% of our shares, and files a report on changes in their shareholdings as scheduled every month.	No difference.
(III) Has the Company established, and	✓		The Company has formulated the Regulations on Relevant Financial	No difference.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
does it execute, a risk management and firewall system within its affiliated companies?			Operations between Affiliated Enterprises and implemented them in accordance with the relevant regulations, to manage the risk control between the affiliated companies.	
(IV) Has the Company established internal rules against insiders using undisclosed information to trade with?	✓		The Company has formulated the Insider Trading Prevention Management Regulations and the Code of Ethical Conduct to regulate the use of undisclosed information on the market by the Company's insiders to buy and sell securities.	No difference.
III. Composition and responsibilities of the Board of Directors  (I) Has the Board of Directors set a diversity policy, specific management objectives and implementation plans?	✓		According to the Corporate Governance Best Practice Principles approved by the Company's Board of Directors, in addition to considering the Company's business models, future development needs, and major shareholders' shareholdings, the Company shall evaluate various aspects of diversity of Board members.  The Company's current Board of Directors is composed of eight institutional directors and three independent directors with professional backgrounds, professional skills, and industry experience. The institutional directors all appoint representatives with sufficient expertise to participate in the Company's Board meetings. The Company has disclosed information on individual directors on the Company's website - Diversity of the Board of Directors, and the relevant information is available in the "Information on Directors" in the annual report.	No difference.
(II) In addition to the legally-required Remuneration Committee and Audit		✓	The Company has established the Remuneration Committee and the Audit Committee since 2016. And voluntarily set up the	No difference.

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof														
	Yes	No	Description															
Committee, has the Company voluntarily established other functional committees?			Sustanability committee on January 21, 2022.															
(III) Has the Company established standards to measure the performance of the Board, and does the Company implement such annually? And does the Company report the results of the performance evaluation to the Board, and use them as a reference for individual directors' remuneration and nomination for re-election?	✓		The Company has formulated the Rules of the Performance Evaluation of the Board of Directors on February 23, 2017, which has been approved by the Board of Directors. The 2021 performance evaluation of the Board of Directors was conducted at the beginning of 2022. Only some directors failed to hit targets in terms of meeting attendances in the self-assessment questionnaires for board members. The results of all the other self-assessment questionnaires were normal. The overall attendance rate of the board reached the average of at least 80% criterion during the year of corporate governance assessments. The result was reported to the Board of Directors on February 24, 2022, as a reference for the remuneration and nomination of individual directors for re-election.	No difference.														
(IV) Does the Company regularly evaluate the independence of the CPAs?	✓		<p>The Company's Audit Committee and Board of Directors evaluate the independence and competence of CPAs, complete the CPA Independence Assessment Form, and obtain the Statement on Independence regularly every year in accordance with the Company's Corporate Governance Best Practice Principles. The evaluation results this year are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Evaluation item</th> <th colspan="2">Evaluation results</th> <th rowspan="2">Independence</th> </tr> <tr> <th>Yes</th> <th>No</th> </tr> </thead> <tbody> <tr> <td>1. Obtained the Statement on Independence.</td> <td>✓</td> <td></td> <td>Yes</td> </tr> <tr> <td>2. The CPA has not been replaced for seven</td> <td>✓</td> <td></td> <td>Yes</td> </tr> </tbody> </table>	Evaluation item	Evaluation results		Independence	Yes	No	1. Obtained the Statement on Independence.	✓		Yes	2. The CPA has not been replaced for seven	✓		Yes	No difference.
Evaluation item	Evaluation results		Independence															
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1. Obtained the Statement on Independence.	✓		Yes															
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Evaluation item	Implementation status				Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof																
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			<p>consecutive years.</p> <table border="1"> <tr> <td>3. Does not serve as a director, supervisor, or manager at the Company.</td> <td>√</td> <td></td> <td>Yes</td> </tr> <tr> <td>4. Is not a shareholder of the Company, and does not receive salary from the company.</td> <td>√</td> <td></td> <td>Yes</td> </tr> <tr> <td>5. Deloitte &amp; Touche is not an affiliate of the Company.</td> <td>√</td> <td></td> <td>Yes</td> </tr> <tr> <td>6. The CPA does not provide non-audit services that may affect his/her independence.</td> <td>√</td> <td></td> <td>Yes</td> </tr> </table>	3. Does not serve as a director, supervisor, or manager at the Company.	√		Yes	4. Is not a shareholder of the Company, and does not receive salary from the company.	√		Yes	5. Deloitte & Touche is not an affiliate of the Company.	√		Yes	6. The CPA does not provide non-audit services that may affect his/her independence.	√		Yes	According to the evaluation, both Wu, Shao-Chun and Chiang, Shu-Ching, CPAs at Deloitte & Touche, have met the above-mentioned independence criteria and are qualified to serve as the CPAs for the Company. Thus, on February 23, 2022, the appointment of the CPAs was approved at the 13 <sup>th</sup> meeting of the 2 <sup>nd</sup> Audit Committee, and was submitted to the 16 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on February 24, 2022.	
3. Does not serve as a director, supervisor, or manager at the Company.	√		Yes																		
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5. Deloitte & Touche is not an affiliate of the Company.	√		Yes																		
6. The CPA does not provide non-audit services that may affect his/her independence.	√		Yes																		
IV. Has the Company appointed a appropriate number of suitable corporate governance personnel, and designated a corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing information to directors and supervisors to perform their functions, handling matters related to Board meetings and shareholders' meetings according to the law, and producing minutes of the Board meetings	✓			In 2021, the Company designated the Administration Department and its personnel to be in charge of corporate governance. In addition, Manager Lin, Kun-Chieh in the Administration Department was approved at the 11 <sup>th</sup> meeting of the 9 <sup>th</sup> Board of Directors on February 23, 2021 to serve as the Company's corporate governance officer concurrently to protect shareholders' rights and interest, and to strengthen the functions of the Board of Directors. Manager Lin, Kun-Chieh has the qualifications of a CPA and has been in charge of the Company's affairs related to finance, stock affairs, and corporate governance for at least three years. The corporate governance officer's main responsibilities are: (1) handling company registration	No difference.																

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
and shareholders' meetings)?			<p>and change registration; (2) handling matters related to the Board meetings and shareholders' meetings in accordance with the law, and assisting the Company in complying with relevant laws and regulations on the Board meetings and shareholders' meetings; (3) producing minutes of the Board meetings and shareholders' meetings; (4) providing information required for directors to perform their duties, and the latest developments in laws and regulations related to the Company to assist directors in complying with laws and regulations; (5) handling matters related to investor relations.</p> <p>The business execution in 2021 is as follows:</p> <ol style="list-style-type: none"> <li>1. Assisted independent directors and directors in performing their duties, provided them with necessary information, and arranged continuing education for directors:             <ol style="list-style-type: none"> <li>(1). Provided necessary company information to directors, and maintained smooth communication and exchange with directors and business executives.</li> <li>(2). Assisted independent directors in arranging relevant meetings when they needed to have a meeting with chief internal auditor or CPAs to understand the Company's financial business in accordance with the Corporate Governance Best Practice Principles.</li> <li>(3). Please refer to "2021 Directors' Continuing Education" of this annual report for information on at least 6 credits of continuing education courses taken by Board members every year.</li> </ol> </li> </ol>	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof										
	Yes	No	Description											
			<p>(4). Evaluated the purchase of appropriate directors' liability insurance.</p> <p>2. Assisted with the procedures of the Board meetings and shareholders' meetings and legal compliance related to resolutions.</p> <p>3. Set the agenda of the Board meetings and notified the directors seven days in advance, convened such meetings and provide directors with meeting materials, and reminded them in advance if any motions require recusal, and completed the meeting minutes within 20 days after such meetings.</p> <p>4. Handled the pre-registration of the date of the shareholders' meeting in accordance with the law, prepared the meeting notice, the meeting handbook, and meeting procedure prior to the legal deadline, and handled change registration for any amendments to the Articles of Incorporation or the re-election of directors.</p> <p>2021 Corporate Governance Officer Continuing Education:</p> <table border="1"> <thead> <tr> <th>Index</th> <th>Educational Institution</th> <th>Class Title</th> <th>Period</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Taiwan Corporate Governance Association</td> <td>How does the Company implement energy saving and carbon reduction measures to enhance company profitability</td> <td>2021/04/22</td> <td>3</td> </tr> </tbody> </table>	Index	Educational Institution	Class Title	Period	Hours	1	Taiwan Corporate Governance Association	How does the Company implement energy saving and carbon reduction measures to enhance company profitability	2021/04/22	3	
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Evaluation item	Implementation status						Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof		
	Yes	No	Description						
V. Has the Company established communication channels and built a dedicated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	✓		2	Securities and Futures Institute	2021 Insider Trading Prevention Awareness Event	2021/11/09	3		
			3	Accounting Research and Development Foundation	Leveraging ESG to Enhance Corporate Strategy and Respond to Sustainable Financial Trends	2021/12/14	6		
			4		How Can Internal Auditors Address Common Deficiencies in the Preparation of IFRS Financial Reports	2021/12/22	6		
V. Has the Company established communication channels and built a dedicated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers) to respond to material corporate social responsibility issues in a proper manner?	✓		The Company has set up sections dedicated to "Investors" and "Corporate Social Responsibility" on the official website with a detailed description of our efforts in governance, environment, and society. In addition, we have engaged a spokesperson and disclosed contact information of various business-related units on the Company's official website, allowing stakeholders to contact corresponding contact points based on different business activities while we can respond to various issues, including corporate social responsibility, appropriately. The relevant information is as follows:						No difference.

Evaluation item	Implementation status					Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof																																													
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VI. Has the Company appointed a professional shareholder service agency to deal with			<table border="1"> <thead> <tr> <th>Item Category</th> <th>Issue of concern</th> <th>Contact point</th> <th>Communication channel</th> <th>Communication frequency</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Shareholders</td><td rowspan="4">Business overview and operational performance</td><td rowspan="4">Administration Department Manager Lin #200</td><td>Spokesperson and deputy spokesperson system</td><td>Ongoing</td></tr> <tr> <td>"Shareholder Services" on the Company's official website</td><td>Ongoing</td></tr> <tr> <td>Shareholders' meetings</td><td>Once a year</td></tr> <tr> <td>Investor conference</td><td>Once a year</td></tr> <tr> <td rowspan="4">Customers</td><td rowspan="4">Customers' ideas and opinions</td><td rowspan="4">           Sales Department No. 1 (Zinc oxide sales, EAF dust, zinc-containing resources, waste filtration bags)            Manager Fu #800            Sales Department No. 2 (Incineration fly ash, electroplating sludge, SRF, calorific resources, contaminated soil )            Manager Chen #880         </td><td>Customer satisfaction survey</td><td>Once a year</td></tr> <tr> <td>Telephone calls from time to time</td><td>Ongoing</td></tr> <tr> <td>Emails from time to time</td><td>Ongoing</td></tr> <tr> <td>Dedicated contact points</td><td>Ongoing</td></tr> <tr> <td rowspan="4">Employees</td><td rowspan="4">Employees' opinions and satisfaction</td><td rowspan="4">Manager Lin at the Administration Department #200</td><td>Remuneration Committee meetings</td><td>Twice a year</td></tr> <tr> <td>Employees' Welfare Committee meetings</td><td>Once a quarter</td></tr> <tr> <td>Labor-management meetings</td><td>Once a quarter</td></tr> <tr> <td>Employee feedback mailbox</td><td>Ongoing</td></tr> <tr> <td rowspan="3">Suppliers</td><td rowspan="3">Supplier availability</td><td rowspan="3">Manager Chang at the Procurement Department #300</td><td>Grievance mailbox</td><td>Ongoing</td></tr> <tr> <td>Training &amp; education</td><td>Ongoing</td></tr> <tr> <td>Supplier survey</td><td>Ongoing</td></tr> </tbody> </table>	Item Category	Issue of concern	Contact point	Communication channel	Communication frequency	Shareholders	Business overview and operational performance	Administration Department Manager Lin #200	Spokesperson and deputy spokesperson system	Ongoing	"Shareholder Services" on the Company's official website	Ongoing	Shareholders' meetings	Once a year	Investor conference	Once a year	Customers	Customers' ideas and opinions	Sales Department No. 1 (Zinc oxide sales, EAF dust, zinc-containing resources, waste filtration bags) Manager Fu #800 Sales Department No. 2 (Incineration fly ash, electroplating sludge, SRF, calorific resources, contaminated soil ) Manager Chen #880	Customer satisfaction survey	Once a year	Telephone calls from time to time	Ongoing	Emails from time to time	Ongoing	Dedicated contact points	Ongoing	Employees	Employees' opinions and satisfaction	Manager Lin at the Administration Department #200	Remuneration Committee meetings	Twice a year	Employees' Welfare Committee meetings	Once a quarter	Labor-management meetings	Once a quarter	Employee feedback mailbox	Ongoing	Suppliers	Supplier availability	Manager Chang at the Procurement Department #300	Grievance mailbox	Ongoing	Training & education	Ongoing	Supplier survey	Ongoing	No difference.
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Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
shareholder affairs?				
VII. Information disclosure				
(I) Does the Company have a website to disclose both the Company's financial standing and corporate governance status?	✓		The Company has set up a website to disclose the scope of our business and business-related information, and has set up a section dedicated to Investors.	No difference.
(II) Does the Company have other information disclosure channels (e.g., setting up an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, and webcasting investor conferences)?	✓		The Company has designated dedicated personnel responsible for the collection and disclosure of the Company's information, and has engaged a spokespersons and a deputy spokesperson. We also disclose the information on our financial business to shareholders and investors on MOPS while implementing the spokesperson system.	No difference.
(III) Has the Company announced and filed its annual financial report within two months after the end of a fiscal year, and announced and filed the financial reports for the first, second, and third quarters and a report on the operational situation of each month prior to a specified deadline?	✓		We have uploaded the Company's 2021 financial report to MOPS on February 24, 2022. We have also announced and filed our financial reports for the first, second, and third quarters and report on the operational situation of each month in advance before the specified deadline.	No difference.
VIII. Is there any other important information to facilitate better understanding of the Company's corporate governance practices	✓		(1) Employee rights and employee wellness The Company has set up sound and complete systems, including a pension system and an Employees' Welfare Committee system;	No difference.

Evaluation item			Implementation status	Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No		
(including but not limited to employee rights, employee wellness, investor relations, supplier relations, stakeholder rights, directors' and supervisors' training records, implementation of risk management policies and risk evaluation measures, implementation of customer policies, and purchase of liability insurance for directors and supervisors)?			<p>our employees are entitled to labor and health insurance, group insurance for accidents, medical insurance, and bonuses for three major holidays in Taiwan; irregular employee gatherings, hospitalization allowances, parking spaces, and regular employee health examination and on-the-job training from time to time every year. In addition, we manage to learn about employees' opinions through labor-management meetings and employee suggestion mailboxes to ensure a harmonious labor-management relationship.</p> <p>(2) Investor relations: The Company discloses information on MOPS honestly according to laws and regulations to protect our investors' rights and interest. Email for investors and the contact information of the spokesperson are available on the Company's website to maintain a healthy and harmonious relationship between the Company and shareholders.</p> <p>(3) Supplier relations We have maintained a positive collaborative relationship with our suppliers, and worked with at least two suppliers for the same material; as such, we can respond quickly to maintain the stability of the delivery in the case of abnormal quality. The Company's material procurement is conducted through bidding, and the principle of winning the bid is the lowest price. The change in suppliers is because of changes in market supply and demand that influence the increase or decrease of the purchase</p>	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			<p>amount.</p> <p>(4) Directors' continuing education In accordance with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies, we invite relevant units to offer courses on corporate governance, finance, and law occasionally for directors to continue their education, and assist them to sign up for relevant courses as appropriate.</p> <p>(5) Implementation of the risk management policy and the risk measurement standards We have identified our risk factors based on the operational goals, and formulated corresponding internal control procedures, and implements them to alleviate the risk impact. Please refer to "Risk Analysis" of this annual report for other details.</p> <p>(6) Implementation of the customer policy To ensure that customer complaints are responded to, and to prevent the recurrence of customer complaints while understanding customers' satisfaction with our services, the Company conducts a satisfaction survey at the end of each year, and discusses improvement suggestions internally to make improvements accordingly.</p> <p>(7) Purchase of liability insurance for directors The Company has purchased liability insurance for our directors, and submitted a report on the important contents, such as the insured amount, coverage, and contribution rates, to the Board of</p>	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			Directors.	
IX. Please explain the improvements made in accordance with the Corporate Governance Evaluation results released by the Taiwan Stock Exchange's Corporate Governance Center, and provide the priorities and plans for improvement with items yet to be improved: The Company will prioritize the disclosure of information in English, such as the uploading of English-language annual reports, in response to the results of the corporate governance evaluation.				

#### 4. Composition and Operation of the Remuneration Committee

To improve the salary and remuneration system for directors and managers, the Board of Directors resolved a decision to formulate the Remuneration Committee Charter and to establish the Remuneration Committee in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange on August 4, 2016. The number of members of this committee is three, and should include at least one independent director, all of whom are appointed by a resolution of the Board of Directors.

##### (1) Professional Qualifications and Independence Analysis of Remuneration Committee Members

Qualifications		Professional Qualifications and Experience	Independency	Number of other public companies where the individual concurrently serves as a remuneration committee member
Title	Name			
Independent Director (Convene)	Chang, Tien-Chin			
Independent Director	Lin, Hung-Tuan	Please refer to "Disclosure of Professional Qualifications of Directors and Independence of Independent Directors" on page 27.		
Independent Director	Wu, Chuan-Chuan			

(2) Operation of the Remuneration Committee

- A. There are three members of the Company's Remuneration Committee.
- B. The term of office of the current term is from May 29, 2019 through May 28, 2022. In the most recent year (2021), the Remuneration Committee had held three meetings(A), and the qualifications and the attendance of the members are as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Remark
Convener	Chang, Tien-Chin	3	0	100	-
Member	Wu, Chuan-Chuan	3	0	100	-
Member	Lin, Hung-Tuan	3	0	100	-

Other matters:

- I. If the Board of Directors refuses to adopt or amend a suggestion of the Remuneration Committee, the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (e.g., if the remuneration passed by the Board of Directors exceeds the suggestion of the Remuneration Committee, the circumstances and cause for the difference shall be specified) shall be specified: None.
- II. If there were resolutions of the Remuneration Committee to which members objected or expressed reservations, and for which there is a record or declaration in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion shall be specified: None.
- III. The function of the Company's Remuneration Committee is to evaluate the salary and remuneration policy and system of our directors and managers from a professional and objective perspective, and to make suggestions to the Board of Directors as a reference for decision-making. The powers and responsibilities of the Company's Remuneration Committee include:
  - (1). Review the Company's remuneration policy and propose amendments regularly.
  - (2). Formulate and review the Company's performance evaluation standards for directors and managers, annual and long-term performance targets, as well as policy, system, standards, and structure of remuneration regularly.
  - (3). Evaluate the achieving of the performance targets of the Company's directors and managers regularly, and determine the content and amount of their individual remuneration based on the evaluation results on the basis of the performance evaluation standards.
- IV. The Remuneration Committee's motions, resolution results, and the Company's handling of such opinions in the most recent year:

Date of the Remuneration Committee meeting	Content of motion	Resolution results	The Company's handling of the Remuneration Committee's opinions
6 <sup>th</sup> meeting of 3 <sup>rd</sup> term on 2021.01.28	Discussion on the distribution of remuneration to directors for 2020 Review of the employee compensation for managers for 2020	Passed by all members of the committee	Submitted to the Board of Directors and approved by all the directors present
7 <sup>th</sup> meeting of 3 <sup>rd</sup> term on 2021.02.22	Proposal for the corporate governance officer's salary		
8 <sup>th</sup> meeting of 3 <sup>rd</sup> term on 2021.04.21	Proposal for the Company's personnel change		

## 5. Sustainable Development Implementation Status and Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation item	Implementation status			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies						
	Yes	No	Description							
I. Has the Company established a governance structure to promote sustainable development and set up a dedicated (part-time) unit for implementation of sustainable development measures, which is authorized by the board of directors to be carried out by senior management, and supervised by the Board of Directors?	✓		<p>At the 15th board meeting of the 9th session on January 21, 2022, the Company approved the establishment of the "Sustainable Development Committee", which is fully composed of independent directors and consists of two functional groups, Corporate Sustainable Development and Sustainable Governance, under the responsibility of the Environmental Safety Division and the Management Division respectively. Through oversight by senior executives with expertise in different fields to review the company's core operational capabilities, the Company seeks to develop medium- and long-term sustainability plans.</p> <p>The "Sustainable Development Committee" serves as a cross-departmental communication platform that integrates vertically and links horizontally to identify sustainability issues of concern to the Company's operations and stakeholders, formulates corresponding strategies and directions, plans and implements annual programs, and tracks the effectiveness of implementation to ensure that sustainability strategies are fully implemented in the Company's daily operations.</p> <p>The "Sustainable Development Committee" reports semi-annually to the Board of Directors on the results of sustainability implementation and future work plans. Recent reports to the Board of Directors have focused on identifying sustainability issues that require attention and formulating action plans to address them.</p> <p>The Board of Directors receives regular reports from the senior management team, and the management shall propose corporate strategies to the Board. The Board must evaluate the likelihood of success of these strategies and frequently reviews the progress of the strategies, while urging the management team to make adjustments when necessary.</p>	No difference.						
II. Has the Company established a governance structure to promote sustainable development and conducted risk assessments on environmental, social and corporate governance (ESG) issues related to the Company's operations in accordance with the principle of materiality, and formulated relevant risk management policies or strategies?	✓		<p>This disclosure information covers the performance of the Company's sustainable development in its major business operations from January 2021 to December 2021. The risk assessment boundary is based on the Company and includes the subsidiary Taiwan Steel Resources Co., Ltd. based on its relevance to its operations and the extent of its impact on major topics.</p> <p>The Sustainable Development Committee conducts analysis based on the materiality principle of the Company's sustainability report, communicates with internal and external stakeholders, and evaluates ESG issues of materiality by integrating assessment information from various departments and subsidiaries, and formulates risk management policies and takes specific action plans to effectively identify, measure, evaluate, monitor and control these issues in order to reduce the impact of related risks. Based on the evaluated risks, the relevant risk management policies or strategies are formulated as follows.</p> <table border="1"> <thead> <tr> <th>Material issue</th> <th>Risk assessment item</th> <th>Risk management policy or strategy</th> </tr> </thead> <tbody> <tr> <td>Environmental</td> <td>Climate strategy</td> <td> <ol style="list-style-type: none"> <li>Formulating greenhouse gas management policies, conducting climate change risk assessment, and implementing action plans under the TCFD framework.</li> <li>Disclosing key performance indicators in the corporate social responsibility report, and tracking and reviewing the progress of each target regularly to ensure that the target is achieved.</li> <li>Implementing energy conservation and carbon reduction measures, and improving the efficiency of process equipment.</li> <li>Promoting renewable energy and evaluating plans to install solar power panels on the rooftop.</li> </ol> </td> </tr> </tbody> </table>	Material issue	Risk assessment item	Risk management policy or strategy	Environmental	Climate strategy	<ol style="list-style-type: none"> <li>Formulating greenhouse gas management policies, conducting climate change risk assessment, and implementing action plans under the TCFD framework.</li> <li>Disclosing key performance indicators in the corporate social responsibility report, and tracking and reviewing the progress of each target regularly to ensure that the target is achieved.</li> <li>Implementing energy conservation and carbon reduction measures, and improving the efficiency of process equipment.</li> <li>Promoting renewable energy and evaluating plans to install solar power panels on the rooftop.</li> </ol>	No difference.
Material issue	Risk assessment item	Risk management policy or strategy								
Environmental	Climate strategy	<ol style="list-style-type: none"> <li>Formulating greenhouse gas management policies, conducting climate change risk assessment, and implementing action plans under the TCFD framework.</li> <li>Disclosing key performance indicators in the corporate social responsibility report, and tracking and reviewing the progress of each target regularly to ensure that the target is achieved.</li> <li>Implementing energy conservation and carbon reduction measures, and improving the efficiency of process equipment.</li> <li>Promoting renewable energy and evaluating plans to install solar power panels on the rooftop.</li> </ol>								



<p>(III) Has the Company assessed the potential risks and opportunities arising from climate change to the Company now and in the future, and taken measures to respond to climate-related issues?</p>	<input checked="" type="checkbox"/>	<p>Taiwan Steel Union follows the management framework advocated by the Task Force on Climate-Related Financial Disclosures (TCFD) in the development of climate change management and information disclosure. Taiwan Steel Union uses its Practical Guides on Corporate Social Responsibility in assessment and management of risks and opportunities due to climate change, formulates, identifies and evaluates strategies, and conducts action plans on climate change. The purpose is to adapt to and mitigate climate change impacts. Corresponding adaptation and action plans are mapped out according to risk analysis and assessment. Emerging business opportunities are explored. A detailed description of the Company's analysis of climate change risks and opportunities is included in the Company's Sustainability Report: <a href="https://www.tsutw.com.tw/tsucsr/index.php">https://www.tsutw.com.tw/tsucsr/index.php</a></p>	<p>No difference.</p>
<p>(IV) Has the Company compiled statistics on greenhouse gas emissions, water consumption, and total waste weight in the past two years, and formulated policies on energy conservation and carbon reduction, greenhouse gas reduction, water reduction, or other waste management?</p>	<input checked="" type="checkbox"/>	<p>Please refer to the Company's Sustainability Report: <a href="https://www.tsutw.com.tw/tsucsr/index.php">https://www.tsutw.com.tw/tsucsr/index.php</a></p>	<p>No difference.</p>
<p>IV. Social issues</p> <p>(I) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p>	<input checked="" type="checkbox"/>	<p>To fulfill our corporate social responsibility and protect the basic human rights of our employees, customers, and stakeholders, we support and follow the principles of the United Nations Universal Declaration of Human Rights and other international human rights conventions, respect internationally recognized basic human rights policies, and implement our responsibilities for respecting and protecting human rights. Meanwhile, we treat and respect our employees in a dignified manner, and abide by the labor laws and regulations where the Company is located. The Company's human rights policy applies to the Company and our subsidiaries. Please refer to the Company's official website for the human rights issues and policies about which we are concerned.</p>	<p>No difference.</p>
<p>(II) Has the Company formulated and implemented reasonable employee benefit measures (including salary, leave, and other benefits), and reflect operational performance or results in employee compensation appropriately?</p>	<input checked="" type="checkbox"/>	<p><u>Employee Remuneration</u> The Company has established complete employee benefits and retirement benefits, and shares the Company's profits with its employees. The Company's year-end bonus system reflects the performance and results of the Company's operations in the remuneration to employees, and the number of months of bonus payment is calculated based on earnings per share. In addition, the annual performance evaluation of the employees will be considered and distributed to the employees in order to motivate them to work hard to realize the Company's goals. The Articles of Incorporation also stipulate that no less than 1% of any profit made during the year shall be set aside for employee remuneration.</p> <p><u>Employee Welfare Measures</u> The Company organizes sightseeing tours for employees in Taiwan and overseas from time to time. It also issues birthday gift money and subsidies for weddings and funerals, and hosts year-end dinner parties.</p> <p>In terms of the leave system, the Company provides employees with leave policies that comply with the Labor Standards Act. In the event that employees need to take leave for a longer period of time due to childcare or a major accident, they can apply for leave without pay in order to take care of their personal and family needs.</p> <p><u>Employee Pension System</u> The Company's pension system is a defined pension plan administered by the government in accordance with the Labor Standards Act. The Company contributes 8% of each employee's total monthly salary to the Supervisory Committee of Labor Retirement Reserve as pension to deposit it into a special account with the Bank of Taiwan in the name of the Committee.</p> <p>We have implemented the new pension system since July 1, 2005. The Company contributes no less than 6% of each employee's monthly salary to his/her labor pension account in accordance with the Labor Pension Act.</p> <p>The Company handles pension-related matters in accordance with the relevant provisions of the Labor Pension Act and the Company's Appointment and Dismissal Regulations.</p> <p><u>Diversity and Equality in the Workplace</u></p>	<p>No difference.</p>

		<p>There is no difference in remuneration due to gender or ethnicity for new hires of the same roles and the same levels. Basic salary ratio for female and male employees is 1:1. As our company is involved in the traditional industrial recycling industry, the majority of our employees are male, while the average percentage of female employees is 14% and the average percentage of female supervisors is 8%.</p>	
(III) Does the Company provide a healthy and safe work environment, and does it offer health and safety training for its employees on a regular basis?	✓	<p><b>Occupational Safety and Health Policy</b> To create a healthy and safe workplace for employees, Taiwan Steel Union revised its occupational health and safety management system into ISO 45001. The Company strives to create a healthy and safe organizational culture, and is committed to improving and offering a healthy and safe work environment so that our employees and their families can have peace of mind. Taiwan Steel Union's annual statistics on occupational disasters are based on the disability indicators published by the Ministry of Labor. A comprehensive reporting procedure and an event investigation mechanism are in place, to report the investigation findings to relevant departments. Corrective and preventive measures are initiated to reduce the likelihood of the same events and continue to improve workplace safety. Taiwan Steel Union reported no major occupational disasters in 2021. Our contractors reported no occupational injury during the year.</p> <p><b>Occupational Safety and Health Education</b> To enhance the caliber, technical and core competencies of the Company's personnel, to establish awareness in health and safety and the ability to prevent hazards, the Company organizes periodical and ad-hoc training and education in health and safety while holding fire drills every six months. All the internal training, external training and license acquisitions are in compliance with laws and regulations.</p> <p>In addition, in the second half of 2021, the Company signed a temporary on-site nursing services contract with Chang Bing Show Chwan Memorial Hospital to provide employees with health consultation and analysis of personnel health problems and provide professional advice.</p>	No difference.
(IV) Has the Company established effective career development and training plans for its employees?	✓	<p>The Company plans and provides complete functional and competency training for supervisors and employees at all levels, including the implementation of various educational trainings or hiring professional technicians from abroad to assist in guiding the technical staff in the plants to improve their professional skills; the Company also encourages employees to participate in various training, lectures and professional training outside the factory and trains new employees to take various certification tests to obtain operational qualifications.</p> <p>A detailed description of the implementation of the Company's education and training is disclosed in the Company's Sustainability Report: <a href="https://www.tsutw.com.tw/tsucs/index.php">https://www.tsutw.com.tw/tsucs/index.php</a></p>	No difference.
(V) Does the Company follow relevant laws and regulations and international standards regarding customer health and safety, customer privacy, as well as marketing and labeling of products and services, and has the Company formulated relevant consumer protection policies and complaint procedures?	✓	<p>Upholding the concept of honesty and integrity, we always keep our promises. We provide customers with the technology, rigorous production, as well as excellent quality and services in line with their requirements.</p> <p>The Company's sales department conducts annual satisfaction surveys for EAF dust, polluted earth and zinc oxide customers, and has established "Customer Service Management Regulations" to verify the implementation of various customer policies and to receive and handle customer complaints in order to protect customer rights.</p>	No difference.
(VI) Has the Company formulated a supplier management policy to require suppliers to comply with relevant regulations on issues, such as environmental protection, occupational safety and health, and labor human rights, and how is the implementation?	✓	<p>The Company has also established a "Code of Business Conduct" that clearly communicates expectations to our suppliers and service providers in terms of ethics, health, safety, environment, labor and human rights.</p> <p>To enhance the sustainability management of supply chains, the Company has put in place "Supplier Management and Assessment Guidelines" to regulate suppliers and provide a standard for contractor whitelisting and assessment.</p> <p>The contents of the contracts between the Company and our suppliers include that the suppliers must meet the Company's environmental safety requirements. Any violators shall be punished as required in the contract, and the violation will be included in the Company's annual supplier evaluation.</p>	No difference.
V. Does the Company refer to the internationally accepted standards or guidelines for preparing reports to prepare Sustainable Development reports and other reports that disclose the Company's non-financial information? Has the Company obtained the	✓	<p>The Company has prepared the 2020 Sustainability Report in accordance with the latest GRI guidelines and has passed the BSI Taiwan external assurance procedures to meet the AA1000 AccountAbility Series of Standards v3Type1 medium assurance level, which has been published</p>	No difference.

assurance or an assurance opinion form a third-party certification unit about said reports?			on the Company's website.	
VI. If the Company has the Sustainable Development Best Practice Principles based on the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies, describe the implementation and any deviations from the principles: The Company has established the Sustainable Development Best Practice Principles, and duly implements the principles without any difference.				
VII. Other important information to facilitate better understanding of the Company's sustainable development practices: <ol style="list-style-type: none"> <li>1. The Company has passed the ISO14001, IS14064, and ISO 45001 environmental safety and health management system certification, and our management systems are complete.</li> <li>2. To respond to the policy of energy conservation, environmental protection, and waste heat recovery, the Company installed slag and waste heat recovery facilities in the rotary kiln to collect, recycle, and reuse waste heat from the process to reduce the use of coke and greenhouse gases from oil fuels, to achieve the purpose of carbon reduction.</li> <li>3. To ensure the environmental quality of the area where the Company's plants are located, the Company allocates a certain amount of a fund to the Shengang Township and the Xianxi Township, Changhua County, every month based on the actual volume of EAF dust, to enhance the harmony and prosperity of the local community.</li> </ol>				

## 6. Ethical Corporate Management Implementation Status and Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
I. Establishment of ethical corporate management policies and programs				
(I) Does the Company formulate an ethical corporate management policy approved by the Board of Directors, and declare its ethical corporate management policies and procedures in its guidelines and external documents? Do the Board of Directors and the management work proactively to implement their commitment to those management policies?	✓		The Company's Board of Directors has approved the formulation of the Principles of Ethical Business and placed it on the MOPS, demonstrating the Company's Board of Directors' and management's commitment to ethical management to the society.	No difference.
(II) Has the Company established policies to prevent unethical conduct, analyzed and evaluated business activities with a high risk of unethical conduct within the business scope regularly, and established an appropriate prevention program against unethical conduct, which contains the preventive measures for activities stated in Article 7, Paragraph 2 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company shall not provide or promise any bribery, and requires our personnel to avoid engaging in business dealings with distributors, suppliers, customers, or other business partners with unethical conduct. Upon discovery of unethical conduct in business transactions or partners, we stop business dealings with them immediately and blacklist them accordingly.  In addition, with a whistleblowing system and internal audits for irregular monitoring, we ensure that our employees are not engaged in business activities with a risk of unethical conduct.	No difference.
(III) Has the Company clearly specified relevant procedures, conduct guidelines, punishments for violation, and rules for appeal in said prevention program, and does the Company implement it accordingly and review and revise it regularly?	✓		The Company's Board of Directors has adopted the Procedures for Ethical Management and Guidelines for Conduct to clearly regulate the procedures for avoidance of personal interest and improper interest, and to duly implement them in accordance with the measures while reviewing and revising such measures regularly based on actual operations or amendments to laws and regulations.	No difference.
II. Fulfillment of Ethical Corporate Management				
(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	✓		When the Company signs a contract with a supplier, the contract contains the clauses of ethical conduct. In addition, we conduct investigations into customers' credit to avoid unethical conduct that harm the Company's interests.	No difference.
(II) Has the Company established an exclusively (or concurrently) dedicated unit under the Board to implement ethical corporate management, and report to the Board regularly (at least once a year) on its ethical management policy, the unethical conduct prevention program, and the supervision and implementation status?	✓		The Company designated the Administration Department as a dedicated unit to be responsible for assisting the Board of Directors and the management in formulating and supervising the implementation of the ethical management policy and the prevention program to ensure the implementation of the Principles of Ethical Business.  The dedicated unit reported on the implementation of the 2021 ethical management operations at the 15 <sup>th</sup> meeting and 9 <sup>th</sup> Board of Directors on January 21, 2022:  1. Training & education  To strengthen ethical management and ethical concepts, we hold awareness-raising events and tests regarding the Principles of Ethical Business, material information processing procedures, and insider trading-related regulations every year, and offered the online learning class "Ethical Management Regulations Compliance, Internal Material Information Processing Procedures, and Insider Trading Prevention Policy" and required our employees to take an online test after the class in 2021. The completion rate was 100%, and the class and the test lasted for around one hour.  2. Whistleblower system  We have established a specific whistleblower system in the Corporate Governance Best Practice	No difference.

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			Principles, the Principles of Ethical Business, and the Procedures for Ethical Management and Guidelines for Conduct, to prevent unethical conduct actively and encourage internal and external personnel to report unethical conduct or improper behavior. We have designated the Administration Department to be responsible for accepting reports of employees engaging in unethical conduct. In "Contact Us" on the official website, we have set up "Illegal or Unethical Conduct Reporting System" and we ensure the confidentiality of the informant's identity and the content of the report and promises that the informant will not be treated improperly for such reporting. In 2021, we received zero report.	
(III) Has the Company established policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	✓		In addition to formulating the Principles of Ethical Business and operating guidelines for all employees to follow, the Company raises employees' awareness from time to time to prevent conflicts of interest.	No difference.
(IV) Has the Company established effective systems for both accounting and internal control to implement ethical corporate management, and the internal audit unit devised relevant audit plans based on the assessment results of unethical conduct risks, and audited the compliance with the unethical conduct prevention program accordingly, or appointed a CPA to perform the audit?	✓		<p>The Company has an accounting system in place, which is revised in a timely manner in response to the laws and regulations of the competent authority, the International Financial Reporting Standards and International Accounting Standards endorsed by the Financial Supervisory Commission (FSC), or actual business needs.</p> <p>The Company's internal control system is revised in response to the operational situation, and changes in the environment and relevant laws and regulations to ensure that our system continues to be effective. This year's internal audit was based on the risk assessment results and therefore was not included in the annual audit plan.</p>	No difference.
(V) Does the Company regularly hold internal and external educational trainings on ethical corporate management?	✓		The Company duly implements the ethical management policy. To strengthen ethical management and ethical concepts, we hold awareness-raising events and tests regarding the Principles of Ethical Business, material information processing procedures, and insider trading-related regulations every year, and offered the online learning class "Ethical Management Regulations Compliance, Internal Material Information Processing Procedures, and Insider Trading Prevention Policy" and required our employees to take an online test after the class in 2021. The completion rate was 100%, and the class and the test lasted for around one hour.	No difference.
III. Operation of the Whistleblowing System	✓		The Company has established a specific whistleblower system in the Corporate Governance Best Practice Principles, the Principles of Ethical Business, and the Procedures for Ethical Management and Guidelines for Conduct, to prevent unethical conduct actively and encourage internal and external personnel to report unethical conduct or improper behavior. We have designated the Administration Department to be responsible for accepting reports of employees engaging in unethical conduct. In "Contact Us" on the official website, we have set up "Illegal or Unethical Conduct Reporting System" and we ensure the confidentiality of the informant's identity and the content of the report and promises that the informant will not be treated improperly for such reporting. In 2021, we received zero report.	No difference.
(I) Has the Company established both a whistleblowing/reward system and convenient whistleblowing channels? Are appropriate personnel assigned to investigate the accused party?	✓		The Company has established the Procedures for Ethical Management and Guidelines for Conduct, which specifies the whistleblowing investigation procedures and the confidentiality mechanisms.	No difference.
(II) Has the Company established standard operating procedures for the investigation into reported matters, subsequent measures to be taken after the investigation is completed, and relevant confidentiality mechanism?	✓		The Company keeps whistleblowers' personal information confidential, and promises to protect whistleblowers from improper treatment due to whistleblowing.	No difference.
(III) Does the Company provide protection to whistleblowers against receiving improper treatment?	✓			
IV. Enhanced disclosure of corporate social responsibility information	✓		The Company discloses the content of the Company's Principles of Ethical Business and the	No difference.
(I) Does the Company disclose its ethical corporate management policies and the	✓			

Evaluation item	Implementation status			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
results of its implementation on the Company's website and MOPS?			implementation thereof during the year under the Corporate Governance of the MOPS and the Company's official website.	
V. V. If the Company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles:				
The Company has established the Principles of Ethical Business, and duly implements the principles without any difference.				
VI. VI. Other important information to facilitate better understanding of the Company's ethical corporate management (e.g., review of and amendments to ethical corporate management policies)				
None.				

7. If the Company has adopted corporate governance best practice principles or relevant bylaws, the inquiry method shall be disclosed:

The Company has formulated the Corporate Governance Best Practice Principles, the Code of Conduct, the Principles of Ethical Business, and the Procedures for Ethical Management and Guidelines for Conduct, and disclosed them in Establishing Relevant Corporate Governance Regulations and Rules under the Corporate Governance section on the MOPS.

8. Other important information to facilitate better understanding of the operation of the Company's corporate governance

(1) The Company's internal material information processing operating procedures:

The Company has established the Procedures for Processing Internal Material Information, which clearly regulates the handling and disclosure mechanism of internal material information as the guidelines for our directors, managers, and employees to follow. Relevant regulations have been submitted to and approved by the Board of Directors, and have been announced inside the Company while relevant education and training have been offered to all employees.

(2) The licenses designated by the competent authority obtained by the Company's personnel related to financial information:

License	Financial accounting
Certified Public Accountant of the Republic of China	2 people

(3) Directors' continuing education in 2021

Title	Name	Date	Organizer	Class title	Training hours	
Chairman	Mark Lin	2021/02/25	Securities and Futures Institute	The Legal Risks and Responses of Directors and Supervisors to Major Corporate Fraud Cases	3	
		2021/10/26		How Directors and Supervisors with Non-Financial Backgrounds can Review Financial Reports	3	
Director	Lin, Chih-Kang	2021/01/29	Taiwan Corporate Governance Association	Corporate Integrity and Fraud Prevention	3	
	Chen, Fu-Chin					
	Liu, Ming-Tsung					
	Huang, Huang-Chang					
	Chen, Mei-Hui					
	Yeh, Shih-Cheng					
Independent Director	Wu, Chuan-Chuan	2021/04/22		How does the Company implement energy saving and carbon reduction measures to enhance company profitability	3	
	Lin, Hung-Tuan					
	Chang, Tien-Chin					
Director	Lin, Chih-Kang					
	Chen, Fu-Chin					
	Liu, Ming-Tsung					
	Huang, Huang-Chang					
	Chen, Mei-Hui					
	Yeh, Shih-Cheng					
Independent Director	Wu, Chuan-Chuan			Evaluation and Implementation of Mergers and Acquisitions from a Legal Perspective	3	
	Lin, Hung-Tuan					
	Chang, Tien-Chin					
Director	Huang, Wei-Han	2021/05/11				
		2021/08/10				
		Disclosure of Material Information and Liability of Directors and Supervisors		3		

## 9. Implementation of Internal Control System

### (1) Statement on Internal Control System

#### TAIWAN STEEL UNION CO., LTD Statement of Internal Control System

February 24, 2022

Based on the findings of a self-assessment, Taiwan Steel Union CO., LTD (TSU) states the following with regard to its internal control system during the year 2021:

- I. TSU's Board of Directors and management are responsible for establishing, implementing, and maintaining an adequate internal control system. Internal control system is designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of assets), reliability, timeliness, transparency and regulatory compliance of our reporting, and compliance with applicable rulings, laws and regulations.
- II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing its stated objectives. Moreover, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and TSU takes immediate remedial actions in response to any identified deficiencies.
- III. TSU evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (herein below, the "Regulations"). The criteria adopted by the Regulations identify five key components of managerial internal control:
  1. control environment,
  2. risk assessment,
  3. control activities,
  4. information and communication, and
  5. monitoring activities.Each component also includes several items which can be found in the "Regulations".
- IV. TSU has evaluated the design and operating effectiveness of its internal control system according to the aforesaid Regulations.
- V. Based on the findings of such evaluation, TSU believes that, on December 31, 2021, it has maintained, in all material respects, an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency and regulatory compliance of reporting, and compliance with applicable rulings, laws and regulations.
- VI. This Statement is an integral part of TSU's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
- VII. This Statement was passed by the Board of Directors in their meeting held on February 24, 2022, with none of the eleven attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Taiwan Steel Union CO., LTD

Mark Lin,  
Chairman  
Fang, Yen-Bin  
Chief Executive Officer

(2) If a CPA has been hired to carry out a special audit of the internal control system, the CPA audit report shall be disclosed: The Company did not appoint a CPA to review the internal control system.

10. Penalties imposed upon the Company and its employees in accordance with the law or penalties imposed by the Company upon its employees for the violation of the internal control system policy with a significant impact on shareholders' equity or the prices of securities, principal deficiencies, and improvement during the most recent fiscal year up to the date of publication of the Annual Report: None.

11. Major resolutions of shareholders' meeting and the Board meetings during the most recent fiscal year up to the date of publication of the Annual Report

(1) Major Resolutions of Shareholders' Meeting and Implementation

<b>Date/Meeting</b>	<b>Major resolutions</b>	<b>Implementation</b>
<b>August 18, 2021 2021 Annual Shareholders' Meetings</b>	Ratification the 2020 business report and financial statements.	N/A
	Ratification of the 2020 earnings distribution proposal	The ex-dividend record date is April 2, 2021, and cash dividends were be paid out on April 23, 2021.
	Amendment to the Company's Procedures for Election of Directors.	Proceeded in accordance with the amended procedures.
	Amendment to the Company's Rules of Procedure for Shareholders Meetings	Proceeded in accordance with the amended procedures.

(2) Important resolutions of the Board of Directors

<b>Meeting Date</b>	<b>Major resolutions</b>
<b>January 29, 2021</b>	1. Discussion on the distribution of remuneration to directors for 2020
	2. Discussion on the distribution of employee compensation for 2020
	3. Review of the employee compensation for managers for 2020
	4. Proposal for appointment of Yen, Hsiao-Fang and Chiang, Shu-Ching, CPAs at Deloitte & Touche, to audit the 2021 financial statements and tax reports and their professional audit fees
	5. Adjustment to the Company's Rules of Procedures for Shareholders' Meetings
	6. Amendment to the Company's Financial Statement Preparation Process Management Regulations
	7. Amendment to the Company's Information System Processing System
	8. Proposal for capital increase for the subsidiary Taiwan Steel Resources
	9. Proposal for the 2021 operating budget
	10. Application for extension of general loans for working capital
<b>February 23, 2021</b>	1. Discussions on the Company's 2020 financial statements and business report
	2. Proposal for the Company's 2020 earnings distribution
	3. Proposal for payout of the Company's 2020 cash dividends
	4. Submitted a proposal for issue of the Company's 2020 statement on the

Meeting Date	Major resolutions
	<p>internal control system</p> <p>5. Proposal for holding of the Company's 2021 annual shareholders' meeting, acceptance of shareholders' proposals, and other relevant matters</p> <p>6. Proposal for appointment of the Company's corporate governance officer</p> <p>7. Proposal for the corporate governance officer's salary</p> <p>8. Adjustment to the Company's Rules of Procedures for Shareholders' Meetings</p> <p>9. Application for extension of general loans for working capital Amendment to the Company's Financial Statement Preparation Process Management Regulations</p>
<b>April 22, 2021</b>	<p>1. Report on preparation of consolidated balance sheets, consolidated statements pf comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the 1st quarter of 2021.</p> <p>2. Proposal for modification of the 2021 operating budget</p> <p>3. Proposal for the Company's personnel change</p> <p>4. Release of managerial officers from non-compete agreements</p>
<b>July 26, 2021</b>	<p>1. Report on preparation of consolidated balance sheets, consolidated statements pf comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the 2nd quarter of 2021.</p> <p>2. Confirm the date, time and place of the Company's 2021 Annual Shareholders' Meeting</p> <p>3. Application for extension of general working capital loan from KGI Commercial Bank</p> <p>4. Application for a general working capital loan from Taipei Fubon Commercial Bank</p> <p>5. Application for extension of general working capital loan from First Commercial Bank</p> <p>6. Application for extension of commercial promissory notes issued by Taichung Branch of Ta Ching Bills Finance Corporation</p>
<b>October 25, 2021</b>	<p>1. Report on preparation of consolidated balance sheets, consolidated statements pf comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for the third quarter of 2021.</p> <p>2. Submission of the Company's 2022 annual audit plan</p> <p>3. Report on the change of attesting CPAs</p> <p>4. Application for a short-term loan from Cathay United Bank (consolidated line of credit) to the amount of NT\$100 million</p> <p>5. Application for extension of general loans for working capital</p> <p>6. Proposed application for endorsement and guarantee of short-term financing for the Company's subsidiary Taiwan Steel Resources, Co., Ltd.</p>
<b>January 21, 2022</b>	<p>1. Discussions on the distribution of remuneration to Directors for FY2021</p> <p>2. Discussions on the distribution of remuneration to employees for FY2021</p> <p>3. Review of the remuneration of the Company's managerial officers for FY2021</p> <p>4. Proposal for the operating budget for the FY2022</p> <p>5. The Company intends to establish a functional committee, the "Sustainable Development Committee", and establish the "Organizational Regulations of the Sustainable Development Committee".</p>

Meeting Date	Major resolutions
	6. Proposal for the adjustment of the Company's base salary schedule 7. The Company intends to apply for a general working capital loan from Far Eastern Commercial Bank to finance the Company's operating expenses. 8. Application for extension of general loans for working capital 9. Proposed application for endorsement and guarantee of short-term financing for the Company's subsidiary Taiwan Steel Resources, Co., Ltd.
<b>February 24, 2022</b>	1. Discussions on the Company's FY2021 financial statements and business report 2. Proposal for the Company's FY2021 earnings distribution 3. Proposal for payout of the Company's FY2021 cash dividends 4. Submitted a proposal for issue of the Company's FY2021 statement on the internal control system 5. Proposal for holding of the Company's 2022 annual shareholders' meeting, acceptance of shareholders' proposals, and other relevant matters 6. Discussion on the general re-election of directors (including independent directors) and the acceptance of shareholders' nomination rights 7. Proposed approval of the Board of Directors to nominate candidates for election as directors (including independent directors) 8. Release of managerial officers from non-compete agreements 9. Assignment of corporate representative director and supervisor to the Company's investee company, Taiwan Steel Resources Co.,Ltd. 10. Change of President of the Company 11. Salary review of the Company's managerial positions 12. Proposal for the Company's personnel change 13. Change of custodian of the endorsement guarantee seal 14. Amendment to the Company's Procedures for Acquisition or Disposal of Assets. 15. The Company's envisaged participation in the Industrial Development Bureau's land bidding project 16. Appointment of attesting CPAs Wu, Shao-Chun and Chiang, Shu-Ching of Deloitte & Touche Taiwan to audit the 2022 annual tax return and public expenditures.
12. Any dissenting opinion expressed by a director with respect to a major resolution passed by the Board of Directors during the most recent fiscal year and up to the date of publication of the Annual Report, where said dissenting opinion has been recorded or prepared as a written declaration: None.  13. A summary of resignations and dismissals of the Company's Chairman, president, accounting manager, financial manager, chief internal auditor, or R&D officer during the most recent fiscal year and up to the date of publication of the Annual Report:	

Title	Name	Appointment date	Date of dismissal	Reason for dismissal
General Manager	Fang, Yen-Bin	2007.03.01	2022.03.31	Retirement

V. Information on CPA Professional Fees:

CPA Firm	Name of CPAs		Audit period	Audit Fee	Non-Audit Fee	Total	Remarks
Deloitte & Touche	Yen, Hsiao-Fang	Chiang, Shu-Ching	January 1, 2021 through December 31, 2021	1,909	100	2,009	—
	Wu, Shao-Chun						

Note :

1. Content of non-audit service: Financial report translation.
2. Due to the internal adjustment of the CPA firm, the CPA has been changed from Yan, Hsiao-Fang to Wu, Shao-Chun.

1. When the company has replaced its accounting firm and the audit fees paid for the fiscal year in which such replacement took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the replacement and the reasons shall be disclosed: None.
2. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) thereof shall be disclosed: None.

VI. Information on Replacement of CPAs:

Due to the internal adjustment of the CPA firm, the CPA has been changed from Yan, Hsiao-Fang to Wu, Shao-Chun.

1. About the former CPA

Date of Change	2021.09.30		
Reasons and explanations for replacement	Internal rotation of the accounting firm		
The appointment was terminated or not accepted by the appointee or accountant.	Party involved Description	Name of CPA	Appointer
	Voluntary termination of appointment	(Note)	(Note)
	Non-acceptance of (continued) appointment	(Note)	(Note)
Opinions on audit reports issued within the last two years without qualification and reasons thereof	None		
Any disagreement with the issuer	Yes	Accounting principles or practices	
		Disclosure of financial reports	
		Scope or steps of the auditing process	
		Others	
Other matters to disclose Other disclosures (Items 1.4 to 1.7 of paragraph 6 of Article 10 of this Standard should be disclosed)	No ne	V	
	Explanation		

Note: This is an internal rotation of the commissioned accounting firm, and does not involve the Company's termination of attesting CPAs or non-acceptance of the appointment.

## 2. About the successor CPA

CPA firm	Deloitte & Touche
Name of CPA	Shao-Chun Wu
Appointed Date	N/A (Note)
Matters and results of consultation on the accounting treatment or accounting principles for specific transactions and on the possible opinions on financial statements prior to the appointment	N/A (Note)
Written opinion of the successor CPA on matters on which he/she disagreed with the predecessor CPA	None

Note: This is an internal rotation of the commissioned accounting firm, and does not involve the Company's termination of attesting CPAs or non-acceptance of the appointment.

## 3. The predecessor CPA's response to Item 1 of Paragraph 6 and Item 2-3 of Article 10 of this Standard: None.

VII. Where Company Chairman, President, or Any Manager in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Firm or at an Affiliated Enterprise of Such CPA Firm, Name, Title, and Period of Employment in Such Firms Shall be Disclosed: None.

VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity Interests by a Director, Manager, or Shareholder with a Stake of More than 10 Percent:

### 1. Share changes by directors, managers, and major shareholders

Unit: Shares

Title	Name	2021 (Note 1)		2022 (as of March 28, 2022)	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Director, CEO, and major shareholder	Feng Hsin Steel Co., Ltd.	2,568,000	—	165,000	—
Legal representative of director Chairman	Mark Lin	—	—	—	—
Legal representative of director	Lin, Chih-Kang	—	—	—	—
Director and major shareholder	Tung Ho Steel Enterprise Corp.	—	—	—	—
Legal representative of director	Liu, Ming-Tsung	—	—	—	—
Legal representative of director	Chen, Fu-Chin	—	—	—	—
Director	Hai Kwang Enterprise Corporation	—	—	—	—
Legal representative of director	Huang, Wei-Han	—	—	—	—
Director	Shyeh Sheng Fuat Steel & Iron Works Co., Ltd.	—	—	—	—

Title	Name	2021 (Note 1)		2022 (as of March 28, 2022)	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Legal representative of director	Huang, Huang-Chang	—	—	—	—
Director	Chien Shun Steel Co., Ltd.	—	—	—	—
Legal representative of director	Chen, Mei-Hui	—	—	—	—
Director	United Steel Corporation	—	—	—	—
Legal representative of director	Yeh, Shih-Cheng	—	—	—	—
Independent Director	Lin, Hung-Tuan	—	—	—	—
Independent Director	Wu, Chuan-Chuan	—	—	—	—
Independent Director	Chang, Tien-Chin	—	—	—	—
General Manager	Fang, Yen-Bin	—	—	—	—
Vice General Manager	Lin, Tsai-Hsiang	63,000	—	—	—
Factory Manager of Production Department	Yang, Ming-Chu	—	—	—	—
Manager of Sales Department No. 1	Fu, Fang-Li	—	—	—	—
Head of Maintenance Department	Yu, Ching-Nan	—	—	—	—
Manager of Procurement Department	Chang, Chih-Yang	—	—	1,000	—
Head of Audit Department	Chao, Yu-Chiao	—	—	2,000	—
Manager of Administration Department	Lin, Kun-Chieh	—	—	—	—
Section Chief of Warehousing Department	Li, Yang-Sheng (Note 2)	—	—	—	—
Section Chief of Information Management Department	Chang, Che-Chia	—	—	—	—

Note 1: The changes in the shareholdings of retired directors and managers were counted as of the last day of work.

Note 2: Dismissed on February 27, 2021.

2. Information on the counterparty of the share transfer: None.

3. Information on the counterparty of the share pledged: None.

IX. Relationship among the Company's 10 Largest Shareholders, Who Are Related Parties, Spouses, or Relatives within Second Degree of Kinship to Each Other:

Record date: March 28, 2022; unit: share/%

Name	Current shareholding		Spouse & minor shareholding		Shareholding by nominees		Among the ten largest shareholders, name and relationship if they are related parties, spouses, or relatives within the second degree of kinship to each other.		Remark
	Shares	%	Shares	%	Shares	%	Name	Relation	
Feng Hsin Steel Co., Ltd. Representative: Lin,Ta-Chun	26,012,587	23.38%	—	—	—	—	None	None	
	165,000	0.15	—	—	—	—	Lin,Yu-Li	Brother and sister	
Tung Ho Steel Enterprise Corp. Representative: Hou, Chieh-Teng	24,829,009	22.31	—	—	—	—	None	None	
	—	—	—	—	—	—	None	None	
Hai Kwang Enterprise Corporation Representative: Huang, Wei-Han	9,691,512	8.71	—	—	—	—	None	None	
	—	—	—	—	—	—	None	None	
Shyeh Sheng Fuat Steel & Iron Works Co., Ltd. Representative: Huang, Huang-Chang	9,677,573	8.70	—	—	—	—	None	None	
	—	—	60,000	0.05	—	—	None	None	
Chien Shun Steel Co., Ltd. Representative: Wang, Pi-Chang	6,116,469	5.50	—	—	—	—	None	None	
	—	—	—	—	—	—	None	None	
Lung Ching Steel Enterprise Co., Ltd. Representative: Hsieh, Chin-Nan	4,062,637	3.65	—	—	—	—	None	None	
	—	—	—	—	—	—	None	None	
United Steel Corporation Representative: Yeh, Shih-Cheng	3,767,671	3.39	—	—	—	—	None	None	
	—	—	—	—	—	—	None	None	
Wei Chih Steel Industrial Co., Ltd. Representative: Kuo, Jui-Hsi	3,351,449	3.01	—	—	—	—	None	None	
	—	—	—	—	—	—	None	None	
Cheng Chuang Investment Co., Ltd Representative: Lin, Yu-Li	3,055,000	2.75	—	—	—	—	None	None	
	23,000	0.02	190,000	0.17	—	—	Lin,Ta-Chun	Brother and sister	
Fubon Life Insurance Co., Ltd. Representative: Tsai, Ming-Hsing	1,413,000	1.27	—	—	—	—	None	None	
	—	—	—	—	—	—	None	None	

X. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company:

Unit: Shares/%

Investee (Note)	Investment by the Company		Investment by directors/managers and by companies directly or indirectly controlled by the Company		Total investment	
	Shares	%	Shares	%	Shares	%
Taiwan Steel Resources	149,000,000	100	—	—	149,000,000	100

Note: Long-term investment made by the Company using the equity method.

## Four. Capital Overview

### I. Capital and Shares

#### 1. Sources of capital

##### (1) Capital formation process

Unit: NT\$1,000/1,000 shares

Month / year	Issue price (NTD)	Authorized capital		Paid-in capital		Remark		
		Shares	Amount	Shares	Amount	Sources of capital	Capital increase by assets other than cash	Others
5/1995	10	5,000	50,000	1,500	15,000	Capital for incorporation	None	Note 1
12/1996	10	50,000	500,000	30,000	300,000	Capital increase in cash by issue of 28,500,000 shares	None	Note 2
9/1998	10	50,000	500,000	40,000	400,000	Capital increase in cash by issue of 10,000,000 shares	None	Note 3
8/2005	10	100,000	1,000,000	91,560	915,600	Capital increase in cash by issue of 50,000,000 shares and capitalization of earnings by issue of 1,560,000 shares	None	Note 4
7/2007	10	120,000	1,200,000	112,436	1,124,357	Capitalization of earnings by issue of 20,876,000 shares	None	Note 5
7/2008	10	130,000	1,300,000	128,402	1,284,015	Capitalization of earnings by issue of 15,966,000 shares	None	Note 6
8/2013	10	160,000	1,600,000	135,592	1,355,920	Capitalization of earnings by issue of 7,190,000 shares	None	Note 7
7/2014	10	160,000	1,600,000	142,778	1,427,784	Capitalization of earnings by issue of 7,186,000 shares	None	Note 8
12/2015	10	160,000	1,600,000	99,945	999,449	Capital reduction in cash by cancellation of 42,833,000 shares	None	Note 9
2/2018	86	160,000	1,600,000	111,271	1,112,709	Capital increase in cash by issue of 11,326,000 shares	None	Note 10

Note 1: Incorporation was approved by the Letter Jian-San-Yi-(84) No. 342715 dated May 24, 1995

Note 2: Approved by Letter Jing-(85)-Shang No. 121465 dated December 20, 1996.

Note 3: Approved by Letter Jing-(087)-Shang No. 087124918 dated September 1, 1998.

Note 4: Approved by Letter Jing-Shou-Shang No. 09401153940 dated August 12, 2005.

Note 5: Approved by Letter Jing-Shou-Shang No. 09601156390 dated July 6, 2007.

Note 6: Approved by Letter Jing-Shou-Shang No. 09701160200 dated July 4, 2008.

Note 7: Approved by Letter Jing-Shou-Shang No. 10201175800 dated August 27, 2013.

Note 8: Approved by Letter Jing-Shou-Shang No. 10301148930 dated July 28, 2014.

Note 9: Approved by Letter Jing-Shou-Shang No. 10401266360 dated December 14, 2015.

Note 10: Approved by Letter Jing-Shou-Shang No. 10701016820 dated February 13, 2018.

##### (2) Types of shares

Unit: Shares

Types of shares	Authorized capital			Remark
	Outstanding shares	Unissued shares	Total	
Ordinary shares	111,270,887	48,729,113	160,000,000	Listed stock

(3) Information related to the shelf registration system: None.

## 2. Shareholder structure

March 28, 2022

Structure Volume	Government agencies	Financial institutions	Other institutional shareholders	Domestic natural persons	Foreign institutions and natural persons	Total
Number of shareholders (person)	0	2	34	2,569	25	2,630
Shareholding (shares)	0	2,275,000	93,215,047	14,762,590	1,018,250	111,270,887
Percentage (%)	0.00	2.04	83.77	13.27	0.92	100.00

Note: The Company does not have shareholders from China.

## 3. Shareholding distribution status

### (1) Ordinary shares

March 28, 2022

Range of shareholding	Number of shareholders	Shares	Percentage (%)
1–999	416	24,763	0.02%
1,000–5,000	1,698	3,233,885	2.92%
5,001–10,000	213	1,695,346	1.52%
10,001–15,000	95	1,227,744	1.10%
15,001–20,000	42	778,000	0.70%
20,001–30,000	54	1,379,000	1.24%
30,001–40,000	22	794,242	0.71%
40,001–50,000	19	869,000	0.78%
50,001–100,000	36	2,430,000	2.18%
100,001–200,000	17	2,573,000	2.32%
200,001–400,000	4	1,218,000	1.09%
400,001–600,000	2	959,000	0.86%
600,001–800,000	0	0	0.00%
800,001–1,000,000	1	862,000	0.77%
Over 1,000,001	11	93,226,907	83.79%
Total	2,630	111,270,887	100.00%

### (2) Preference shares: None.

#### 4. List of major shareholders

March 28, 2022

Shareholding	Shares	%
Name of shareholder		
Feng Hsin Steel Co., Ltd.	26,012,587	23.38%
Tung Ho Steel Enterprise Corp.	24,829,009	22.31%
Hai Kwang Enterprise Corporation	9,691,512	8.71%
Shyeh Sheng Fuat Steel & Iron Works Co., Ltd.	9,677,573	8.70%
Chien Shun Steel Co., Ltd.	6,116,469	5.50%
Lung Ching Steel Enterprise Co., Ltd.	4,062,637	3.65%
United Steel Corporation	3,767,671	3.39%
Wei Chih Steel Industrial Co., Ltd.	3,351,449	3.01%
Cheng Chuang Investment Co., Ltd	3,055,000	2.75%
Fubon Life Insurance Co., Ltd.	1,413,000	1.27%

#### 5. Share prices for the past two fiscal years, with market price per share, company net worth per share, earnings per share, dividends per share, and relevant information

Unit: 1,000 shares/NT\$1,000

Item	Year	2020	2021	2022 (as of April 29, 2022) (Note 5)
Market price per share (Note 1)	Highest	84.3	86.0	119.5
	Lowest	44.0	63.2	79.10
	Average	66.87	75.85	88.76
Net worth per share	Before distribution	31.97	34.05	31.46
	After distribution	28.97	30.05	Not yet distributed
Earnings per share	Weighted average shares	111,271	111,271	111,271
	Earnings per share	3.66	5.08	1.40
Dividends per share	Cash dividends	3	4	Not yet distributed
	Stock dividends	—	—	Not yet distributed
	Not yet distributed	—	—	Not yet distributed
	Cumulative undistributed dividends	—	—	—
Return on investment	Price/earnings ratio (Note 2)	18.27	14.93	—
	Price/dividend ratio (Note 3)	22.29	18.9	Not yet distributed
	Cash dividend yield rate (Note 4)	4.49%	5.27%	Not yet distributed

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

Note 2: Price/earnings ratio = Average closing price per share for the year/Earnings per share

Note 3: Price/dividend ratio = Average closing price per share for the year/Cash dividend per share.

Note 4: Cash dividend yield = Cash dividends per share/Average closing price per share for the current fiscal year.

Note 5: The net worth per share and earnings per share are based on the information reviewed by the CPAs in the most recent quarter as of the publication date of the Annual Report; data of the current year as of the publication date of the Annual Report shall be entered in the remaining fields.

## 6. Dividend policy and implementation

### (1) Dividend policy:

If there is a surplus at the end of a fiscal year, the Company shall first pay taxes to compensate the cumulative deficit; then, allocate 10 percent for the legal reserve unless the legal reserve has reached the amount of Company's paid-in capital. Then, the Company shall allocate an amount for or reverse the special reserves in accordance with relevant laws and regulations or the regulations of the competent authority. Any remaining balance and the undistributed earnings accumulated from the past shall be the earnings that can be distributed to shareholders. If the Company has no major capital expenditures, it shall appropriate at least 70% of the net income after tax for the year as dividends for shareholders.

The Company's dividend can be distributed in the form of cash dividends and stock dividends. However, considering the company's current and future investment environment, capital needs, domestic and overseas competition conditions, and capital budgets, as well as shareholders' interest, and balance of dividends and the Company's long-term financial planning, the ratio of cash dividend for distribution shall not be less than 10% of the total dividends to be distributed, but the actual distribution ratio shall still be subject to the resolution adopted by the shareholders' meeting.

### (2) Proposed dividend distribution for this year's shareholders' meeting:

The Company's Board of Directors, on February 24, 2022, proposed to distribute a dividend of NT\$445,083,548 with NT\$4.0 per share to shareholders, all of which is distributed in cash. If subsequent repurchases of the Company's shares or the transfer, conversion, or cancellation of treasury shares affects the number of outstanding shares, and changes the shareholder's payout ratio as a result, the Company will propose to request the shareholders' meeting to authorize the Chairman to handle it with full authority.

The Company will propose to request the shareholders' meeting to ratify the earnings distribution proposal, and to authorize the Chairman to determine the record date and the payout date of cash dividends.

### (3) In the case of an expected major change in the dividend policy, the distribution shall be further explained: N/A.

## 7. Effect upon business performance and earnings per share of any stock dividend

distribution proposed or adopted at the most recent shareholders' meeting: N/A.

8. Compensation of employees and directors

(1) The percentages or ranges with respect to employee and director compensation, as set forth in the Company's Articles of Incorporation.

The Company shall allocate not less than 1% of annual net income before tax before employee, director, and supervisor compensation is deducted as employee compensation. The Board of Directors resolves a decision to distribute it in stock or cash, and the recipients include employees of controlling or affiliated companies who meet the criteria set by the Board of Directors. The Company's Board of Directors may resolve a decision to allocate no more than 3% of said net income before tax as director and supervisor compensation. If the Company still has a cumulative deficit (including adjustments to the amount of undistributed earnings), it shall reserve an amount for compensation in advance, and then allocate an amount for employee, director, and supervisor compensation based on the percentages in the preceding paragraph.

(2) The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

The compensation payable by the Company to employees and directors is estimated based on the provisions set forth in the Company's Articles of Incorporation, with the past experience and the amount that may be paid in the future considered, and is recognized as the current year's expenses. The discrepancy is treated by being recognized as the changes in accounting estimates in the profit or loss of the year in which the resolution of the Board of Directors took place when the Board of Directors passed the resolution. If there is a significant discrepancy between the amount as resolved by the Board of Directors and the estimated amount, the original annual expenses will be adjusted. If there is still a change in the amount after the financial report has been passed, it will be treated as a change in accounting estimates and adjusted and recognized in the following year.

(3) Information on any approval by the Board of Directors of distribution of compensation

I. The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

As per the resolution adopted by the Board of Directors on January 21, 2022, the Company will distribute NT\$25,001,000 for employee compensation and NT\$7,200,000 for director compensation for 2021 in accordance with the Company's Articles of Incorporation, both of which will be paid in cash.

There is no discrepancy between the employee and director compensation approved by the Board of Directors and the amount recognized for 2021.

II. The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company-only financial reports or individual financial reports for the current period and total employee compensation:

The amount of employee compensation distributed in stocks is NT\$0, accounting for 0 percent of the sum of the after-tax net income stated in the parent company-only financial reports for the current period and total employee compensation.

(4) The actual distribution of employee and director compensation for the previous fiscal year (2020) (with an indication of the number of shares, monetary amount, and stock price, of the shares distributed), and, if there is any discrepancy between the actual distribution and the recognized employee and director compensation, the discrepancy, cause, and how it is treated shall be specified:None.

9. Share repurchases: None.

II. Corporate Bonds: None.

III. Preference Shares: None.

IV. Global Depository Shares: None.

V. Employee Stock Options: None.

VI. New Restricted Employee Shares: None.

VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions

of Shares of Other Companies: None.

VIII. Implementation of the fund utilization plan: As of the quarter prior to the publication date of the Annual Report, the Company did not have any unfinished issue or any issue completed within the last three years with the benefits not yet happening, hence not applicable.

## Five. Operational Highlights

### I. Business Activities

#### 1. Scope of Business

##### (1) Principal business activities

J101030	Waste Disposing
J101040	Waste Treatment
CA01990	Other Non-ferrous Metal Basic Industries
C901030	Cement Manufacturing
C901040	Manufacture of Ready-mix Concrete
C901050	Cement and Concrete Products Manufacturing
C901990	Other Non-Metallic Mineral Products Manufacturing
J101080	Resource Recycling
J101090	Waste Disposal
I199990	Other Consulting Service
ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### (2) Proportion of main products

Unit: NT\$1,000

Product	Year			
	Amount	%	Amount	%
Sales of zinc oxide	1,557,620	84.02	1,090,167	67.20
Removal and reuse	274,769	14.82	531,940	32.79
Others	21,484	1.16	122	0.01
Total	1,853,873	100.00	1,622,229	100.00

##### (3) The Company's current products (services)

- A. Clearance and reuse of EAF dust, reducing slags, and oxidizing slag.
- B. Reuse of off-site contaminated soil (contaminated soils, such as heavy metals and TPH, treated off-site).
- C. Sale of crude zinc oxide.
- D. Reuse of EAF dust from other steel mill plant.
- E. Reuse of EAF dust collected at disposal sites.
- F. Reuse of other zinc-containing waste.
- G. Reuse of incineration fly ash (chlorine content  $\leq 3\%$ ).
- H. Reuse of waste alkaline zinc-manganese batteries.
- I. Reuse of zinc-containing dewatered sludge from electroplating processes.
- J. Solid (business) waste with high calorific value, SRF/RDF solid derived (renewable) fuel
- K. Reuse of waste filtration bags from electric furnace steel mills.
- L. Sale of concrete aggregate; base materials or aggregates for the base of pavement engineering (roads, pedestrian walks, container yards or parking spaces); asphalt concrete aggregate; controlled low-strength backfill material aggregates; concrete products aggregates.
- M. Sale of controlled low-strength materials (CLSMs) and non-structured ready-mixed concrete

##### (4) New products (services) planned to be developed

- A. Reuse of other waste sources as approved by government agencies.

## 2. Industry Overview

### (1) Current situation and development in the industry

After decades of overdevelopment and overuse, global resources are increasingly depleted. Countries around the world are gradually coming to terms with the limitedness of metal resources. Therefore, the pursuit of sustainable utilization and development of resources has become a key determinant of economic activities going forward. Among the various greenhouse gas reduction measures, resource regeneration is regarded as a low-cost and more effective way of reduction. Therefore, all countries in the world have adopted "effective use of resources" as the new direction and the focus of their environmental policies.

The amount of waste generated is highly correlated with the effective use of resources. Considering the variety and complex composition of business waste, the resource regeneration industry plays a critical role in how to transform such waste into a new resource for various industries as an alternative raw material to allow resources to be recycled between industries, thereby moving towards a recycling-oriented society with sustainable development of resources.

With the global environmental protection trend, waste recycling has become one of the important emerging industries in this century. The term "waste recycling" refers to the recycling of various business waste sources to produce raw materials or products.

In accordance with the Permit Management Regulations for Public or Private Waste Clearance and Disposal Organizations, industrial waste institutions can be divided into clearance, treatment, cleaning, and reuse ones. Clearance institutions refer to institutions that are appointed to move waste to overseas or to waste treatment plants designated by clients. The treatment institutions are appointed to treat waste. The cleaning institutions can clear and treat waste at the same time while the reuse institutions can recycle recyclable products. The Company is an all-round institution that can perform the functions of clearance, treatment, and reuse at the same time.

#### A. Current situation of the EAF steel mill waste treatment industry

In recent years, our country's industrial and business development has been rapid, and the amount of business waste has also surged. In the face of several pollution incidents caused by hazardous waste in our country

and other industrially advanced countries, people have come to realized the seriousness of improper disposal of hazardous waste. In addition, from the viewpoint of effective use of resources, with high population density in Taiwan, it is very difficult to obtain sites for landfill. Faced with the dilemma of shortage of land for landfill, waste reduction and recycling are the only feasible methods. Moreover, there is a thin line between "waste" and "resources". Effective use of resources can not only reduce the burden on the environment but also reduce the cost of raw materials and create business opportunities. As such, the resources on Earth can be fully utilized. At present, domestic EAF steel mill plants produce around 130,000 to 160,000 metric tons of EAF dust a year. However, in the early days, there was not adequate treatment equipment to recycle EAF dust and domestically, resulting in a storage of over 500,000 tons of EAF dust. If there is no proper treatment facilities, there will be more frequent illegal dumping by unscrupulous businesses.

The EAF steel mill plants generate smoke and dust during the steelmaking process. After the smoke and dust are collected by dust collectors, they are called EAF dust. The EAF dust is classified as hazardous business waste in the Standards for Defining Hazardous Industrial Waste, so it must be treated properly to prevent impact on the environment. As the EAF dust produced by the EAF steel mill plants is small in the particle size and contains hazardous substances, if it is discarded at will or disposed of improperly, it will cause a significant impact on the environment. Therefore, Article 20 of the Methods and Facilities Standards for the Storage, Clearance and Disposal of Industrial Waste stipulates that the dust from the steel industry shall first undergo intermediate treatment, and shall be treated through recycling, stabilization, or solidification to avoid secondary pollution caused by the hazardous waste. However, the final disposal sites for solidification and stabilization are insufficient, and the facilities of the disposal sites will also cause subsequent environmental problems, so the treatment method is generally based on recycling. To cooperate with the government's environmental protection policy, the Company disposes of hazardous business waste dust and ash generated from the EAF steel mills industry actively. Under the joint guidance of the EPA and the Industrial Development Bureau, the EAF dust recycle plant of the Taiwan Electric Arc Furnace Steel Mill Industry Waste Joint Treatment System was established in May 1995, and is an environmental protection business to

treat such dust. In addition to solving the problem of disposing of domestic EAF dust, it can recycle valuable heavy metals, such as zinc and lead, in the dust. The slag produced from the process, as determined by Toxicity Characteristic Leaching Procedure (TCLP), belongs to general business waste as No. 37 rotary kiln slag in line with the type and management method listed in the table under Article 3 of the Reuse of Business Waste Management Regulations of the Ministry of Economic Affairs, which is a good material and resource for the sand and gravel or concrete industry.

At present, only a very small portion of EAF dust around the world is treated by solidification and landfill, and most of the dust is recycled for the regeneration of valuable resources. The EAF dust is rich in 18%-24% of valuable metal—zinc, which is much higher than the 5%-6% of zinc contained in zinc minerals, so the value of recycling is high. At present, China ranks first in the world's demand for zinc ingots. Therefore, with the limited resources of zinc mines in the world, the recycling of EAF dust for zinc has become more important, and the trend is gaining traction around the world.

The product after treatment of dust by the Company is crude zinc oxide, which is a recycled material. We mainly supply it to foreign zinc smelters to replace part of zinc ore as raw material for zinc smelting. The product is in short supply, and the prices are linked to the price of zinc on the London Metal Exchange (LME), hence they are greatly influenced by the international business and zinc prices.

## B. Overview of Domestic Waste And Contaminated Soil Remediation

Domestic business waste mainly comes from industry, construction, agriculture, medical care, schools, and national defense. Among them, the land pollution caused by the petrochemical and the chemical industries and the waste earthwork from the construction industry all fall within the scope of waste and contaminated soils as stipulated in the environmental protection regulations. Therefore, the market for remediating major domestic companies' contaminated factory sites has emerged.

In recent years, due to improper landfill or discarding, the soil and groundwater at illegal dumpsites in various regions have been polluted indirectly, all of which has been caused by improper disposal of business waste. After the Soil and Groundwater Pollution Remediation Act has been adopted in Taiwan, in the investigations into the impact of long-term

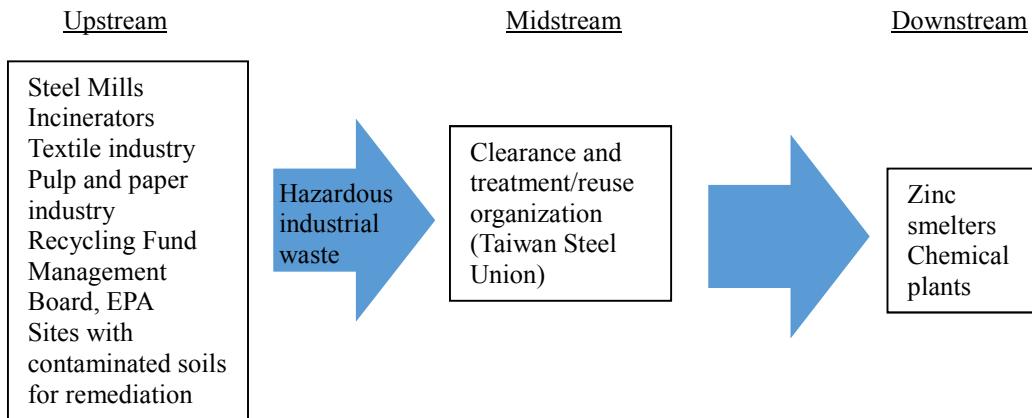
storage of waste at low-hazard sites on nearby soils and groundwater have been conducted, and sites with the soils and groundwater polluted have been found. According to the latest announcement by the EPA on March 21, 2022, there are 427 sites controlled, 100 sites for remediation, and 37 areas with restricted access to groundwater among the sites with soil and groundwater under watch. It shows that there are still many dumpsites with contaminated soils that need to be remediated in the future.

The following problems exist with the disposal of contaminated soils in domestic landfills:

- (A) The capacity of the existing domestic final disposal facilities will be insufficient gradually: The landfills in operation will limit the volume of waste or shorten its useful years due to the insufficient remaining useful years and insufficient landfill capacity.
- (B) The problem of the sales of products after the intermediate treatment and reuse of contaminated soil: Domestic heavy metal-contaminated soil treatment professional technology is inadequate, and the wastewater from wet treatment will lead to secondary pollution. The cement kiln fire is at high temperatures but the requirements on the quality and quantity of waste to be treated are strict, and the public has a poor perception of the existing treatment companies and doubts about their quality. All of this has made it difficult to sell the products, so the reuse channels are limited.

The Company's production is conducted at a high temperature in the rotary kiln, so the quality is relatively stable compared to traditional wet technology. The Company also leads the industry because of our professional technical talents and excellent treatment capabilities, and our excellent corporate image is recognized by all parties in society.

- (2) The relations between the up-, mid-, and downstream sections of the industry



The Company's business is still mainly focused on the removal and reuse of hazardous business waste, including EAF dust, reducing slag, and oxidizing slags from domestic EAF steel mill plants. Therefore, the upstream businesses are the domestic EAF steel mill plants, which mainly engage in the pyrometallurgical process to make scrap steel (iron) as main raw materials into billet steel for sales.

In the EAF smelting process, the recycled scrap iron and steel are smelted at a high temperature in the EAF to make steel materials. The residue is slag. The particulate particles and gases emitted during the steelmaking process are collected and called "EAF dust". As the raw materials for steelmaking come from imported scrap iron and metals, the EAF dust from steelmaking usually contains heavy metals, including zinc, lead, chromium, and cadmium. The heavy metals in the dust are mainly valuable metals, such as iron and zinc. If the metal oxides with economic values therein can be recovered and the remaining oxides can be used as materials for building materials, it will not only reduce the burden on the environment but also create business opportunities for recycling and regeneration.

The Company's 100%-owned subsidiary, Taiwan Steel Resources, mainly engages in stabilizing the reducing slag from EAF steelmaking as the world's first fully automated stabilization chemical plant that has adopted 21kgf/cm<sup>2</sup> high-pressure steam (saturated steam at 215°C). The core technology of stabilization is to make f-CaO and f-MgO react with water in a high-temperature autoclave for three to six hours to decompose into stabilized calcium hydroxide and magnesium hydroxide. After stabilization, the volume of the slag will not expand when it meets water. The stabilization time is shortened significantly compared to natural storage in the open air in foreign countries (it takes 6 to 12 months for stabilization). Thus, the

production of stabilized aggregates can be achieved in a short time, and the sales can also be accelerated.

The Company's downstream businesses are mainly international zinc smelters and chemical plants at home and abroad mainly because of the fact that crude zinc oxide products can be sold to zinc smelters to produce zinc ingots, or sold to chemical plants to refine ZnO and ZnCO<sub>3</sub>. We also supply our products to rubber, footwear, industrial products and ceramic products as additives to achieve the purpose of recycling.

The Company's main customers are the largest zinc smelters in Japan, Belgium, and Poland, which together accounts for 89% of the Company's sales of crude zinc oxide products. We also have several domestic and foreign chemical plants, accounting for 11% of our sales.

The final product of the Company's process—slag—is general business waste with stable properties and reusable properties as No. 37 rotary kiln slag in line with the type and management method listed in the table under Article 3 of the Reuse of Business Waste Management Regulations of the Ministry of Economic Affairs. The slag is rich in ferric oxide, lime, and silica sand. Therefore, our slag is made by legal recycling companies appointed by us as raw materials for cement, cement product concrete aggregates, asphalt concrete aggregates, asphalt concrete aggregates, raw material for asphalt concrete aggregates, raw material for non-structural concrete aggregates, or raw material for base-level aggregates.

### (3) Development Trends of Products

Zinc oxide produced by the Company is an oxide of zinc, which is hardly soluble in water, but soluble in acids and strong bases. Zinc oxide is a commonly used chemical additive, and mainly applied in rubber, ceramics, chemicals, pharmaceuticals, cosmetics, personal care, and agriculture. It is widely used in tires, rubber, electronic products, chemicals, coatings, agriculture, and ceramics.

With the stable supply of materials, our zinc oxide is stable in the composition, and our delivery time is stable compared with mining companies. As the demand for zinc increases and the number of zinc concentrates mines decreases, recycling is very crucial when zinc resources are running short in the future, and resource regeneration equipment and technology are also the key to success. In recent years, the Company has continuously improved equipment to reduce costs. The zinc oxide produced

by us is less expensive than the zinc ore purchased from international zinc smelters. The Company's products are high in purity, and price is lower than recycled zinc oxide powder imported from overseas or chemical zinc oxide made directly using pure zinc ingots. Therefore, our supply cannot barely meet the demand of the two domestic zinc oxide chemical plants.

#### (4) Competition

Our country is paying more attention to environmental protection, such as promoting energy conservation and carbon reduction, and resource recycling. As EAF dust is rich in heavy metals, including zinc, iron, lead, and cadmium, the treatment method at home and abroad is mainly recycling and reuse. The main technology is pyrometallurgical process, which is applied in 90% of the cases in the world. The process is the technology adopted by the domestic treatment/reuse institutions. The domestic dust treatment/reuse organizations are detailed in the table below:

Domestic dust pyrometallurgical process treatment/reuse organizations

Company	Taiwan Steel Union	Katec Creative Resources Corp.	Shin Hwa Silup Co., Ltd.	China Steel Corporation
Waste	Dust from carbon steel	Dust from stainless steel	Dust from stainless steel	Dust from on-stop operation of steelmaking
Treatment technology	Waelz process (rotary kiln)	JRCM process (appliances melting)	Inmetco process (Rotary kiln and open hearth furnace and RHF)	DRyIron Process (Rotary kiln and open hearth furnace and RHF)
Product and zinc content	55-62% of zinc oxide and slag	40-55% of zinc oxide, reducing iron, and slag	Reducing iron, slag, and zinc	40-55% of zinc oxide, reduced iron, and slag

Source: Compiled by Taiwan Steel Union.

The Company is currently Asia's largest EAF dust and zinc recycling plant. In 2021, we removed and reused 142,393 metric tons of EAF dust. At present, more than 86% of the total output of EAF dust in Taiwan is treated by the Company. Thus, we occupy a leading position in the recycling market for domestic EAF dust from steel mill plants, which brings many business opportunities to the Company.

### 3. Technology and R&D Overview

#### (1) Technological level, and R&D of the Company's business

The Company is engaged in the removal of hazardous business waste and the recycling and reuse of resources. The Waelz kiln process adopted by the Company is well-developed, and has been developed for more than 50 years; 90% of the world adopts this technology to recycle EAF dust in the steelmaking industry. The Company is the only one in the country that has introduced this critical technology, and our technological level has reached the

top level internationally, so technological factors have little impact on our development in this industry.

(2) R&D personnel and their education and experience

Item		Year			Unit: Person
		2021	2020	April 28, 2022	
Distribution of education levels	Ph.D	2	1	2	
	Master's	2	2	2	
	University	3	3	3	
Total		7	6	7	

(3) R&D Expenses Invested Each Year in the Last Five Years

Year	Item	Amount	Unit: NT\$1,000
2015-2016	Trial burn test of used batteries	520	
2017	Expansion test method	90	
2017-2018	Concrete products research	2,000	
2017-2018	Research on the subbase layer of pavement engineering	1,429	
2017-2018	Preparation of metallurgical slag C40 for concrete research	1,479	
2018	The impact of wastewater containing high concentration of halide ion on wastewater treatment system	240	
	Wastewater treatment R&D project	177	
2018-2019	Discussion on the cause for filter bag clogging	800	
2020	Research project on reducing slag as a raw material	500	
2020	Backfill material ratio design	600	

(4) Successfully Developed Technologies or Products

Except for the used batteries and reducing slag as a raw material in the brick kilns in the preceding paragraph, other technologies have been developed successfully and introduced into two rotary kilns or our subsidiary's processes for control and application. Among them, the R&D of waste heat recovery equipment has not only improved the overall efficiency but also saved energy and reduced carbon emissions, thereby cutting costs by more than 50%. The effect is excellent.

(5) Future R&D Plans

As environmental protection laws and regulations become more stringent, and the government's enforcement stricter, the demand for waste treatment in

the future is expected to increase year by year in the future. The Company will enhance R&D of the reuse of other waste sources that are difficult to be treated through industry-academia collaboration, to move towards the goal of diversification of the business.

#### 4. Long-term and Short-term Business Development Plans

##### (1) Short-term Business Development Plan

With the rising awareness of environmental protection at home and abroad in recent years, environmental protection issues have attracted the attention of the public, and businesses have all been under pressure. Having adhered to the business philosophy of environmental protection since the incorporation, the Company has spared no effort to continue to invest in improvements to our environmental protection equipment, thereby fulfilling our corporate social responsibility. The Company's plan for the improvement to environmental protection technologies in the future is as follows:

- A. With reference to the evolution of relevant processes in Europe, the Company has adopted the alkaline operating process model on a trial basis and developed new process equipment in March 2011. At present, our alkaline process technology has been significantly improved, not only increasing the treatment volume of dust but reducing the consumption of coke and other indirect materials, which is positively beneficial to environmental sustainability.
- B. The Company plans to continue to strengthen technical exchanges with relevant industries at home and abroad, and will arrange relevant operators to visit businesses abroad as appropriate to learn from other factories' experience and to improve our professional techniques. In addition, we have been committed to the improvement to the pyrometallurgical process of the rotary kilns and the improvement of the treatment technology of dust in recent years. We have hired German professional technicians to guide our personnel at our plants for years. We have improved our process equipment, and offered education and training on operation of relevant processes to improve our process operators' skills. The Company has not only improved the dust reuse capabilities of the rotary kiln facilities greatly but also reduced coke consumption and operating costs. At present, with the improvement of our dust reuse technologies, we can attract foreign businesses with the same new process to collaborate with us in the future, which will increase the chance of technology export.
- C. In the short term, we will apply for additional waste treatment projects.

D. Expand the market for recycling the waste slag from our plant's process through our subsidiary, and study the feasibility of recovering valuable substances (such as ferric oxide) from the slag.

(2) Long-term Business Development Plan

A. Considering the cost-effectiveness of investment, we continue to evaluate the feasibility of setting up a washing plant to increase the added value of our products.

B. Promote the reuse of other waste resources that are difficult to be treated.

C. We do not rule out the feasibility of seeking technical cooperation with businesses abroad or joint ventures to build plants overseas.

## II. Analysis of the Market as Well as Production and Marketing Situation

### 1. Market analysis

(1) Sales (provision) regions of major products (services)

Unit: NT\$1,000

Sales region	Year	2021		2020	
		Sales	Percentage (%)	Sales	Percentage (%)
Zinc oxide (export)	Japan	1,004,286	54.17	560,231	34.53
	Europe	325,880	17.58	410,465	25.30
	China	-	-	-	-
	Thailand	58,829	3.17	39,212	2.42
	Africa	-	-	-	-
	Others	-	-	487	0.03
Zinc oxide (domestic sales)		168,625	9.10	79,772	4.92
Clearance and reuse		274,769	14.82	531,940	32.79
Others		21,484	1.16	122	0.01
Total		1,853,873	100.00	1,622,229	100.00

## (2) Market share

### A. Domestic clearance and recycle of dust

Year	Total domestic dust disposal volume	Taiwan Steel Union	Domestic competitors	Unit: Ton	
				Market share of Taiwan Steel Union	Market share of domestic competitors
2018	152,649	146,152	6,497	95.74%	4.26%
2019	152,642	145,125	7,517	95.08%	4.92%
2020	145,673	142,022	3,651	97.49%	2.51%
2021	165,008	142,393	22,615	86.29%	13.71%

Note : Source of data: EPA and compiled by Taiwan Steel Union.

### B. Zinc oxide

At present, the domestic zinc oxide manufacturers are very few on a relatively small scale. Their downstream customers are mainly scattered in the global market. Therefore, it is not easy to collect information on the market share of the industry. If it is estimated based on recycling of zinc resource from dust, the domestic market share of the zinc oxide recycled by the Company exceeds 85%.

## (3) Future Supply and Demand and Growth of the Market

### A. Treatment and reuse of dust

Domestic forward-looking infrastructure construction business opportunities are influenced by changes in politics. At present, the forward-looking infrastructure projects, and the areas of construction licenses under application continue to increase, plus Taiwan Semiconductor Manufacturing Co., Ltd. is expanding its plants and overseas Taiwanese businesspeople continue to return to and invest in Taiwan. Thus, the impact of COVID-19 on the domestic construction industry and the needs for steel have been relatively small. In the future, we will continue to increase customers and sources of materials in terms of other waste resources that are difficult to be treated, and to increase the volume of treatment/reuse. This will not only give us an excellent advantage in the domestic competition but also diversify our operational risks.

### B. Acceptance of EAF dust collection from other domestic EAF steel mill plant (carbon steel and stainless steel furnaces)

On July 21, 2017, the Company was approved by the Industrial Development Bureau of the Ministry of Economic Affairs to transform into a general-purpose EAF dust collection and reuse facility, and therefore the

Company can receive EAF dust from all domestic sources (waste code: A-7101). Grounded on the purpose of recycling waste resources and in line with the government's "circular economy" policy, the Company received EIA approval in 2022 to accept EAF dust collected from other EAF steel mill plant. Upon verification, other domestic EAF steel plants, such as Luodong Carbon Steel Plant, Tang Eng Stainless Steel Plant, GMTC Stainless Steel Plant and Walsin Lihwa Stainless Steel Plant, produces EAF dust that features the same characteristics as the EAF dust from the 12 steel plants that the Company currently receives, and the source entities had to use overseas or other treatment methods due to the Company's insufficient capacity in the past. However, the Company currently still has a surplus EAF dust processing capacity of about 60,000 metric tons/year, and the recycling technology is mature and stable, which will help reduce the comprehensive environmental risks of the Hazardous industrial waste and long-distance transportation.

#### C. Acceptance of EAF dust from various disposal sites in Taiwan

In view of the fact that the EAF collected from EAF plants has been found to be disposed of at various sites in Taiwan, and that such dust is still essentially dust collected from steel production in electric arc furnaces, and is therefore similar in nature to the dust collected by the Company, the Company can provide another proper disposal pipeline for the EAF dust collected from the disposed sites. The Company has also assisted in the recycling of EAF dust collected from disposal sites in Hsinfeng Township, Hsinchu County (the treatment was fully completed in September 2020, totaling 13,924 tons). This is expected to accelerate the removal of EAF dust from domestic disposal sites, revitalize the use of land, and benefit the overall environment of Taiwan.

#### D. Sales of zinc oxide

In 2021, in response to China's policies and environmental issues that resulted in local zinc smelters reducing production, and the increase in European green electricity prices forcing Nyrstar, Europe's largest zinc refinery, to announce a reduction in production, LME zinc prices have continued to rise. The annual average zinc price for 2021 was US\$3,005, representing a 33% increase over the annual average zinc price of US\$2,265 for 2020, resulting in a 49% increase in zinc oxide sales unit price of NT\$10,234 compared to the same period last year. Total revenue from zinc oxide sales increased by NT\$467,453,000, up 43% compared to the same period last year.

The Company's product after treating the dust is crude zinc oxide, which is a recycled material. It can mainly supply foreign zinc smelters to replace

part of zinc ore as a raw material for zinc smelting, so the product is in short supply.

E. Acceptance of waste zinc-manganese alkaline batteries (Waste Code: R-2404)

Waste zinc-manganese alkaline batteries are also rich in zinc, carbon, iron and other resource components, but there is no domestic facility that can fully conduct resource recovery operations. In line with the environmental protection policy of the Environmental Protection Administration (EPA) to actively promote zero-waste resource recycling, and in accordance with the EPA's "Standards for Waste Dry Battery Recycling, Storage, Removal and Treatment Methods and Facilities", the Company is able to fully utilize the surplus energy and EAF dust to recover the valuable metal zinc in waste manganese zinc/cylinder alkaline manganese dry batteries or other similar small batteries (excluding button-type batteries and lithium batteries) by thermal treatment and resource recovery in our existing rotary kiln high-temperature smelting facilities, and produce crude zinc oxide products to provide a proper resource treatment channel to achieve the goal of complete resource recovery.

F. Acceptance of products with 15~40% zinc content from recycling or processing facilities

The domestic industry is often faced with the problem of insufficient purity of recycled zinc oxide/zinc flakes/zinc scraps, and the lack of relevant technology and equipment to improve the purity, which leads to the impairment of sales and environmental problems resulting from long-term storage. The Company's rotary kiln high-temperature smelting process can provide a purification channel for lower purity zinc oxide/zinc flakes/zinc scraps, etc. The raw material can be mixed with EAF dust and then smelted together at high temperature in the rotary kiln to recover valuable heavy metal zinc, further purifying and refining the zinc purity to a fully marketable quality, achieving complete resource utilization and harmless reuse, thus helping to solve landfill and environmental problems that may arise from the difficulty of selling some low purity resource products in Taiwan.

G. Acceptance of scrap zinc (R-1303)

The source of this material is waste zinc from various industrial processes, and it is a waste single metal (zinc) R-1303, which is recognized by the Industrial Development Bureau of the Ministry of Economic Affairs as a directly reusable material for industry, and its characteristics need to meet the following requirements: (a) It does not contain mercury components. (b) Metallic in nature (e.g. metal, alloy or electroplated metal). (c) Does not

contain powder, sludge, ash or hazardous waste liquids. (d) Should contain 40% or more of zinc content. Therefore, this type of reusable resource waste has high zinc content and is also classified as an urban mineral resource waste, which meets the target of zinc recycling in this resource recycling plant. Therefore, the Company can fully utilize the surplus capacity to recycle and reuse zinc resources by high temperature smelting together with EAF dust to produce crude zinc oxide products and achieve the purpose of complete resource recovery.

H. Acceptance of EAF dust or sludge with zinc content  $\geq 2.5\%$ .

The dust or sludge containing zinc produced by the domestic hardware industry and zinc-copper alloy industry. This type of waste is similar to lead-zinc ore and EAF dust, and has value for further industrial purification. It is an urban mineral resource waste, so it can make full use of the surplus capacity to receive the resource waste and reuse the zinc resource through high-temperature smelting together with the EAF dust to produce crude zinc oxide products, and achieve the purpose of complete resource recovery, and also help solve the environmental pollution problem that may arise from the resource waste having no means to be recycled or disposed of.

I. Acceptance of dewatered sludge from electroplating wastewater plant with zinc content  $\geq 2.5\%$ .

There are many electroplating factories in central Taiwan and there is also a specialized electroplating zone in the Changbin Industrial Park. All electroplating factories have wastewater treatment facilities, and the wastewater generated from the electroplating process in factories of the electroplating zone are processed by the Changbin Industrial Park Service Center for treatment. Dewatered sludge (A-8801) are produced after treatment at the aforementioned electroplating wastewater treatment plant. The main composition of electroplating wastewater dewatering sludge waste is heavy metals, which can be recovered by the Company's rotary kiln high-temperature smelting process to produce crude zinc oxide products from the low melting point heavy metals such as zinc, lead, cadmium, etc., while the high melting point heavy metals such as chromium, copper, nickel, etc. are sintered at high temperature into reusable rotary kiln slag (R-1207). In this way, not only are the valuable metals in the waste recovered, but also 100% of the waste can be properly treated and disposed.

J. Reuse of incineration fly ash with chlorine content  $\leq 3\%$

In line with the EPA's active promotion of source reduction, the introduction of Sustainable Material Management (SMM) and the Cradle to

Cradle (C2C) concept, and the gradual promotion of Taiwan's environmental protection policy towards resource recycling and zero waste, the Company will strive for the recycling of incineration fly ash (chlorine content  $\leq 3\%$ ) from waste incineration plants and incinerators set up by public and private waste treatment institutions in the future. It can not only greatly reduce the problems arising from the existing incineration fly ash that must be solidified and buried for a long period of time, but also reduce the demand for land for domestic landfill sites to extend their life and revitalize the land resources, and achieve the goal of zero waste of waste resources.

**K. Acceptance of RDF (or SRF) solid recovered fuels**

After undergoing the rotary kiln high-temperature smelting process, the RDF/SRF can be reused as auxiliary fuel, which can not only help the Industrial Development Bureau to solve the problem of disposal, but also conform with the government's policy objectives of resource recovery for a circular economy.

**L. Acceptance of solid industry waste with high calorific value**

Assist in providing solutions to the problem of eliminating solid waste and solid waste with calorific value in domestic solid waste disposal sites. The solid waste with high calorific value (calorific value  $\geq 1,500$  Kcal/kg) produced by pre-treatment sieving can be reused as auxiliary fuel for rotary kiln high-temperature smelting process, which not only has waste reuse efficiency, it can also help to solve the problem of eliminating domestic solid waste and solid waste with calorific value at disposal sites, and accelerating the removal of waste from disposal sites and revitalize national land resources, which is beneficial to maintaining the overall environment.

**M. Acceptance of discarded EAF dust filtration bags from EAF steel plants**

Based on the position of recycling and reuse of waste resources and the best way of waste treatment and elimination, dust collection filtration bags from equipment used by steel mills for the prevention of air pollution often contain EAF dust on surfaces. If the filtration bag is reused in the rotary kilns, it can not only provide additional auxiliary heat required for treatment processes, the valuable metal (zinc) in the EAF dust can be recycled, not only providing for the proper treatment of the waste reuse, but also reduces the risk of improper treatment of the waste.

**(4) Competitive niche**

Taiwan Steel Union adopts Waelz kiln process, which has been in use in the US, Europe, and Japan for dust treatment for over five decades, so it is a commercially mature technology. Furthermore, the Company is an EAF dust removal and recycling organization for the steelmaking industry under the

guidance of the Ministry of Economic Affairs, which is equivalent to the Grade A waste clearance and disposal organization certified by the EPA. The Company is currently the largest EAF dust recycling plant in Asia, and is also the largest and the only domestic company that has introduced the Waelz kiln process technology. Due to its low cost, we have a leading position in Taiwan without comparable competitors.

(5) Favorable and Unfavorable Factors of Development Prospects and Countermeasures

A. Favorable factors:

- (A) Due to the rising public awareness of environmental protection, the government's policy has become stricter for enterprises, which is beneficial for the Company to expand the waste treatment business.
- (B) We adopt the highest standards and have introduced the most advanced German Waelz rotary kiln process for heat recovery. After years of investment in and R&D of new equipment and operating technology, our cost is low and technology is in the lead without comparable domestic competitors.
- (C) The crude zinc oxide recycled and reused by the Company is excellent and stable in quality and high in purity, and is preferred by domestic and foreign customers. We are the seller of first choice, so the crude zinc oxide is in short supply.
- (D) The 1300°C of the pyrometallurgical process of the rotary kilns can simultaneously treat/recycle domestic waste sources that are difficult to be treated/disposed, such as incineration fly ashes, used dry cells, organic sludge, and highly toxic contaminated soils, and our treatment cost is lower than our domestic competitors.
- (E) We have complete management mechanisms and implemented ISO-9000, ISO-14000, ISO-14064, and ISO-45000.
- (F) We fully recycle waste with zero waste, invest in factory facilities, and conduct excellent management, has become a model plant selected by the Industrial Development Bureau and the EPA.

B. Unfavorable Factors and Countermeasures

- (A) The source of raw materials is affected by the business of the iron and steel industry:

The Company mainly treats EAF dust produced during the steelmaking process. Generally, as the volume of smoke and dust generated is roughly 1.2%–1.8% of the steel output, the source of raw

materials is affected by the business of the iron and steel industry and the volume of EAF dust.

#### Countermeasures

As our treatment technology is mature, we are actively seeking other dust sources (stainless steel plants, dumpsites, etc.) and other hazardous business waste sources (containing zinc or with high calorific value), which can be used as alternative materials for natural silica sand, slaked lime, or lime, to reduce the consumption of natural resources and to increase our revenue. At present, we have obtained 13 contaminated soil reuse permits and passed the review of the environmental impact comparative analysis at the environmental impact assessment conference by the EPA on November 25, 2020 successfully. In the future, we will include another 12 types of waste sources to make full use of our remaining production capacity while in alignment with the government's Resource Sustainable Recycling Implementation Program.

(B) Local residents' lack of knowledge of the green environmental protection industry:

As the general public has stricter requirements for the quality of living, they cannot accept that factories treating hazardous business waste are located around their living environment as they are concerned about the negative impact on their health. Therefore, they call on groups to stage protests, prompting such factories to engage in continuous communication and explanation.

#### Countermeasures

The Company has always attached great importance to environmental protection. In the principles of openness and transparency, we opened our plants to local environmentalists and local residents, and they also praised our efforts in environmental protection. We also allowed the inspection and testing companies designated by the Shengang and the Xianxi Township Offices to measure the exhaust volume from our smokestacks to assure the public. In addition, we took the initiative to place the monitoring information on our official website for free access by the public, to demonstrate the Company's determination to protect the environment.

(C) The price of zinc oxide is affected by the fluctuation of the LME zinc price

The price of zinc oxide from the dust collected by the Company is

positively correlated with the LME international zinc price. When the LME zinc price rises or falls, the price of zinc oxide sold to customers also rises or falls with the LME zinc price, which will further affect the Company's overall revenue and gross profit.

### Countermeasures

As the LME zinc price depends on the supply and demand of the global zinc market and the flow of capital in the capital market, it is difficult to predict the price trend. Therefore, we tend to focus on our core business, continue our existing technological advantages, continue to strive to develop diverse products and services and customer groups, and expand and increase the waste sources that can be reused. The Company also has a competitive advantage in raising the treatment fees with the aim of reducing the impact of zinc oxide on the overall profitability.

## 2. Important Functions and Production Process of Main Products

### (1) Important Functions of Main Products

The main and by-products produced from the pyrometallurgical process of EAF dust are zinc oxide and slag. After the zinc oxide produced from the rotary kilns was collected by dust collection equipment (cyclone and bag filter dust collectors), around 89% of it is exported and sold to metal refining companies in Japan, Europe, and other countries in 2021 to extract zinc ingots for recycling and reuse. Reuse (refined into zinc ingots with 99.995% of purity), and the remaining 11% was sold to Taiwan and Thailand to be made into zinc white as an additive for the footwear and tire industries.

The slag produced in the production process is a non-hazardous recyclable resource as defined in the Ministry of Economic Affairs Announcement No. 37. After crushing, magnetic separation, and recycling of iron, the remaining tailings are used as alternative materials for CLSM concrete and general concrete aggregates and road and subgrade filling-graded materials.

### (2) Production process

EAF dust recycling and treatment process is mainly conducted through the pyrometallurgical process of the rotary kiln facility to process the EAF dust, and to recycle the crude zinc oxide from the dust. The treatment method adopted is based on the nature and characteristics of the dust collected and the international general technology trends, so we invested in the introduction of the pyrometallurgical process from Germany at a high price 20 years ago to treat the EAF dust in the steelmaking industry, the total annual processing capacity of the

two kilns approved is 198,900 metric tons. The Company adopts Waelz kiln process, which has been in use in the US, Europe, and Japan for dust treatment for decades, so it is a commercially mature and stable technology.

### 3. Supply of main raw materials

The Company's current supply of main raw materials is as follows:

Main raw materials	Supplier	Supply
Coke	Diafriend Corporation, China Steel Chemical Corporation, and Ta Ease Industrial Co., Ltd.	Good and stable
Slaked lime	Lime-Crown Industrial Co., Ltd., Ho Hsing Lime Factory Co., LTD., Kung Jung Lime Works Co., Ltd. and Jin Bao Stone Enterprise Company	Good and stable
Quick lime	Lime-Crown Industrial Co., Ltd., Kun Yan Trading Co., Ltd., Shin Foo Sheng Co., Ltd., and Kuanyu Development Co., LTD.	Good and stable

### 4. Names of Customers Who Have Accounted For at Least 10% of Total Purchases

(Sales) in Any of the Last Two Years, the Purchase (Sales) Amount and Proportion, and the Reasons for the Increase or Decrease

#### (1) Information on major suppliers in the last two years

Unit: NT\$1,000

Item	2020				2021				Quarter 1 of 2022			
	Name	Amount	Proportion to annual net purchases (%)	Relation with the issuer	Name	Amount	Proportion to annual net purchases (%)	Relation with the issuer	Name	Amount	Proportion to net purchases as of the previous quarter in the current year (%)	Relation with the issuer
1	Diafriend Corporation	83,176	25.41	None	Diafriend Corporation	91,412	32.67	None	Diafriend Corporation	36,761	41.99	None
2	—	—	—	—	Lime-Crown	40,322	14.41	None	China Steel Chemical	14,157	16.17	None
3	Others	244,174	74.59	—	Others	148,040	52.92	—	Others	36,632	41.84	—
	Net purchase	327,350	100.00	—	Net purchase	279,774	100.00	—	Net purchase	87,550	100.00	—

We have maintained a positive collaborative relationship with our suppliers, and worked with at least two suppliers for the same material; as such, we can respond quickly to maintain the stability of the delivery in the case of abnormal quality. The Company's material procurement is conducted through bidding, and the principle of winning the bid is the lowest price. The change in suppliers is because of changes in market supply and demand that influence the increase or decrease of the purchase amount.

(2) Information on major customers in the last two years

Unit: NT\$1,000

Item	2020				2021				Quarter 1 of 2022			
	Name	Amount	Proportion to annual net sales (%)	Relation with the issuer	Name	Amount	Proportion to annual net sales (%)	Relation with the issuer	Name	Amount	Proportion to net sales as of the previous quarter in the current year (%)	Relation with the issuer
1	MMS	463,066	28.55	None	MMS	851,794	45.95	None	MMS	113,332	29.85	None
2	TFG	200,830	12.38	None	TFG	249,106	13.44	None	TFG	78,536	20.68	None
3	—	—	—	—	—	—	—	—	GCC	65,375	17.22	None
4	—	—	—	—	—	—	—	—	PCC	54,110	14.25	None
	Others	958,333	59.07		Others	752,973	40.61		Others	68,361	18.00	
	Net purchase	1,622,229	100.00		Net purchase	1,853,873	100.00		Net purchase	379,714	100.00	

The changes in the Company's zinc oxide customers were mainly attributed to the customers' adjustment to the Company's zinc oxide shipments to respond to the changes in market supply and demand, and the impact of international zinc prices.

5. Production Volume and Value in the Last Two Years

Unit: Ton / NT\$1,000

Major product (or department)	Production volume and value	2021			2020		
		Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Clearance and recycle of domestic EAF dust and zinc oxide	198,900	142,393	674,192	198,900	147,249	864,805	
Clearance and recycle of contaminated soils	79,682	4,712	31,155	69,615	12,776	78,594	
Recycle of reducing slag	170,000	51,767	154,651	170,000	41,120	106,805	
Total	448,582	198,872	859,998	438,515	201,145	1,050,204	

Note: The production capacity for EAF dust is 198,900 tons, the production capacity of contaminated soils is 79,682 tons, and the production capacity of reducing slag is 170,000 tons, which are based on the maximum processing capacity approved by the law.

## 6. Sales Volume and Value in the Last Two Years

Unit: Ton / NT\$1,000

Sales volume and value Major product (or department)	Year	2021				2020			
		Domestic sales		Export		Domestic sales		Export	
		Volume	Value	Volume	Value	Volume	Value	Volume	Value
Clearance and reuse of domestic dust and zinc oxide	142,393	245,018	-	1,388,994	147,249	421,656	-	1,010,395	
Clearance and reuse of contaminated soils	4,712	31,155	-	-	12,776	78,594	-	-	
Reused of reduced/oxidized slags	59,946	162,368	-	-	46,971	111,462	-	-	
Others	-	26,338	-	-	-	122	-	-	
Total	207,051	464,879	-	1,388,994	206,996	611,834	-	1,010,395	

## III. Number of Employees for the Two Most Recent Fiscal Years, and During the Current Fiscal Year Up to the Date of Publication of the Annual Report, Their Average Years of Service, Average Age, and Education Levels (Including Percentage of Employees at Each Level)

Year		2020	2021	April 28, 2022
No. of employees	Managerial Officer	19	23	23
	General employee	26	32	35
	Operator	95	106	106
	Total	140	161	164
Average age		38.40	41.15	40.74
Average years of service		7.44	7.15	6.90
Distribution of educational level	Ph.D	2	3	3
	Master's	17	18	15
	University	74	84	90
	Senior high school	36	39	38
	Below senior high school	11	17	18

#### IV. Disbursements for Environmental Protection

In the most recent year and up to the publication date of the Annual Report, any losses suffered due to environmental pollution (including damages and violation of environmental protection laws and regulations in the environmental protection inspection results, the date of penalty, the document number, the laws and regulations violated, the content of violations, and the content of the penalty shall be specified), and the estimated amount and countermeasures that may occur now and in the future shall be disclosed. If it cannot be estimated reasonably, the fact that it cannot be estimated reasonably shall be specified:None.

#### V. Labor Relations

1. The Company's employee benefit measures, continuing education, training, pension system, and the implementation thereof, as well as the agreements between labor and management and protection measures for employees' rights and interest:
  - (1) Implementation of employee benefit measures, and continuing education and training
    - A. Group accident insurance.
    - B. Year-end party.
    - C. Bonuses upon three major holidays.
    - D. Regular employee health examination.
    - E. Education and training subsidies.
  - F. The Employees' Welfare Committee has been established in accordance with the law, and the benefit measures are as follows:
    - (A) Employee travel subsidy.
    - (B) Marriage cash gift, birthday cash gift, and funeral condolence money.
    - (C) Scholarships for employees and their children.
- (2) Pension system and implementation
  - A. The Company's pension system belongs to the government-managed defined benefit pension plan in accordance with our country's Labor Standards Act. The Company contributes 8% of each employee's total monthly salary to the Supervisory Committee of Labor Retirement Reserve as pension to deposit it into a special account with the Bank of Taiwan in the name of the committee.
  - B. We have implemented the new pension system since July 1, 2005. The Company contributes no less than 6% of each employee's monthly salary to his/her labor pension account in accordance with the Labor Pension Act.
  - C. We handle pension-related matters in accordance with the relevant provisions of the Labor Pension Act and the Company's Appointment and

Dismissal Regulations.

(3) Agreements between labor and management and protection measures for employees' rights and interest

- A. Hold regular labor-management meetings.
- B. Set up employee suggestion mailboxes to motivate employees to make suggestions at any time.
- C. Established the Work Rules.

2. In the most recent year and up to the publication date of the Annual Report, any losses suffered due to labor disputes (including violation of the Labor Standards Act in the labor inspection results, the date of penalty, the document number, the laws and regulations violated, the content of violations, and the content of the penalty shall be specified), and the estimated amount and countermeasures that may occur now and in the future shall be disclosed. If it cannot be estimated reasonably, the fact that it cannot be estimated reasonably shall be specified: None.

3. Protection measures for work environment and employees' personal safety:

(1) Monitoring of work environment: The Company's main processes are to treat hazardous industrial waste, and the work environment is at a high temperature with dust. We conduct risk assessments of hazardous operational environments with noise, dusts and ionizing radiation. Relevant health and safety operational standards are set up accordingly. Operational environmental monitoring plans are drawn in line with regulations. The sampling items and frequencies for operational environmental monitoring are listed in the table below.

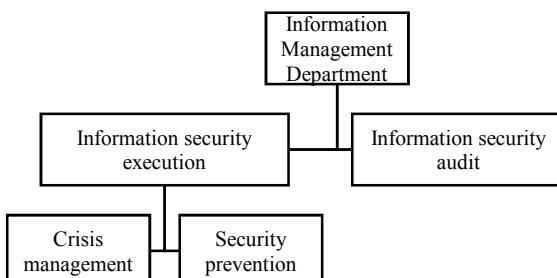
Environmental monitoring and inspection and personnel health checks are conducted regularly by commissioned external parties. Specialty doctors are hired to visit the sites and observe the operational environment, in order to provide health and safety assessments and suggestions for improvement.

No.	Item	Monitoring frequency
1	Total dust amount	Once every six months
2	Respirable dust	Once every six months
3	Lead	Once every six months
4	Manganese	Once every six months
5	Cadmium	Once every six months
6	Zinc	Once every six months
7	CO <sub>2</sub>	Once every six months
8	Oxygen	Once every six months
9	Noise	Once every six months
10	Wet Bulb Globe Temperature (WBGT)	Once a quarter
11	Sulfuric acid	Once every six months
12	Wind velocity	Once every six months
13	Health examination for employees in special operations	Once a year

- (2) Employees' personal safety protection: The Company provides periodical health checks and personal protective equipment to employees. This is to protect the health of employees and avoid injury to physical health due to work process or damage to laborers' right to life. The jobs with high risks or high incidence of specific diseases include slag removal from rotary kilns, process air pipe (PAP) replacement, corrugated roof sheet replacement, replacement of fire-retardant materials and filter bags for rotary kilns during annual maintenance. Strict management is exercised on occupational health and safety.
- (3) To enhance the caliber, technical and core competences of our personnel, to establish awareness in health and safety and the ability to prevent hazards, the Company organizes periodical and ad-hoc training and education in health and safety while holding fire drills every six months. All the internal training, external training and license acquisitions are in compliance with laws and regulations.
- (4) Taiwan Steel Union's annual statistics on occupational disasters are based on the disability indicators published by the Ministry of Labor. A comprehensive reporting procedure and an event investigation mechanism are in place, to report the investigation findings to relevant departments. Corrective and preventive measures are initiated, to reduce the likelihood of the same events and continue to improve workplace safety.

## VI. Information Security Management

### 1. Information Security Risk Management Framework



- A. Section Chief: Formulating information security policies and supervising the approval and implementation of information security management systems.
- B. Staff in the section: All staff in the Information Management Section. The responsibilities include:
  - i. Responsible for information security regulations review or decision-making and implementation; information collection and raising of awareness of information security; formulating system security measures; devising information security measures.

- ii. Responsible for crisis management procedures, identifying the causes of crisis events, confirming the scope of impact and conducting assessments of losses, executing emergency response plans, implementing solutions, and conducting crisis notifications.

## 2. Information Security Policy

To strengthen information security management, ensure the confidentiality, integrity, and availability of information, the reliability of information equipment (including computer hardware, software, and peripherals) and network systems, as well as employees' awareness of information security, and make sure that the above resources will not be disrupted, destructed, intruded, or subject to any detrimental acts and attempts, this policy has been particularly formulated:

- A. Establish an electronic data protection system to avoid unauthorized reading, modification, or export for taken out of the Company, to ensure the integrity and security.
- B. Establish a maintenance and control mechanism for the software and hardware in the computer category to protect the reliability and stability of the operation of the equipment.
- C. Promote information security regularly, enhance employees' awareness of information security, and strengthen their awareness of relevant responsibilities.
- D. Establish an information security protection system to block unknown external attacks and intrusions.
- E. Implement an internal computer software audit system for information security to ensure the implementation of information security management as planned.
- F. Comply with relevant laws and regulations, such as the Personal Data Protection Act and the Copyright Act.
- G. All files and electronic materials shall be kept properly and filed in order, and shall not be carried outside the Company without the Company's authorization.

## 3. Specific management plan and resources invested

The Company's current management methods have been able to protect information security effectively. Our specific management measures are detailed in the table below:

Information Security Management		
Item	Explanation	Major Contents
Access permission	Management and records of the history of AD	Account application, change, and deletion management

management	accounts, ERP accounts, and access permission	Tiered control and management of access permission and audit
Data management	Personnel access system and data management and control measures	Data and system access permission control Access to records of users' history Establishment of file encryption system
External threat management	Inspection and blocking of all potential loopholes for intrusion, and development of relevant preventive measures	Establishment of a new-generation firewall to strengthen the mechanism against hackers Server/computer terminal anti-virus system establishment and update of vulnerabilities Establishment of an email filtering system to prevent intrusion through legitimate channels
System stability management	Establishment of relevant preventive measures to reduce losses caused by system disruption	Response to system disruption Data backup and restoration management measures System restoration management measures during disasters

Information security incident notification procedure please refer to the Company's Information Security Policy under Corporate Governance in the CSR section on the official website for more information on our information security notification procedure. Our notification of and response to information security incidents are conducted in compliance with the procedure.

- For the most recent year and as of the publication date of the annual report, the losses suffered as a result of major information security incidents, their possible effects and the measures taken in response. If it cannot be reasonably estimated, the reason why it cannot be reasonably estimated should be stated: None.

## VII. Important Contracts

Nature of contract	Party involved	Contract period	Main content	Restrictive clause
Harmonious Neighborhood Environmental Protection Agreement	Shengang and the Xianxi Township Offices	2006.11.03 until the end of the operation	Providing a fund money to the Shengang and the Xianxi Township Offices based on the monthly tons of treatment	None

## Six. Financial Information

### I. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years with Names of CPAs and Their Audit opinions Indicated

#### 1. Condensed Balance Sheets and Statements of Comprehensive Income

##### (1) Condensed Balance Sheets - International Financial Reporting Standards

Unit: NT\$1,000

Item	Year	Financial Data for the Past Five Fiscal Years					2022 (as of March 31, 2022) Financial Data
		2017	2018	2019	2020	2021	
Current assets		812,478	1,707,395	1,190,877	1,630,542	1,024,753	1,234,507
Property, plant and equipment		2,134,701	2,501,463	2,917,927	3,271,974	3,299,524	3,298,066
Intangible assets		4,653	6,939	5,613	4,646	3,726	3,536
Other assets		243,163	372,500	423,466	135,871	82,695	130,874
Total assets		3,194,995	4,588,297	4,537,883	5,043,033	4,410,698	4,666,983
Current liabilities	Before distribution	753,694	343,542	367,967	569,411	611,053	1,152,614
	After distribution	1,348,993	897,671	657,271	903,224	1,056,137 (Note 1)	N/A
Non-current liabilities		146,579	651,922	731,530	916,247	10,462	14,242
Total liabilities	Before distribution	900,273	995,464	1,099,497	1,485,658	621,515	1,166,85
	After distribution	1,495,572	1,549,593	1,388,801	1,819,471	1,06,599 (Note 1)	N/A
Equity attributable to owners of parent		2,294,722	3,592,833	3,438,386	3,557,375	3,789,183	3,500,127
Share capital		999,449	1,112,709	1,112,709	1,112,709	1,112,709	1,112,709
Capital surplus		—	998,985	998,985	998,985	998,985	998,985
Retained earnings	Before distribution	1,295,273	1,481,139	1,326,692	1,445,681	1,677,489	1,388,433
	After distribution	699,974	927,010	1,037,388	1,111,868	1,232,405 (Note 1)	N/A
Other equity		—	—	—	—	—	—
Treasury shares		—	—	—	—	—	—
Non-controlling interests		—	—	—	—	—	—
Total equity	Before distribution	2,294,722	3,592,833	3,438,386	3,557,375	3,789,183	3,500,127
	After distribution	1,699,423	3,038,704	3,149,082	3,223,562	3,344,099 (Note 1)	N/A

Note 1: Amount approved by the Board of Directors on February 24, 2022.

(2) Consolidated Statements of Comprehensive Income - International Financial Reporting Standards

Unit: NT\$1,000 except for earnings per share, which is in NT\$1

Item	Year	Financial Data for the Past Five Fiscal Years					2022 (as of March 31, 2022) Financial Data
		2017	2018	2019	2020	2021	
Operating revenue	1,906,571	2,147,371	1,650,701	1,622,229	1,853,873	441,671	
Gross profit	1,138,989	1,166,758	734,032	738,786	1,013,377	172,456	
Operating profit (loss)	979,516	970,825	521,572	531,497	728,781	269,215	
Non-operating income and expenses	(23,581)	10,929	2,333	(7,890)	(3,950)	4,501	
Net income before tax	955,935	981,754	523,905	523,607	724,831	201,141	
Net income/loss of continuing operations for the current period	763,925	785,481	398,825	407,534	564,869	156,028	
Loss from discontinued operations	—	—	—	—	—	—	
Net income (loss) for the current period	763,925	785,481	398,825	407,534	564,869	156,028	
Other comprehensive income for the current period (net of tax)	101	(4,316)	857	759	752	—	
Total comprehensive income for the current period	764,026	781,165	399,682	408,293	565,621	156,028	
Net income (loss) attributable to owners of parent	763,925	785,481	398,825	407,534	564,869	156,028	
Net income attributable to non-controlling interests	—	—	—	—	—	—	
Total comprehensive income attributable to owners of parent	764,026	781,165	399,682	407,534	564,869	156,028	
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—	—	
Earnings (loss) per share	7.64	7.11	3.58	3.66	5.08	1.40	

(3) Condensed Parent Company-Only Balance Sheets - International Financial Reporting Standards

Unit: NT\$1,000

Item	Year	Financial Data for the Past Five Fiscal Years				
		2017	2018	2019	2020	2021
Current assets		647,477	1,338,706	1,085,703	1,408,972	865,497
Property, plant and equipment		1,470,714	1,308,813	1,221,997	1,118,183	1,077,069
Intangible assets		3,123	3,049	2,557	2,354	2,082
Other assets		620,586	1,417,805	1,350,351	1,284,323	2,124,452
Total assets		2,741,900	4,068,373	3,660,608	3,813,832	4,069,100
Current liabilities	Before distribution	300,599	337,098	206,831	246,445	270,043
	After distribution	895,898	891,227	496,135	580,258	715,127 (Note 1)
Non-current liabilities		146,579	138,442	15,391	10,012	9,874
Total liabilities	Before distribution	447,178	475,540	222,222	256,457	279,917
	After distribution	1,042,477	1,029,669	511,526	590,270	725,001 (Note 1)
Equity attributable to owners of parent		2,294,722	3,592,833	3,438,386	3,557,375	3,789,183
Share capital		999,449	1,112,709	1,112,709	1,112,709	1,112,709
Capital surplus		—	998,985	998,985	998,985	998,985
Retained earnings	Before distribution	1,295,273	1,481,139	1,326,692	1,445,681	1,677,489
	After distribution	699,974	927,010	1,037,388	1,111,868	1,232,405 (Note 1)
Other equity		—	—	—	—	—
Treasury shares		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	2,294,722	3,592,833	3,438,386	3,557,375	3,789,183
	After distribution	1,699,423	3,038,704	3,149,082	3,223,562	3,344,099

Note 1: Amount approved by the Board of Directors on February 24, 2022.

Note 2: The Company had not had the latest financial information audited or reviewed by a CPA as of the publication date of the Annual Report, so did not disclose relevant information.

(4) Parent Company-Only Statements of Comprehensive Income - International Financial Reporting Standards

Unit: NT\$1,000 except for earnings per share, which is in NT\$1

Item	Year	Financial Data for the Past Five Fiscal Years				
		2017	2018	2019	2020	2021
Operating revenue		1,906,571	2,147,371	1,648,885	1,510,772	1,670,051
Gross profit		1,138,989	1,166,756	741,335	739,928	1,025,177
Operating profit (loss)		993,192	992,592	581,405	582,093	793,907
Non-operating income and expenses		(37,257)	(10,838)	(57,500)	(58,486)	(69,076)
Net income before tax		955,935	981,754	523,905	523,607	724,831
Net income of continuing operations for the current period		763,925	785,481	398,825	407,534	564,869
Loss from discontinued operations		—	—	—	—	—
Net income (loss) for the current period		763,925	785,481	398,825	407,534	564,869
Other comprehensive income for the current period (net of tax)		101	(4,316)	857	759	752
Total comprehensive income for the current period		764,026	781,165	399,682	408,293	565,621
Net income attributable to owners of parent		763,925	785,481	398,825	407,534	564,869
Net income attributable to non-controlling interests		—	—	—	—	—
Total comprehensive income attributable to owners of parent		764,026	781,165	399,682	408,293	565,621
Total comprehensive income attributable to non-controlling interests		—	—	—	—	—
Earnings per share		7.64	7.11	3.58	3.66	5.08

Note: The Company had not had the latest financial information audited or reviewed by a CPA as of the publication date of the Annual Report, so did not disclose relevant information.

2. Name of CPAs and Audit Opinions for the Last Five Years

Year	CPA firm	Name of CPAs	Audit opinion
2017	Deloitte & Touche	Tseng, Tung-Yun and Chiang, Shu-Ching	Unqualified opinions
2018	Deloitte & Touche	Yen, Hsiao-Fang and Chiang, Shu-Ching	Unqualified opinions
2019	Deloitte & Touche	Yen, Hsiao-Fang and Chiang, Shu-Ching	Unqualified opinions
2020	Deloitte & Touche	Yen, Hsiao-Fang and Chiang, Shu-Ching	Unqualified opinions
2021	Deloitte & Touche	Wu, Shao-Chun and Chiang, Shu-Ching	Unqualified opinions

II. Financial Analysis for the Most Recent Five Fiscal Years

1. International Financial Reporting Standards - Consolidated

Item (Note 3)	Year	Financial Analysis for the Past Five Fiscal Years					2022 (as of March 31, 2022)
		2017	2018	2019	2020	2021	
Financial structure (%)	Ratio of liabilities to assets	28.18	21.70	24.23	29.46	14.09	25.00
	Ratio of long-term capital to property, plant and equipment	114.36	169.69	142.91	136.73	115.16	106.56
Debt service ability (%)	Current ratio	107.80	497.00	323.64	286.36	167.71	107.11
	Quick ratio	84.15	460.58	287.31	266.71	145.09	87.93
Operating ability	Times interest earned ratio	15,254.33	19,181.71	27,659.44	6,320.83	18,266.19	40,328.20
	Accounts receivable turnover rate (times)	16.48	12.00	9.84	11.57	12.32	12.86
	Average days for cash receipts	22.15	30.42	37.09	31.55	29.63	28.38
	Inventory turnover rate (times)	4.47	6.67	8.04	8.70	7.78	4.43
	Payables turnover rate (times)	20.41	29.06	27.67	27.17	25.05	18.42
	Average days for sale of goods	81.66	54.72	45.40	41.95	46.92	82.39
	Turnover rate for property, plant and equipment (times)	1.02	0.93	0.61	0.52	0.56	0.54
	Total asset turnover rate (times)	0.69	0.55	0.36	0.34	0.39	0.39

Item (Note 3)	Year	Financial Analysis for the Past Five Fiscal Years					2022 (as of March 31, 2022)
		2017	2018	2019	2020	2021	
Profitability	Asset return ratio (%)	27.97	20.29	8.77	8.65	12.02	13.79
	Equity return ratio (%)	36.68	26.68	11.34	11.65	15.38	17.12
	Ratio of income before tax to paid-in capital (%)	95.65	88.23	47.08	47.06	65.14	72.31
	Net profit ratio (%)	40.07	36.58	24.16	25.12	30.47	35.33
	Earnings per share (NTD)	7.64	7.11	3.58	3.66	5.08	1.40
Cash flow	Cash flow ratio (%)	131.77	283.19	176.75	117.16	135.37	58.08
	Cash flow sufficiency ratio (%)	126.19	105.27	77.65	76.86	77.62	75.71
	Cash reinvestment ratio (%)	15.37	6.04	1.50	5.48	7.73	2.73
Leverage	Operating leverage	1.34	1.38	1.76	1.71	1.52	1.52
	Financial leverage	1.01	1.01	1.00	1.02	1.01	1.00
<p>Explain changes in financial ratios over the past two fiscal years. (Not required if the difference does not exceed 20%).</p> <p>Financial structure: Debt to assets ratio decreased in FY2021 compared to FY2020 mainly due to the repayment of bank loans by subsidiaries and the decrease in cash and liabilities.</p> <p>Solvency: Decrease in current ratio and quick ratio and increase in interest coverage multiple were mainly due to the decrease in cash, liabilities and interest expenses as a result of the repayment of long-term bank loans by the Company's subsidiaries .</p> <p>Profitability: Increased profitability in FY2021 can be attributed to the increase in LME zinc prices during the year.</p> <p>Cash Flow: The increase in cash reinvestment ratio in FY2021 compared to FY2020 was mainly due to the increase of NT\$900 million in cash to fund the repayment of loans by the Company's subsidiaries during the year.</p>							

Note 1: Formulas for IFRS financial ratios are as follows:

1. Financial structure
  - (1) Ratio of liabilities to assets = Total liabilities/Total assets.
  - (2) Ratio of long-term capital to property, plant and equipment = (Total equity + Non-current liabilities)/Net property, plant and equipment.
2. Debt service ability
  - (1) Current ratio = Current assets/Current liabilities.
  - (2) Quick ratio = (Current assets - Inventory - Prepaid expenses)/Current liabilities.
  - (3) Times interest earned ratio = Earnings before interest and taxes/Interest expenses.
3. Operating ability
  - (1) Accounts receivable turnover rate (including accounts receivable and bills receivable from business activities) = Net sales/Balance of average accounts receivable in each period (including accounts receivable and bills receivable from business activities).
  - (2) Average days for cash receipts = 365/Accounts receivable turnover.
  - (3) Inventory turnover rate= Cost of sales/Average inventory.
  - (4) Payables turnover rate (including accounts payable and bills payable from business activities) = Cost of sales/Balance of average accounts payable in each period (including accounts payable and bills payable from business activities).

- (5) Average days for sale of goods = 365/Inventory turnover.
- (6) Turnover rate for property, plant and equipment = Net sales/Average net property, plant and equipment.
- (7) Total asset turnover rate = Net sales/Average total assets.
- 4. Profitability
  - (1) Asset return ratio = [Profit or loss after tax + Interest expenses  $\times$  (1 - Tax rate)]/Average total assets.
  - (2) Equity return ratio = Profit or loss after tax/Average total equity.
  - (3) Net profit ratio = Profit or loss after tax/Net sales.
  - (4) Earnings per share = (Income attributable to owners of parent company - Preferred shares dividends)/Weighted average number of shares issued.
- 5. Cash flow
  - (1) Cash flow ratio = Net cash flows from operating activities/Current liabilities.
  - (2) Cash flow sufficiency ratio = Net cash flow from operating activities for the most recent five years/(Capital expenditures + Inventory increment + Cash dividends) for the most recent five years.
  - (3) Cash reinvestment ratio = (Net cash flow from operating activities - Cash dividends)/(Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).
- 6. Leverage:
  - (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses)/Operating income.
  - (2) Financial leverage = Operating income/(Operating income - Interest expenses).

## 2. International Financial Reporting Standards - Parent Company-Only

Item		Year				
		2017	2018	2019	2020	2021
Financial structure (%)	Ratio of liabilities to assets	16.31	11.69	6.07	6.72	6.88
	Ratio of long-term capital to property, plant and equipment	165.99	285.09	282.63	319.03	352.72
Debt service ability (%)	Current ratio	215.40	397.13	524.92	571.72	320.50
	Quick ratio	156.20	360.11	462.50	528.26	274.62
	Times interest earned ratio	24,022.30	31,830.90	27,659.44	—	—
Operating ability	Accounts receivable turnover rate (times)	16.48	12.00	10.00	12.10	12.61
	Average days for cash receipts	22.15	30.42	36.50	30.17	28.95
	Inventory turnover rate (times)	4.47	6.67	7.96	7.63	6.08
	Payables turnover rate (times)	20.41	29.06	27.40	24.08	19.83
	Average days for sale of goods	81.66	54.72	45.85	47.84	60.03
	Turnover rate for property, plant and equipment (times)	1.24	1.55	1.30	1.29	1.52
	Total asset turnover rate (times)	0.76	0.63	0.43	0.40	0.42
Profitability	Asset return ratio (%)	30.41	23.14	10.36	10.90	14.33
	Equity return ratio (%)	36.68	26.68	11.34	11.65	15.38
	Ratio of income before tax to paid-in capital (%)	95.65	88.23	47.08	47.06	65.14
	Net profit ratio (%)	40.07	36.58	24.19	26.98	33.82
	Earnings per share (NTD)	7.64	7.11	3.58	3.66	5.08
Cash flow	Cash flow ratio (%)	335.44	303.66	350.90	257.67	293.80
	Cash flow sufficiency ratio (%)	142.06	110.55	93.59	95.67	81.76
	Cash reinvestment ratio (%)	15.72	7.53	3.02	5.83	7.38
Leverage	Operating leverage	1.33	1.36	1.61	1.47	1.28
	Financial leverage	1.00	1.00	1.00	1.00	1.00
<p>Explain changes in financial ratios over the past two fiscal years. (Not required if the difference does not exceed 20%).</p> <p>Solvency: The decrease in current ratio and quick ratio was mainly due to the decrease in cash on hand as a result of the NT\$900 million capital increase in subsidiaries of the same year.</p> <p>Operations: Inventory turnover rate decreased and average sales days increased, mainly due to lower zinc oxide sales volume and higher zinc oxide inventory at the end of FY2021 compared to FY2020 due to shipping scheduling issues.</p> <p>Profitability: The increase in profitability in FY2021 was mainly due to the increase in LME zinc prices this year.</p> <p>Cash flow: The increase in cash reinvestment ratio in FY2021 compared to FY2020 was mainly due to the increase of NT\$900 million in cash for repayment of loans by subsidiaries during the same year.</p>						

### III. Audit Committee's Audit Report for the Most Recent Fiscal Year's Financial Statements

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

The Company's Board of Directors prepared the 2021 consolidated financial statements, parent company-only financial statements, a business report, and an earnings distribution proposal, of which the Company's 2021 financial statements have been audited by CPAs of Deloitte & Touche, by whom an audit report with an unqualified opinion has been issued. We have reviewed said business report, parent company-only financial statements, consolidated financial statements, and earnings distribution proposal, and found that there are no discrepancies therein. Therefore, we have hereby stated that the content above is true and correct in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Please proceed to review it

To

2021 Annual Shareholders' Meeting of Taiwan Steel Union Co., Ltd.

Taiwan Steel Union Co., Ltd.

Wu, Chuan-Chuan, Convener of the Audit Committee

February 24, 2022

#### IV. Most Recent Annual Financial 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

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MARK LIN  
President

February 24, 2022



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## 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	%
<b>CURRENT ASSETS</b>				
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)	36,283	1	51,505	1
Total current assets	<u>1,024,753</u>	<u>23</u>	<u>1,630,542</u>	<u>32</u>
<b>NON-CURRENT ASSETS</b>				
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)	3,311	-	2,846	-
Total non-current assets	<u>3,385,945</u>	<u>77</u>	<u>3,412,491</u>	<u>68</u>
<b>TOTAL</b>	<b>\$ 4,410,698</b>	<b>100</b>	<b>\$ 5,043,033</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
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)	63,039	1	51,171	1
Total current liabilities	<u>611,053</u>	<u>14</u>	<u>569,411</u>	<u>11</u>
<b>NON-CURRENT LIABILITIES</b>				
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)	1,374	-	639	-
Total non-current liabilities	<u>10,462</u>	<u>-</u>	<u>916,247</u>	<u>18</u>
<b>Total liabilities</b>	<b><u>621,515</u></b>	<b><u>14</u></b>	<b><u>1,485,658</u></b>	<b><u>29</u></b>
<b>EQUITY</b>				
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	1,253,850	28	1,062,871	21
Total equity	<u>3,789,183</u>	<u>86</u>	<u>3,557,375</u>	<u>71</u>
<b>TOTAL</b>	<b>\$ 4,410,698</b>	<b>100</b>	<b>\$ 5,043,033</b>	<b>100</b>

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)

	<b>2021</b>	<b>2020</b>		
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
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)

	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
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>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 565,621</u>	<u>31</u>	<u>\$ 408,293</u>	<u>25</u>
<b>EARNINGS PER SHARE (Note 20)</b>				
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)

**TRANSIENT ENERGY CO., LTD. AND SUBSIDIARY**

**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED DECEMBER 31, 2011 AND 2010

in thousands of New Taiwan Dollars, Except Statement of Assets

	Beginning Balance (Jan 01)	Capital Increase (Jan 01)	Legal Reserves (Jan 01)	Unappropriated Reserves (Jan 01)	Total Equity
<b>BALANCE AS OF January 1, 2010</b>	NT\$ 1,112,799	NT\$ 0,000,000	NT\$ 0,000	NT\$ 1,112,799	NT\$ 1,112,799
Appropriation of 2010 earnings:					
Legal reserves			NT\$ 0,000	NT\$ 0,000	NT\$ 0,000
Capital increase (NT\$12.0 per share)			NT\$ 0,000	NT\$ 0,000	NT\$ 0,000
Net profit for the year ended December 31, 2010				NT\$ 2,244	NT\$ 2,244
Other comprehensive income for the year ended December 31, 2010 (out of treasury)				NT\$ 0	NT\$ 0
Total comprehensive income for the year ended December 31, 2010				NT\$ 2,244	NT\$ 2,244
<b>BALANCE AS OF December 31, 2010</b>	NT\$ 1,112,799	NT\$ 0,000	NT\$ 0,000	NT\$ 2,244	NT\$ 1,114,043
Appropriation of 2011 earnings:					
Legal reserves			NT\$ 0,000	NT\$ 0,000	NT\$ 0,000
Capital increase (NT\$12.0 per share)			NT\$ 0,000	NT\$ 0,000	NT\$ 0,000
Net profit for the year ended December 31, 2011				NT\$ 0,000	NT\$ 0,000
Other comprehensive income for the year ended December 31, 2011 (out of treasury)				NT\$ 0	NT\$ 0
Total comprehensive income for the year ended December 31, 2011				NT\$ 0,000	NT\$ 0,000
<b>BALANCE AS OF December 31, 2011</b>	NT\$ 1,112,799	NT\$ 0,000	NT\$ 0,000	NT\$ 0,000	NT\$ 1,112,799

The accompanying notes are an integral part of the condensed 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)**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	<u>(168,454)</u>	<u>(13,483)</u>
Net cash generated from operating activities	<u>827,153</u>	<u>667,115</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	<u>(51)</u>	<u>639</u>
Net cash generated from (used in) investing activities	<u>100,744</u>	<u>(569,642)</u>

(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)**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(281,123)</b>	<b>131,292</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>1,022,902</u></b>	<b><u>891,610</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 741,779</u></b>	<b><u>\$ 1,022,902</u></b>

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)

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### 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

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

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

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

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

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

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**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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	7,266
	<u>\$ 741,779</u>	<u>\$ 1,022,902</u>

**7. FINANCIAL ASSETS AT AMORTIZED COST**

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

## 8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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	<u>(159)</u>	<u>(159)</u>
	\$ 111,225	\$ 148,534
Trade receivables from related parties	\$ 3,341	\$ 33,253
<u>Other receivables</u>		
Tax refund receivable	\$ 3,437	\$ 1,789
Others	<u>575</u>	<u>757</u>
	\$ 4,012	\$ 2,546

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.

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

**Not Past Due**

December 31, 2020

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

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

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

## 9. INVENTORIES

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

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:

<b>Investor</b>	<b>Investee</b>	<b>Main Business</b>	<b>% of Ownership</b>	
			<b>December 31</b>	<b>2021</b>
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	75,371	6,392	-	(81,671)	92
	<u>5,696,671</u>	<u>\$ 132,812</u>	<u>\$ (37,567)</u>	<u>\$ 90,145</u>	<u>5,882,061</u>
<u>Accumulated depreciation</u>					
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	31,018	9,142	(227)	-	39,933
	<u>2,424,697</u>	<u>\$ 189,118</u>	<u>\$ (31,278)</u>	<u>\$ -</u>	<u>2,582,537</u>
	<u><u>\$ 3,271,974</u></u>				<u><u>\$ 3,299,524</u></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	945,570	94,750	-	(964,949)	75,371
	<u>5,161,903</u>	<u>\$ 286,084</u>	<u>\$ (30,838)</u>	<u>\$ 279,522</u>	<u>5,696,671</u>
<u>Accumulated depreciation</u>					
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	23,455	7,965	(402)	-	31,018
	<u>2,243,976</u>	<u>\$ 206,680</u>	<u>\$ (25,959)</u>	<u>\$ -</u>	<u>2,424,697</u>
	<u><u>\$ 2,917,927</u></u>				<u><u>\$ 3,271,974</u></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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<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><u>\$ 36,283</u></u>	<u><u>\$ 51,505</u></u>
<u>Non-current</u>		
Long-term prepayments	\$ 3,311	\$ 2,846

## 13. BORROWINGS

### a. Short-term borrowings

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

b. Long-term borrowings

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<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
	<u>- -</u>	<u>970,993</u>
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**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2020	\$ 28,519	\$ (13,141)	\$ 15,378
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)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
<b>Remeasurement</b>			
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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

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

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

## 16. EQUITY

### a. Share capital

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
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:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
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

	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

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

c. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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>
	<u>5,987</u>	<u>5,452</u>
Other employee benefits	<u>18,513</u>	<u>14,902</u>
	<u>\$ 183,808</u>	<u>\$ 164,272</u>

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

	<b>For the Year Ended December 31</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Accrual rate</b>	<b>Amount</b>	<b>Accrual rate</b>	<b>Amount</b>
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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

	<b>For the Year Ended December 31, 2021</b>			
	Opening Balance	Recognized in Other Comprehensive Income		
		Recognized in Profit or Loss	Comprehensive Income	Closing Balance
<b>Deferred tax assets</b>				
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>
<b>For the Year Ended December 31, 2020</b>				
	Opening Balance	Recognized in Other Comprehensive Income		
		Recognized in Profit or Loss	Comprehensive Income	Closing Balance
<b>Deferred tax assets</b>				
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>
<b>Deferred tax liabilities</b>				
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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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><u>\$ 227,122</u></u>	<u><u>\$ 157,451</u></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

	<b>Net profit</b>	<b>Shares</b>	<b>Earnings Per Share</b>
Attributable to Owners of the Company	(In Thousands of Shares)	(In Thousands of Shares)	(NT\$)
<b>For the Year Ended December 31, 2021</b>			
Basic earnings per share			
Profit for the year attributable to owners of the Company	\$ 564,869	111,271	<u><u>\$ 5.08</u></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><u>\$ 5.06</u></u>
<b>For the Year Ended December 31, 2020</b>			
Basic earnings per share			
Profit for the year attributable to owners of the Company	\$ 407,534	111,271	<u><u>\$ 3.66</u></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><u>\$ 3.65</u></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:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<u><b>Non-cash transactions for investing and financing activities</b></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	<u>\$ -</u>	<u>\$ 65,397</u>

## 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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b><u>Financial assets</u></b>		
Financial assets at amortized cost (1)	\$ 876,033	\$ 1,504,603
<b><u>Financial liabilities</u></b>		
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.

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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

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

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

d. Operating expenses

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

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	500	-
		<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	\$ 733	\$ -
Other payables	Related party in substance	\$ 550	\$ -

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.	\$ -	\$ 22,330

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	152	203
	<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:

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

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

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

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

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

## 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	1	<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	<u>724,831</u>	<u>(69,702)</u>	<u>69,702</u>	<u>724,831</u>
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>
<u>December 31, 2021</u>				
	The Company	Taiwan Steel Resources Co.	Unallocated Assets/Liabilities	Reconciliation and Elimination
Identifiable segment's assets	\$ 4,049,377	\$ 2,419,337	\$ 22,722	\$ (2,080,738)
Identifiable segment's liabilities	<u>\$ 168,452</u>	<u>\$ 56,888</u>	<u>\$ 406,464</u>	<u>\$ (10,289)</u>
				\$ 4,410,698
				\$ 621,515

	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	4	66,596	(66,600)	-
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	(61,850)	77	58,747	(3,026)
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
<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>
Identifiable segment's liabilities	<u>\$ 141,947</u>	<u>\$ 73,297</u>	<u>\$ 1,285,503</u>	<u>\$ (15,089)</u>
				<u>\$ 5,043,033</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:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
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 10: Summary of the 2018 Annual Report

Information on the 2018 Annual Report

and the 2018 Annual Report

and the 2018 Annual Report

| Item | Information |
|------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1    | Information |
| 2    | Information |

## Table 11: Summary of the 2018 Annual Report

Information on the 2018 Annual Report

1	Information													
2	Information													
3	Information													

These findings are consistent with previous studies that have shown that the use of a single, high-dose, oral antibiotic is effective in the treatment of uncomplicated UTIs in women.

Category	Sub-Category	Parameter	Value	Unit	Notes	Reporting Status	Approval Status	Review Status	Owner	Review Date	Review Notes
System A	Processor	CPU Type	Intel i9-13900K	GHz	High performance	Green	Approved	Pending	John Doe	2024-01-15	Initial review completed.
System A	Processor	Cooling System	Water-cooled	N/A	Optimized for high performance	Green	Approved	Pending	John Doe	2024-01-15	Initial review completed.

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Problems faced by the author in his research work in the field of history of the Soviet Union from 1917 to 1945 (see *ibidem* pp. 10-11, 1962).

Index	Category	Sub-Category	Parameter	Value	Unit	Notes	Source	Method
1	System A	Processor	CPU Type	Intel i9-13900K	GHz	High performance	Manufacturer	Direct Measurement

11. **What is the primary purpose of the *Journal of Clinical Endocrinology and Metabolism*?**



**TABLE 5**

**TAIWAN STEEL UNION CO., LTD.**

**INFORMATION OF MAJOR SHAREHOLDERS**  
**DECEMBER 31, 2021**

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<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
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.

## V. Most Recent Standalone Financial Statements with Independent Auditors' Report

### **INDEPENDENT AUDITORS' REPORT**

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

#### **Opinion**

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

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the accompanying parent company only financial position of the Company as of December 31, 2021 and 2020, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, 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 parent company only financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's parent company only financial statements for the year ended December 31, 2021 is as follows:

Revenue recognition

The Company's sales revenue from major customers was NT\$1,100,900 thousand, representing 66% of the Company's 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 parent company only 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.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 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 financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.*

**TAIWAN STEEL UNION CO., LTD.**

**PARENT COMPANY ONLY BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**  
**(In Thousands of New Taiwan Dollars)**

	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 626,933	15	\$ 865,681	23
Financial assets at amortized cost - current (Notes 4 and 7)	4,432	-	274,842	7
Notes receivable, net (Notes 4 and 8)	-	-	314	-
Trade receivables from unrelated parties, net (Notes 4 and 8)	103,770	3	146,493	4
Trade receivables from related parties, net (Notes 4, 8 and 23)	2,013	-	12,240	-
Other receivables (Notes 4 and 8)	3,433	-	2,007	-
Inventories (Notes 4 and 9)	118,476	3	93,649	3
Other current assets (Notes 12)	6,440	-	13,746	-
Total current assets	<u>865,497</u>	<u>21</u>	<u>1,408,972</u>	<u>37</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Notes 4 and 10)	2,070,816	51	1,240,581	33
Property, plant and equipment (Notes 4, 11, 20, 23 and 24)	1,077,069	27	1,118,183	29
Other intangible assets (Note 4)	2,082	-	2,354	-
Deferred tax assets (Notes 4 and 18)	14,722	-	9,464	-
Prepayments for machinery and equipment (Notes 4 and 20)	33,062	1	19,587	1
Refundable deposits (Note 4)	850	-	263	-
Other financial assets - non-current (Notes 4 and 24)	5,000	-	14,425	-
Other non-current assets (Note 12)	2	-	3	-
Total non-current assets	<u>3,203,603</u>	<u>79</u>	<u>2,404,860</u>	<u>63</u>
<b>TOTAL</b>	<b>\$ 4,069,100</b>	<b>100</b>	<b>\$ 3,813,832</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade payables (Note 4)	31,632	1	32,666	1
Trade payables to related parties (Notes 4 and 23)	733	-	-	-
Other payables (Notes 4, 13 and 23)	82,802	2	84,749	2
Current tax liabilities (Notes 4 and 18)	111,464	3	114,510	3
Other current liabilities (Notes 13 and 23)	43,412	1	14,520	1
Total current liabilities	<u>270,043</u>	<u>7</u>	<u>246,445</u>	<u>7</u>
<b>NON-CURRENT LIABILITIES</b>				
Net defined benefit liabilities - non-current (Notes 4 and 14)	9,088	-	10,012	-
Guarantee deposits	786	-	-	-
Total non-current liabilities	<u>9,874</u>	<u>-</u>	<u>10,012</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>279,917</u></b>	<b><u>7</u></b>	<b><u>256,457</u></b>	<b><u>7</u></b>
<b>EQUITY</b>				
Ordinary shares	1,112,709	27	1,112,709	29
Capital surplus	998,985	25	998,985	26
Retained earnings				
Legal reserve	423,639	10	382,810	10
Unappropriated earnings	1,253,850	31	1,062,871	28
Total equity	<u>3,789,183</u>	<u>93</u>	<u>3,557,375</u>	<u>93</u>
<b>TOTAL</b>	<b>\$ 4,069,100</b>	<b>100</b>	<b>\$ 3,813,832</b>	<b>100</b>

The accompanying notes are an integral part of the parent company only financial statements.

**TAIWAN STEEL UNION CO., LTD.**

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

	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
SALES (Notes 4, 16 and 23)	\$ 1,670,051	100	\$ 1,510,772	100
COST OF GOODS SOLD (Notes 9, 14, 17 and 23)	<u>644,874</u>	<u>39</u>	<u>770,844</u>	<u>51</u>
GROSS PROFIT	<u>1,025,177</u>	<u>61</u>	<u>739,928</u>	<u>49</u>
OPERATING EXPENSES (Notes 14, 17 and 25)				
Selling and marketing expenses	139,722	8	60,834	4
General and administrative expenses	91,548	6	87,365	6
Research and development expenses	<u>-</u>	<u>-</u>	<u>9,636</u>	<u>-</u>
Total operating expenses	<u>231,270</u>	<u>14</u>	<u>157,835</u>	<u>10</u>
PROFIT FROM OPERATIONS	<u>793,907</u>	<u>47</u>	<u>582,093</u>	<u>39</u>
NON-OPERATING INCOME AND EXPENSES				
Share of the loss of subsidiary accounted for using the equity method (Note 4 and 10)	(69,765)	(4)	(58,747)	(4)
Interest income (Note 4)	256	-	3,364	-
Other income (Note 4 and 17)	5,450	-	9,284	1
Other expenses	(8)	-	(416)	-
Loss on disposals of assets (Note 4)	(3,445)	-	(3,853)	-
Net foreign exchange loss (Notes 4 and 26)	<u>(1,564)</u>	<u>-</u>	<u>(8,118)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>(69,076)</u>	<u>(4)</u>	<u>(58,486)</u>	<u>(4)</u>
PROFIT BEFORE INCOME TAX	724,831	43	523,607	35
INCOME TAX EXPENSE (Notes 4 and 18)	<u>159,962</u>	<u>9</u>	<u>116,073</u>	<u>8</u>
NET PROFIT FOR THE YEAR	<u>564,869</u>	<u>34</u>	<u>407,534</u>	<u>27</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 14)	940	-	949	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 18)	<u>(188)</u>	<u>-</u>	<u>(190)</u>	<u>-</u>
	<u>752</u>	<u>-</u>	<u>759</u>	<u>-</u>

(Continued)

**TAIWAN STEEL UNION CO., LTD.**

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

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	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Other comprehensive income for the year, net of income tax	752	—	759	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>\$ 565,621</b>	<b>34</b>	<b>\$ 408,293</b>	<b>27</b>
<b>EARNINGS PER SHARE (Note 19)</b>				
Basic	\$ 5.08		\$ 3.66	
Diluted	\$ 5.06		\$ 3.65	

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

International Journal of CMCs

Consequently, the study of proposed mitigation measures is also important to support timely implementation of the recommendations of the environmental impact statement.

1. *What is the primary purpose of the study?*

## ANSWER

10.1007/s00332-007-0322-2

1. **What is the primary purpose of the study?**

...and the *lateral* (lateral) and *anterior* (anterior) (Fig. 1).

1. **What is the primary purpose of the study?**

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**TAIWAN STEEL UNION CO., LTD.**

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

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 724,831	\$ 523,607
Adjustments for :		
Depreciation expense	98,583	154,955
Amortization expense	1,855	1,876
Interest income	(256)	(3,364)
Share of the loss of subsidiary	69,765	58,747
Loss on disposal of property, plant and equipment	3,445	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	314	(12)
Trade receivables	52,774	(70,067)
Other receivables	(1,553)	2,457
Inventories	(30,114)	17,717
Other current assets	7,306	7,844
Notes payable	-	(4)
Trade payables	(301)	1,319
Other payables	394	(11,115)
Other current liabilities	28,892	(37,235)
Net defined benefit liabilities	16	(4,417)
Cash generated from operations	<u>961,462</u>	<u>645,123</u>
Interest received	383	3,375
Income taxes paid	<u>(168,454)</u>	<u>(13,483)</u>
Net cash generated from operating activities	<u>793,391</u>	<u>635,015</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	-	(274,842)
Proceeds from disposal of financial assets at amortized cost	270,410	-
Acquisition of subsidiaries	(900,000)	-
Payments for property, plant and equipment	(48,309)	(57,464)
Proceeds from disposal of property, plant and equipment	1,109	2,068
Increase in refundable deposits	(587)	-
Payments of intangible assets	(1,583)	(1,673)
Decrease in other financial assets	9,425	2,645
Decrease in other non-current assets	1	9
Increase in prepayments for machinery and equipment	<u>(29,578)</u>	<u>(11,344)</u>
Net cash generated used in investing activities	<u>(699,112)</u>	<u>(340,601)</u>

(Continued)

**TAIWAN STEEL UNION CO., LTD.**

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

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	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from guarantee deposits received	786	-
Dividends paid	<u>(333,813)</u>	<u>(289,304)</u>
Net cash generated used in financing activities	<u>(333,027)</u>	<u>(289,304)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(238,748)</b>	<b>5,110</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>865,681</b>	<b>860,571</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 626,933</u></b>	<b><u>\$ 865,681</u></b>

The accompanying notes are an integral part of the parent company only financial statements. (Concluded)

## TAIWAN STEEL UNION CO., LTD.

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

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#### 1. GENERAL INFORMATION

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 accompanying parent company only financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

#### 2. APPROVAL OF FINANCIAL STATEMENTS

The accompanying parent company only 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 Company’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 accompanying parent company only financial statements were authorized for issue, the Company has assessed that the application of other standards and interpretations will not have a material impact on the Company's financial position and financial performance.

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

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

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

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

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

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

As of the date the accompanying parent company only financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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 accompanying parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

##### **b. Basis of preparation**

The accompanying parent company only 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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiary. In order for the amounts of the net profit for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiary, the share of other comprehensive income of subsidiary and the related equity items, as appropriate, in these parent company only financial statements.

##### **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 financial statements are authorized for issue; and
- 3) Liabilities for which the Company 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. Foreign currencies

In preparing the parent company only financial statements of the entities in the Company, 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.

e. 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.

f. Investments in subsidiary

The Company uses the equity method to account for its investments in subsidiary.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiary.

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. 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.

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

At the end of each reporting period, the Company 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 Company 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.

j. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or 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 Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes receivable and trade receivables).

The Company always recognizes lifetime expected credit loss (ECL) for notes receivable and trade receivables. For all other financial instruments, the Company 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 Company 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 Company determines that the following situations indicate that a financial asset is in default (without taking into account any collateral held by the Company):

- 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 Company has reasonable and corroborative information to support a more lagged default criterion.

The Company 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 Company 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.

k. Revenue recognition

The Company 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 Company receives consideration from a customer, has obligations to transfer products to a customer, or has obligations to perform services for a customer.

l. Government grants

Government grants are not recognized until there is reasonable assurance that the Company 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 Company recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Company 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.

m. 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 Company'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.

n. 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 Company 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 Company'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 Company 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**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand and revolving funds	\$ 72	\$ 72
Demand deposits	626,861	858,343
Cash equivalents		
Time deposits with original maturities of three months or less	- \$ 626,933	7,266 \$ 865,681

**7. FINANCIAL ASSETS AT AMORTIZED COST**

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

## 8. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Notes receivable from unrelated parties	\$ <u>      </u> -	\$ <u>      </u> 314
<b><u>Trade receivables from unrelated parties</u></b>		
At amortized cost		
Gross carrying amount	\$ <u>103,929</u>	\$ <u>146,652</u>
Less: Allowance for impairment loss	<u>(159)</u>	<u>(159)</u>
	<u><u>\$ 103,770</u></u>	<u><u>\$ 146,493</u></u>
Trade receivables from related parties	\$ <u>2,013</u>	\$ <u>12,240</u>
<b><u>Other receivables</u></b>		
Tax refund receivable	\$ <u>3,433</u>	\$ <u>1,782</u>
Others	<u>-</u>	<u>225</u>
	<u><u>\$ 3,433</u></u>	<u><u>\$ 2,007</u></u>

The average credit period of sales of goods is 60 to 90 days. No interest is charged on trade receivables. The Company 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 Company uses other publicly available financial information or its own trading records to rate its major customers. The Company obtains credit reports from independent rating agencies for those customers who have higher risk. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

The Company 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 Company'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 Company's different customer base.

The Company 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 Company 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.

	<b>Not Past Due</b>
<u>December 31, 2021</u>	
Expected credit loss rate	0%
Gross carrying amount	\$ <u>105,942</u>
Loss allowance (Lifetime ECLs)	<u>(159)</u>
Amortized cost	<u><u>\$ 105,783</u></u>

**Not Past Due**

December 31, 2020

Expected credit loss rate	0%
Gross carrying amount	\$ 159,206
Loss allowance (Lifetime ECLs)	<u>(159)</u>

Amortized cost \$ 159,047

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

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

## **9. INVENTORIES**

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Raw materials	\$ 64,419	\$ 62,492
Finished goods	<u>54,057</u>	<u>31,157</u>
	<u>\$ 118,476</u>	<u>\$ 93,649</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2021 and 2020 was \$574,887 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. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

Investment in subsidiary

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Taiwan Steel Resources Co., Ltd. (“TSR”)	<u>\$ 2,070,816</u>	<u>\$ 1,240,581</u>
<hr/>		
Investee	<b>% of Ownership</b>	
	<b>December 31</b>	<b>2020</b>
TSR	100	100

The investments in subsidiary accounted for using the equity method and the share of profit or loss of the investments for the years ended December 31, 2021 and 2020 were based on the subsidiary 's financial statements which have been audited for the same years.

## 11. PROPERTY, PLANT AND EQUIPMENT

	For the Year Ended December 31, 2021			
	Beginning Balance	Additions	Disposals	Reclassified Amount
<u>Cost</u>				
Land	\$ 550,606	\$ -	\$ -	\$ -
Land improvements	60,928	479	-	-
Buildings	476,784	4,500	(4,725)	-
Machinery equipment	2,197,262	28,157	(29,833)	16,296
Transportation equipment	161,009	2,113	(397)	-
Miscellaneous equipment	34,222	8,183	(1,043)	2,412
Construction in progress	117	-	-	(117)
	<u>3,480,928</u>	<u>\$ 43,432</u>	<u>\$ (35,998)</u>	<u>\$ 18,591</u>
				<u>3,506,953</u>
<u>Accumulated depreciation</u>				
Land improvements	52,630	\$ 3,202	\$ -	\$ -
Buildings	217,167	21,966	(3,515)	-
Machinery equipment	1,958,134	56,572	(26,840)	-
Transportation equipment	110,116	12,648	(316)	-
Miscellaneous equipment	24,698	4,195	(773)	-
	<u>2,362,745</u>	<u>\$ 98,583</u>	<u>\$ (31,444)</u>	<u>\$ -</u>
				<u>2,429,884</u>
				<u>\$ 1,118,183</u>
				<u>\$ 1,077,069</u>
	For the Year Ended December 31, 2020			
	Beginning Balance	Additions	Disposals	Reclassified Amount
<u>Cost</u>				
Land	\$ 550,606	\$ -	\$ -	\$ -
Land improvements	60,928	-	-	-
Buildings	472,773	5,320	(1,309)	-
Machinery equipment	2,188,858	36,078	(29,356)	1,682
Transportation equipment	151,649	11,743	(3,058)	675
Miscellaneous equipment	33,214	1,564	(556)	-
Construction in progress	117	-	-	-
	<u>3,458,145</u>	<u>\$ 54,705</u>	<u>\$ (34,279)</u>	<u>\$ 2,357</u>
				<u>3,480,928</u>
<u>Accumulated depreciation</u>				
Land improvements	49,133	\$ 3,497	\$ -	\$ -
Buildings	195,501	22,607	(941)	-
Machinery equipment	1,870,109	112,233	(24,208)	-
Transportation equipment	100,291	12,632	(2,807)	-
Miscellaneous equipment	21,114	3,986	(402)	-
	<u>2,236,148</u>	<u>\$ 154,955</u>	<u>\$ (28,358)</u>	<u>\$ -</u>
				<u>2,362,745</u>
				<u>\$ 1,221,997</u>
				<u>\$ 1,118,183</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	2-12 years

Owner-occupied property, plant and equipment pledged as collateral for bank borrowings were set out in Note 24.

## 12. OTHER ASSETS

	December 31	
	2021	2020
<u>Current</u>		
Prepayments	\$ 5,429	\$ 13,444
Tax overpaid retained	392	302
Temporary payments (payments on behalf of others)	<u>619</u>	<u>-</u>
	<u>\$ 6,440</u>	<u>\$ 13,746</u>
<u>Non-current</u>		
Long-term prepayments	\$ 2	\$ 3

## 13. OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	December 31	
	2021	2020
<u>Other payables</u>		
Payables for salaries and bonuses	\$ 31,592	\$ 28,487
Payables for remuneration of directors	7,200	7,200
Payables for purchases of equipment	5,458	7,794
Payables for annual leave	3,138	2,915
Payables for donations	1,984	2,049
Others	<u>33,430</u>	<u>36,304</u>
	<u>\$ 82,802</u>	<u>\$ 84,749</u>
<u>Other current liabilities</u>		
Contract liabilities (Note 16)	\$ 43,066	\$ 14,222
Temporary credits (receipts under custody)	<u>346</u>	<u>298</u>
	<u>\$ 43,412</u>	<u>\$ 14,520</u>

#### 14. 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 parent company only balance sheets in respect of the Company'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><u>\$ 9,088</u></u>	<u><u>\$ 10,012</u></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	\$ 28,519	\$ (13,141)	\$ 15,378
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><u>29,010</u></u>	<u><u>(18,998)</u></u>	<u><u>10,012</u></u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
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>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (265)	\$ (265)
Actuarial gain - experience adjustments	<u>(675)</u>	<u>-</u>	<u>(675)</u>
Recognized in other comprehensive income	<u>(675)</u>	<u>(265)</u>	<u>(940)</u>
Contributions from the employer	<u>-</u>	<u>(811)</u>	<u>(811)</u>
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:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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:

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

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

## 15. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
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 17-d.

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:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
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:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
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.

## 16. REVENUE

### a. Revenue from contracts with customers

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Revenue from sale of Zinc	\$ 1,557,620	\$ 1,090,167
Revenue from waste disposal	112,400	420,479
Other operating revenue	<u>31</u>	<u>126</u>
	<u><u>\$ 1,670,051</u></u>	<u><u>\$ 1,510,772</u></u>

### b. Contract balance

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>January 1, 2020</u>
Notes receivable and trade receivables (Note 8)	<u><u>\$ 105,783</u></u>	<u><u>\$ 159,047</u></u>	<u><u>\$ 90,739</u></u>
Contract liabilities (Note 13)	<u><u>\$ 43,066</u></u>	<u><u>\$ 14,222</u></u>	<u><u>\$ 51,442</u></u>

## 17. NET PROFIT FROM CONTINUING OPERATIONS

### a. Other revenue

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Government grants	\$ 4,859	\$ 8,721
Other	<u>591</u>	<u>563</u>
	<u><u>\$ 5,450</u></u>	<u><u>\$ 9,284</u></u>

### b. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Property, plant and equipment	\$ 98,583	\$ 154,955
Other intangible assets	<u>1,855</u>	<u>1,876</u>
	<u><u>\$ 100,438</u></u>	<u><u>\$ 156,831</u></u>
An analysis of depreciation by function		
Operating costs	\$ 93,980	\$ 147,177
Operating expenses	<u>4,603</u>	<u>7,778</u>
	<u><u>\$ 98,583</u></u>	<u><u>\$ 154,955</u></u>
An analysis of amortization by function		
Operating costs	\$ 506	\$ 516
Operating expenses	<u>1,349</u>	<u>1,360</u>
	<u><u>\$ 1,855</u></u>	<u><u>\$ 1,876</u></u>

c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 108,024	\$ 103,037
Post-employment benefits		
Defined contribution plans	3,184	3,063
Defined benefit plans (Note 14)	<u>827</u>	<u>914</u>
	4,011	3,977
Other employee benefits	<u>12,287</u>	<u>10,838</u>
	<u><u>\$ 124,322</u></u>	<u><u>\$ 117,852</u></u>
An analysis of employee benefits expense by function		
Operating costs	\$ 74,423	\$ 65,876
Operating expenses	<u>49,899</u>	<u>51,976</u>
	<u><u>\$ 124,322</u></u>	<u><u>\$ 117,852</u></u>

	<b>For the Year Ended December 31, 2021</b>		
	<b>Operating Cost</b>	<b>Operating Expenses</b>	<b>Total</b>
Employee benefits expenses			
Employee salaries	\$ 62,918	\$ 34,931	\$ 97,849
Labor insurance and health insurance	5,457	2,458	7,915
Post –employment benefits	2,675	1,336	4,011
Remuneration of directors	-	10,175	10,175
Other employee benefits	<u>3,373</u>	<u>999</u>	<u>4,372</u>
	<u><u>\$ 74,423</u></u>	<u><u>\$ 49,899</u></u>	<u><u>\$ 124,322</u></u>

	<b>For the Year Ended December 31, 2020</b>		
	<b>Operating Cost</b>	<b>Operating Expenses</b>	<b>Total</b>
Employee benefits expenses			
Employee salaries	\$ 56,186	\$ 36,566	\$ 92,752
Labor insurance and health insurance	4,485	2,508	6,993
Post –employment benefits	2,427	1,550	3,977
Remuneration of directors	-	10,285	10,285
Other employee benefits	<u>2,778</u>	<u>1,067</u>	<u>3,845</u>
	<u><u>\$ 65,876</u></u>	<u><u>\$ 51,976</u></u>	<u><u>\$ 117,852</u></u>

For the year ended December 31, 2021 and 2020, the average number employees of the Company was 107 and 101 respectively, which included 10 non- employee directors for both years. The calculation basis is consistent with employee benefits expense.

For the year ended December 31, 2021 and 2020, the average of employee benefits expense were \$1,177 and \$1,182 thousand, respectively; as of 2021 and 2020, the average of employee salaries were \$1,009 and \$1,019 thousand, respectively, and the change of the average employee salaries was 1%. The company has set up an audit committee to replace the supervisor, so there is no supervisor's remuneration. The remuneration of the directors, managers, and employees of the company is based on the positions held, the responsibilities assumed, personal performance, company operating performance, as well as the level of the same industry.

d. 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 parent company only 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 parent company only 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.

## 18. 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	(1,627)	(4,031)
	165,408	110,588
Deferred tax		
In respect of the current year	(5,446)	5,485
Income tax expense recognized in profit or loss	\$ 159,962	\$ 116,073

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
<b><u>Deferred tax assets</u></b>				
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>
<b><u>For the Year Ended December 31, 2020</u></b>				
	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<b><u>Deferred tax assets</u></b>				
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>
<b><u>Deferred tax liabilities</u></b>				
Temporary differences				
Effects of foreign currency exchange differences	\$ (13)	\$ 13	\$ -	\$ -

d. Income tax assessments

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

## 19. 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	_____ -	333	
Diluted earnings per share			
Profit for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	\$ 564,869	111,604	<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	_____ -	302	
Diluted earnings per share			
Profit for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	\$ 407,534	111,573	<u>\$3.65</u>

The Company may settle the compensation of employees in cash or shares; therefore, the Company 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.

## 20. NON-CASH TRANSACTIONS

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

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
<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	\$ 18,591	\$ 2,357
Transfers from prepayments for equipment to inventories	\$ 53	\$ 276

## 21. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company 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 Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising share capital, capital surplus, and retained earnings).

Key management personnel of the Company 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 Company 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 Company is not subject to any externally imposed capital requirements.

## 22. FINANCIAL INSTRUMENTS

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

The management personnel of the Company 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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b><u>Financial assets</u></b>		
Financial assets at amortized cost (1)	\$ 746,431	\$ 1,316,265
<b><u>Financial liabilities</u></b>		
Financial liabilities at amortized cost (2)	115,953	117,415

- 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 trade payables, other payables and guarantee deposits received.

### c. Financial risk management objectives and policies

The Company's major financial instruments include cash and cash equivalents, trade receivables, and trade payables. The Company'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 Company 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 Company. The management personnel oversee the impact of the financial risks.

1) Market risk

The Company'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 Company's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities are set out in Note 26.

Sensitivity analysis

The Company is mainly exposed to the USD. The following table details the Company'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.

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

b) Interest rate risk

The Company is exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company 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 Company's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Fair value interest rate risk		
Financial assets	\$ 4,432	\$ 282,108
Cash flow interest rate risk		
Financial assets	631,861	872,768

### Sensitivity analysis

The sensitivity analysis below was determined based on the Company'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 Company's per-tax profit for the years ended December 31, 2021 and 2020 would have increased by \$6,319 thousand and \$8,728 thousand, respectively, which was mainly a result of bank deposits with floating rate of the Company.

#### 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 Company. At the end of the year, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to failure of counterparties to discharge its obligations and due to the financial guarantees provided by the Company, could be equal to the carrying amount of the respective recognized financial assets as stated in the parent company only balance sheets.

The Company 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 Company has delegated a team responsible for determining credit limits, credit approvals, and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables.

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

#### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company'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 Company 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.

	<b>Less Than 1 Year</b>	<b>Over 1 Year</b>
<u>December 31, 2021</u>		
Non-interest bearing	\$ 115,167	\$ -
<u>December 31, 2020</u>		
Non-interest bearing	117,415	-

### 23. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed as follows.

a. Related party name and category

<b>Related Party Name</b>	<b>Related Party Category</b>
TAIWAN STEEL RESOURCES CO., LTD (“TSR”)	The Company’s subsidiary
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
KATEC CREATIVE RESOURCES CORP. (“Katec Co.”)	Related party in substance

b. Sales

Line Item	Related Party Category/Name	<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
Service revenue	The Company’s key management personnel		
	Feng Hsin Co.	\$ 22,380	\$ 78,640
	Tung Ho Co.	9,875	61,751
Other income	Others	8,594	78,152
	Related party in substance	133	-
	The Company’s subsidiary	<u>2</u>	<u>-</u>
		<u>\$ 40,984</u>	<u>\$ 218,543</u>

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

c. Purchase

Related Party Category	For the Year Ended December 31	
	2021	2020
The Company's subsidiary	\$ 8	\$ -
Related party in substance	<u>1,259</u>	<u>-</u>
	<u>\$ 1,267</u>	<u>\$ -</u>

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

d. Operating costs

Line Item	Related Party Category	For the Year Ended December 31	
		2021	2020
Environmental expenditures	The Company's subsidiary	\$ 83,133	\$ 66,629
Other expense	The Company's subsidiary	<u>2</u>	<u>-</u>
		<u>\$ 83,135</u>	<u>\$ 66,629</u>

e. Receivables from related parties

Line Item	Related Party Category	December 31	
		2021	2020
Trade receivables	The Company's key management personnel	\$ 1,513	\$ 12,240
	Related party in substance	<u>500</u>	<u>-</u>
		<u>\$ 2,013</u>	<u>\$ 12,240</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. Trade payables

Line Item	Related Party Category	December 31	
		2021	2020
Trade Payables	Related party in substance	\$ 733	\$ -

g. Other payables

Line Item	Related Party Category	December 31	
		2021	2020
Other accrued expense payable	The Company's subsidiary	\$ 9,923	\$ 14,659

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.	\$ -	\$ 2,603
	Tung Ho Co..	-	1,622
	Others	-	1,363
	Related party in substance	<u>346</u>	<u>-</u>
		<u>\$ 346</u>	<u>\$ 5,588</u>

i. Disposal of property, plant and equipment

Related Party Category	For the Year Ended December 31			
	2021		2020	
	Proceeds	Gain(Loss) on Disposal	Proceeds	Gain(Loss) on Disposal
Subsidiary	<u>\$ 269</u>	<u>\$ 1,043</u>	<u>\$ -</u>	<u>\$ -</u>

j. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category	December 31	
	2021	2020
Subsidiary		
Guaranteed amounts	<u>\$ 296,880</u>	<u>\$ 1,299,680</u>
Actual borrowing amount	<u>\$ 295,000</u>	<u>\$ 1,170,993</u>

k. 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	\$ 23,745	\$ 23,723
Post-employment benefits	<u>152</u>	<u>203</u>
	<u>\$ 23,897</u>	<u>\$ 23,926</u>

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

#### 24. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 254,728	\$ 254,728
Other financial assets - non-current	<u>5,000</u>	<u>14,425</u>
	<b>\$ 259,728</b>	<b>\$ 269,153</b>

#### 25. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

a. The Company's unrecognized commitments were as follows:

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
Property, plant and equipment	\$ 7,516	\$ 16,141
b. Under the environmental protection agreement of clearance and recycling EAF dust, the Company 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.		

#### 26. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	<b>December 31, 2021</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,164	27.68 (USD:NTD)	<u>\$ 87,575</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)	\$ 110,469
<u>Financial liabilities</u>			
Monetary item USD	83	28.48 (USD:NTD)	\$ 2,359

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

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

## 27. 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) Information on investees. (Table 3)

- 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 4)

其他有关的讨论，见本章的“延伸阅读”部分。

For more information, contact the Office of the Vice President for Research and the Office of the Vice President for Student Affairs.

1996-1997: The first year of the new millennium, the year of the 50th anniversary of the founding of the People's Republic of China, and the year of the 20th National Congress of the Communist Party of China.

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Category	Sub-Category	Parameter	Value	Unit	Notes
System A	Processor	CPU Model	Intel Core i9-13900K	GHz	High-end performance
System A	Processor	Cooling System	Water-cooled	N/A	Optimized for high performance
System A	Memory	RAM Type	DDR5	GB	High bandwidth
System A	Memory	RAM Capacity	64	GB	Large capacity
System A	Storage	HDD Type	SATA III	TB	Standard storage
System A	Storage	HDD Capacity	10	TB	Large capacity
System A	Power Supply	Power Rating	1200	W	High power output
System A	Power Supply	Efficiency	80+	N/A	Efficient power delivery
System A	Case	Case Type	ATX	N/A	Standard form factor
System A	Case	Case Material	Aluminum	N/A	Lightweight and durable
System A	Power Supply	Modular Cables	Yes	N/A	Convenient cable management
System B	Processor	CPU Model	AMD Ryzen 9 7950X	GHz	High-end performance
System B	Processor	Cooling System	Water-cooled	N/A	Optimized for high performance
System B	Memory	RAM Type	DDR5	GB	High bandwidth
System B	Memory	RAM Capacity	64	GB	Large capacity
System B	Storage	HDD Type	SATA III	TB	Standard storage
System B	Storage	HDD Capacity	10	TB	Large capacity
System B	Power Supply	Power Rating	1200	W	High power output
System B	Power Supply	Efficiency	80+	N/A	Efficient power delivery
System B	Case	Case Type	ATX	N/A	Standard form factor
System B	Case	Case Material	Aluminum	N/A	Lightweight and durable
System B	Power Supply	Modular Cables	Yes	N/A	Convenient cable management

10.1007/s00332-010-9000-0

ANSWER: **100**

11. *Leucosia* *leucostoma* (Fabricius) (Fabricius, 1775: 400).  
12. *Leucosia* *leucostoma* (Fabricius) (Fabricius, 1775: 400).

...and the *lateral* (lateral) and *anterior* (anterior) (Fig. 1).

1. **What is the primary purpose of the study?** (e.g., to evaluate the effectiveness of a new treatment, to explore the relationship between two variables, to describe a population, etc.)

10.1007/s00339-017-0362-0

Finally, the authors argue that the new system is more efficient. By using some of the same underlying technologies as the old system, the new system is expected to be more efficient and cost-effective. The new system will also reduce the need for manual intervention, which can be time-consuming and prone to error.

Both the *in vitro* and *in vivo* data are consistent with the hypothesis that the *in vivo* effect of the drug is mainly due to the inhibition of the *in vivo* synthesis of the *in vivo* active metabolite.

1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	2	3	4	5	6	7	8	9	10	11	12	13	14

**TABLE 4**

**TAIWAN STEEL UNION CO., LTD.**

**INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2021**

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<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
Feng Hsin Steel Co., Ltd.	25,844,587	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 parent company only financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

## **THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS**

ITEM	STATEMENT INDEX
MAJOR ACCOUNTING ITEMS IN ASSETS, LIABILITIES AND EQUITY	
STATEMENT OF CASH AND CASH EQUIVALENTS	1
STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST	Note 7
STATEMENT OF TRADE RECEIVABLES	2
STATEMENT OF INVENTORIES	3
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	4
STATEMENT OF CHANGES IN PROPERTY ,PLANT AND EQUIPMENT	Note 11
STATEMENT OF DEFERRED INCOME TAX ASSETS AND LIABILITIES	Note 18
STATEMENT OF OTHER CURRENT AND NON-CURRENT ASSETS	Note 12
STATEMENT OF TRADE PAYABLES	5
STATEMENT OF OTHER PAYABLES AND OTHER CURRENT LIABILITIES	Note 13
MAJOR ACCOUNTING ITEMS IN PROFIT OR LOSS	
STATEMENT OF NET SALES REVENUE	6
STATEMENT OF OPERATING COSTS	7
STATEMENT OF OPERATING EXPENSES	8
STATEMENT OF NON-OPERATING INCOME AND EXPENSES	Note 17
STATEMENT OF EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION BY FUNTION	Note 17

**STATEMENT 1**

**TAIWAN STEEL UNION CO., LTD.**

**STATEMENT OF CASH AND CASH EQUIVALENTS**  
**DECEMBER 31, 2021**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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<b>Item</b>	<b>Amount</b>
Cash on hand and petty cash	\$ 72
Cash in banks	
Demand deposits	619,791
Foreign currency deposits (Note 1)	<u>7,070</u>
	<u>\$ 626,933</u>

Note1: Including USD 252 thousand (USD 1 = NTD 27.68) and EUR 3 thousand (EUR 1 = NTD31.32).

**STATEMENT 2**

**TAIWAN STEEL UNION CO., LTD.**

**STATEMENT OF TRADE RECEIVABLES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Related parties	
Others (Note)	\$ 2,013
Non-related parties	
Mitsui Mining & Smelting Co., Ltd.	42,764
Mitsubishi Corporation RtM Japan Ltd.	28,195
PAN-CONTINENTAL CHEMICAL CO., LTD.	16,313
Others ( Note )	<u>16,657</u>
	<u>103,929</u>
	<u>105,942</u>
Less: Allowance for impairment loss	( 159 )
	\$ 105,783

Note: The amount of individual client included in others does not exceed 5% of the account balance.

**STATEMENT 3**

**TAIWAN STEEL UNION CO., LTD.**

**STATEMENT OF INVENTORY  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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Item	Amount	
	Cost	Net Realizable Value
Raw materials	\$ 95,089	\$ 64,419
Finishes goods	<u>54,057</u>	<u>135,551</u>
	149,146	<u>\$ 199,970</u>
Less: Write-down of inventories	( <u>30,670</u> )	
	<u>\$ 118,476</u>	

Note: Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except similar items.



**STATEMENT 5**

**TAIWAN STEEL UNION CO., LTD.**

**STATEMENT OF TRADE PAYABLES  
DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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Vendor Name	Amount
Related parties	
Others (Note)	\$ 733
Non-related parties	
DIAFRIEND CORPORATION	\$ 7,833
LIME-CROWN INDUSTRIAL CO., LTD.	5,977
CHINA STEEL CHEMICAL CORPORATION	5,348
JIN BAO STONE ENTERPRISE COMPANY	2,500
KUANYU DEVELOPMENT CO., LTD.	2,130
KUN YAN TRADING CO., LTD.	1,915
Others (Note)	5,929
	<hr/>
	\$ 31,632

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

**STATEMENT 6**

**TAIWAN STEEL UNION CO., LTD.**

**STATEMENT OF NET SALES REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Quantities (tons)</b>	<b>Amount</b>
Revenue from sale of Zinc	50,230	\$ 1,557,620
Revenue from waste disposal		112,400
Other operating revenue		31
		<u>\$ 1,670,051</u>

**STATEMENT 7**

**TAIWAN STEEL UNION CO., LTD.**

**STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>
Raw materials, beginning of year	\$ 87,822
Raw materials purchased	279,774
Consumables transferred to manufacturing expenses	( 27,231)
Raw materials transferred to finished goods	( 102)
Materials transferred to service costs	( 11,240)
Less: raw material, end of year	( 95,089)
Raw material used	233,934
Direct labor	32,117
Manufacturing expenses	331,648
Finished goods, beginning of year	31,157
Loss on physical count	( 12)
Raw materials transferred to finished goods	102
Others	( 2)
Less: finished goods, end of year	( 54,057)
Costs of goods sold	574,887
Service costs	64,830
Other operating cost	1
Inventory write-downs	5,340
Loss on physical count	12
Revenue from sale of scraps	( 196)
Operating Costs	\$ 644,874

**STATEMENT 8**

**TAIWAN STEEL UNION CO., LTD.**

**STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)**

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Item	Selling and Marketing Expenses	General and Administration Expenses	Total
Shipping expenses	\$ 119,500	\$ -	\$ 119,500
Salaries	3,072	42,034	45,106
Donation expenses	-	26,258	26,258
Export expenses	8,363	-	8,363
Others (Note)	8,787	23,256	32,043
	<u>\$ 139,722</u>	<u>\$ 91,548</u>	<u>\$ 231,270</u>

Note: The amount included in others does not exceed 5% of the account balance

VI. In the Most Recent Fiscal Year and Up to the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliates and How Said Difficulties Will Affect the Company's Financial Situation: None.

## Seven. Review and Analysis of the Company's Financial Position and Financial Performance, and Risks

### I. Financial Position:

Item	Year	Unit: NT\$1,000		
		2021	2020	Difference
		Amount	%	
Current assets	1,024,753	1,630,542	(605,789)	(37%)
Non-current assets	3,385,945	3,412,491	(26,546)	(1%)
Total assets	4,410,698	5,043,033	(632,335)	(13%)
Current liabilities	611,053	569,411	41,642	7%
Non-current liabilities	10,462	916,247	(905,785)	(99%)
Total liabilities	621,515	1,485,658	(864,143)	(58%)
Share capital	1,112,709	1,112,709	0	0%
Capital surplus	998,985	998,985	0	0%
Retained earnings	1,677,489	1,445,681	231,808	16%
Total equity	3,789,183	3,557,375	231,808	7%
The analysis of any change in the financial ratios by 20% or more, and the changes in the amount by at least NT\$10 million are as follows:				
1. Current assets: Decrease in cash and cash equivalents in the accounts due to repayment of bank loans by subsidiaries in FY2021.				
2. Non-current liabilities: Repayment of long-term loans by subsidiaries in FY2021.				
3. Total liabilities: Repayment of long-term loans by subsidiaries in FY2021.				

II. Financial Performance:

1. The main reasons for the major changes in operating revenue, net operating income, and net income before tax in the last two years:

Item	Year	2021	2020	Difference	
				Amount	%
Operating revenue		1,853,873	1,622,229	231,644	14%
Operating cost		840,496	883,443	(42,947)	(5%)
Gross profit		1,013,377	738,786	274,591	37%
Operating expenses		284,596	207,289	77,307	37%
Net operating income		728,781	531,497	197,284	37%
Non-operating income and expenses		(3,950)	(7,890)	3,940	50%
Net income before tax		724,831	523,607	201,224	38%
Income tax		159,962	116,073	43,889	38%
Net income for the year		564,869	407,534	157,335	39%
The analysis of any change in the financial ratios by 20% or more, and the changes in the amount by at least NT\$10 million are as follows:					
The increase in profit for the year was mainly due to the increase in LME zinc prices in FY2021.					

2. The expected sales volume and the basis therefor, the potential impact on the Company's future financial business and our response plan:

The Company has not prepared and announced financial forecasts, so the estimated sales volume and the basis therefor do not apply, and the Company as a whole did not encounter any major unusual circumstances, so there should be no need to draw up a response plan.

### III. Cash Flow:

#### 1. Cash flow analysis for the recent years:

Item	Year			Difference	
		2021	2020	Amount	%
Net cash inflows from operating activities		827,153	667,115	160,038	24%
Net cash outflows from investing activities		100,744	(569,642)	670,386	118%
Net cash inflows (outflows) from financing activities		(1,209,020)	33,819	(1,242,839)	(3675%)

Analysis of changes in cash flow:

1. Increase in net cash inflow from operating activities: Mainly due to the increase in LME zinc prices and the increase in cash received from customers .
2. Decrease in net cash outflow from investing activities: Mainly due to the release of fixed deposits of over 3 months to fund subsidiaries with capital increase.
3. Decrease in net cash outflow from financing activities: Mainly due to the increase in cash dividends paid in FY2021 compared to FY2020 and repayment of long-term bank loans by subsidiaries.

2. Improvement plan for insufficient liquidity: The Company's current borrowing facilities are still around NT\$700 million, which should be sufficient to cope with the risk of short-term insufficient liquidity.
3. Analysis of Cash Liquidity in the Coming Year (2022):

Opening balance of cash (1)	Estimated annual net cash flow from operating activities (2)	Estimated annual cash flows from investing and financing activities (3)	Estimated cash surplus (deficit) (1)+(2)+(3)	Remedial measures for estimated cash shortage	
				Investment plan	Financing plan
741,779	1,016,923	(688,948)	327,975	-	-

Analysis and explanation:

1. Estimated annual net cash inflow from operating activities: Continuous profitability is estimated in 2022.
2. Estimated net cash outflows from investing activities and financing activities throughout the year: It is mainly related to the purchase of property, plant and equipment, and payout of cash dividends.
3. Remedial measures for estimated inadequate cash flow and liquidity risk: None.

IV. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Fiscal Year: None.

V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Reinvestment Profitability, and Investment Plans for Coming Year:

1. Reinvestment policy for the most recent year: The Company's reinvestment in Taiwan Steel Resources is conducted in accordance with the Procedures for Acquisition or Disposal of Assets, and we evaluated and implemented the policy after it was approved by the Board of Directors.
2. The main reason for profit or loss: The investee subsidiary Taiwan Steel Resources only began its trial operation in November 2019. There are still many items that need to be adjusted in the early stage of the operation, and its profit is still unstable.
3. Investment plan for the coming year: As of March 2021, the Company's estimated budget for the investment in the subsidiary Taiwan Steel Resources was NT\$2.3 billion.

VI. Risk Analysis:

1. The impact of changes in interest rate and exchange rate, and inflation on the Company's profit or loss and future countermeasures:

(1) Interest rate changes:

The Company's net interest expenses in 2021 and 2020 were NT\$3,990,000 and NT\$8,417,000, respectively, which accounted for 0.22% and 0.52% of the net operating revenue of 2021 and 2020, respectively; thus, interest expenses had little impact on the Company's profit or loss.

Building on a stable and conservative financial foundation, the Company has maintained close contact with our correspondent banks, and monitored changes in market interest rates, to dispatch funds and adjust borrowing rates at any time appropriately, thereby reducing the impact of changes in interest rates on the Company's profit or loss.

(2) Exchange rate:

The Company is mainly export-oriented, and our operating revenue is denominated in USD, so exchange rate changes have a certain impact on the Company's profit or loss. The Company's exchange losses for 2021 and 2020 were NT\$729,000 and NT\$8,073,000, respectively, which accounted for 0.04% and 0.50% of the net operating revenue of 2021 and 2020, respectively. The Company's personnel in charge of the financial affairs keep abreast of the

information on foreign exchange markets to take advantage of situations that are more beneficial to the Company.

(3) Inflation:

The Company's profit or loss was not significantly impacted by inflation.

2. Policy for engaging in high-risk and high-leverage investments, loans to others, endorsements/guarantees, and derivatives trading, the main reasons for profit or loss, and future countermeasures:

(1) High-risk and high-leverage investments:

The Company is focused on running our core business without engaging in high-risk and high-leverage investments.

(2) Loans to others:

The Company has formulated the Operating Procedures for Loans to Others as a basis for loans to others by the Company. The Company did not provide loans to others in the most recent year and up to the publication date of the Annual Report.

(3) Endorsements/Guarantees:

The Company has formulated the Regulations on Endorsements and Guarantees as the basis for endorsements/guarantees by the Company. The Company only provided endorsements/guarantees to our wholly-owned subsidiary Taiwan Steel Resources Co., Ltd. (hereinafter referred to as "Taiwan Steel Resources") for bank loans in the most recent year and up to the publication date of the Annual Report, and the risk assessment procedures were conducted in accordance with the Regulations on Endorsements and Guarantees.

(4) Derivatives trading:

The Company's financial hedging strategy aims to avoid the risk of exchange rate fluctuations for our net assets and liabilities denominated in foreign currencies, and the relevant operations are conducted in accordance with the Company's Procedures for Engaging in Derivatives Trading. The Company did not engage in derivatives trading in the most recent year and up to the publication date of the Annual Report.

3. Future R&D plan and estimated R&D expenses:

(1) Future R&D plan:

- A. Increase waste to partially replace auxiliary raw materials to reduce the consumption of natural resources.
- B. Improve processes to reduce material consumption and operating costs

(2) Estimated R&D expenses:

The amount of investment in R&D expenses will be budgeted gradually based on the research progress. In the future, funds will be allocated for R&D based on operating conditions to support future R&D plans and to increase the Company's competitiveness in the industry and the market.

4. The impact of important domestic and foreign policies and legal changes on the Company's financial business and countermeasures:

The Company's operations are in compliance with relevant domestic and foreign laws and regulations. We always pay attention to domestic and foreign policy development trends and changes in laws and regulations, consult relevant professionals, and collect relevant information and provide it to the management as a reference for decision-making, to fully keep abreast of and respond to changes in the market environment, and to adjust our relevant operating strategies in due course. There was no major changes in the domestic and foreign policies and legal changes with a material impact on the Company's financial business in the most recent year and up to the publication date of the Annual Report.

5. The impact of technological and industrial changes (Including information security risks) on the Company's financial business and countermeasures:

The Company has been working in the industry for many years, adopted the highest standards, and introduced the most advanced German Waelz rotary kiln heat recovery process technology, so we have occupied a place in the industry. We always pay attention to the development and evolution of industrial technologies, and evaluate the impact of such development on the Company's operations to make adjustments accordingly. We currently adopt a stable financial management strategy and business model to respond to the impact of technological changes on the Company. Technological and industrial changes did not have material impact on the Company's financial business and operations in the most recent year and up to the publication date of the Annual Report.

6. The impact of changes in corporate image on corporate crisis management and countermeasures:

The establishment of the Company aims to recycle EAF dust in the steelmaking industry, to achieve the goal of zero waste. We have been sticking with the goal along the way, and fulfilling our social responsibilities for environmental protection, to contribute our share for the sustainable "blue sky, green land, green mountains, and clean water" in Taiwan. The Company did not have any changes in

corporate image that caused any crisis in the most recent year and up to the publication date of the Annual Report.

7. Estimated benefits and potential risks of mergers and acquisitions, and countermeasures:

The Company had no plan for merging/acquiring other companies in the most recent year and up to the publication date of the Annual Report.

8. Estimated benefits and potential risks of factory expansion, and countermeasures:

The Company's Board of Directors approved the establishment of a wholly-owned Taiwan Steel Resources on July 7, 2016, which is mainly engaged in the stabilization and reuse of slag generated in the production process of the EAF steel plants. The original total amount was NT\$1,200,000,000. After the approved by the Board of Directors on October 29, 2018, the amount was adjusted to NT\$2,400,000,000, of which NT\$1,000,000,000 was financed by the bank. As of the publication date of the Annual Report, our cumulative investment in the subsidiary was NT\$2,300,000,000.

The Company's estimated benefits were mainly based on the revenue from treatment of reduced slag and rotary kiln slag and from sales of finished goods. The revenue of reduced slag and rotary kiln slag was estimated mainly based on EAF steelmakers' current outsourced reduced slag treatment cost per ton and our slag treatment cost per ton. The sales revenue of aggregates was estimated based on the current market price per ton. The subsidiary Taiwan Steel Resources will promote sales of aggregates at very competitive prices. If the sales of the finished aggregates from stabilized slag are not as good as expected in the future, we will adjust product prices flexibly based on market demand while increasing the treatment fees for slag from steelmaking and rotary kilns to balance costs appropriately. As such, the short-term operation of the subsidiary will not be affected by the issue of product sales.

9. Risks associated with any supplier or customer concentration, and countermeasures:

The Company's sources of suppliers are evenly distributed, with multiple material supply channels, without concentrated on single supplier. To achieve the purpose of diversified sources of suppliers, we also maintain certain opportunities for collaboration with other suppliers. With long-term and stable partnership, there is no risk associated with shortage of supply sources.

The Company's major customers are large zinc smelters in Japan. Our orders and quality are relatively stable, and our largest customer does not exceed half of

our total operating revenue, and our customers that account for more than half of our revenue have established a long-term cooperative partnership with the Company, so the risk of customer concentration is relatively low. However, the Company will continue to pay attention to and evaluate the market conditions in each region to develop potential customers.

10. Effect upon and risk to the Company in the event a major quantity of shares belonging to a director or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and countermeasures:

The Company did not experience substantial transfer or change of hands by any director or a major shareholder holding at least 10% of our shares in the most recent year and up to the publication date of the Annual Report.

11. Effect upon and risk to the Company associated with any change in governance personnel or the top management, and countermeasures:

The Company did not any change in governance personnel or the top management in the most recent year and up to the publication date of the Annual Report.

12. Regarding litigation or non-litigation events, major litigation, non-litigation, or administrative dispute cases that have been closed or are still on trial in which the Company and the Company's directors, General Manager, de facto persons in charge, major shareholders with at least 10% of the shareholding, or any affiliated companies are involved shall be listed. If the result may have a material impact on shareholders' equity or securities prices, the facts in dispute, the amount of the case, the date of the commencement of the litigation, the main parties involved in such cases, and the handling of the situation as of the publication date of the Annual Report shall be disclosed: None.

13. Information security risk management structure, policy and management plan: Please refer to the "V. State of Operations/ VI. Information Security Management" of this annual report for more details.

14. Other important risks and countermeasures: None.

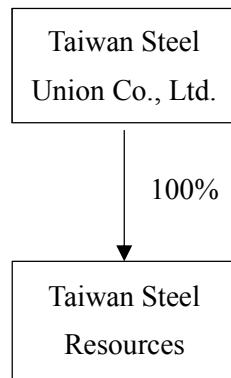
VII. Other Important Matters: None.

## Eight. Special Disclosure

### I. Information on the Company's Affiliated Company:

#### 1. Consolidated business report:

##### (1) Organizational structure of affiliated company (2021.12.31):



##### (2) Basic information on affiliated company:

April 28, 2022; Unit: NT\$1,000

Name of company	Date of incorporation	Address	Paid-in capital	Principal business
Taiwan Steel Resources	July 15, 2016	No. 18, Zhangbin W. 5th Rd., Shengang Township, Changhua County	1,490,000	Waste reuse

(3) Where there is considered to be a controlled and subordinate relation, the information of the same shareholders: None.

(4) The industries in the affiliated company's scope business:

The Company's scope of business is detailed in Chapter V. Operational Highlights. Taiwan Steel Resources's principle business is as follows:

C901030 Cement Manufacturing  
C901040 Manufacture of Ready-mix Concrete  
C901050 Cement and Concrete Products Manufacturing  
Other Non-Metallic Mineral Products  
C901990 Manufacturing  
J101030 Waste Disposing  
J101040 Waste Treatment  
J101080 Resource Recycling  
J101090 Waste Disposal  
ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

(5) Information on directors, supervisors, and presidents of affiliates

April 28, 2022

Name of company	Title	Name or representative	Shareholding	
			Shares	%
Taiwan Steel Resources	Chairman	Legal Representative of Taiwan Steel Union Co., Ltd.: Fang, Yen-Bin	149,000,000 shares	100%
	Director	Legal Representative of Taiwan Steel Union Co., Ltd.: Lin, Chih-Kang		
	Director	Legal Representative of Taiwan Steel Union Co., Ltd.: Liu, Ming-Tsung		
	Supervisor	Legal Representative of Taiwan Steel Union Co., Ltd.: Huang, Wei-Han		
	General Manager	Tsai, Wen-Po		

(6) Operational Highlights of Affiliated Company:

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

Name of company	Capitalization	Total assets	Total liabilities	Net worth	Operating revenue	Operating margin	Profit or loss (after tax) for the current period	Earnings per share (NTD) (after tax)
Taiwan Steel Resources	1,490,000	2,422,337	351,888	2,070,449	267,028	(65,062)	(69,702)	(0.47)

2. Combined Financial Statements of Affiliated Companies:

The entities that are required to be included in the consolidated financial statements of the Company as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, a separate set of combined financial statements will not be prepared.

3. Affiliation Report: None.

II. Private Placement of Securities During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

III. Holding or Disposal of Shares in the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report: None.

IV. Other Supplementary Information: None.

## **Nine. Other Matters**

Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities Occurring During the Most Recent Fiscal Year and up to the Date of Publication of the Annual Report: None.

Taiwan Steel Union Co., Ltd.

Chairman: Mark Lin