

Stock Code: 6581



Taiwan Steel Union Co., Ltd.

# 2023 Annual Report

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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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## **One. Letter to Shareholders**

Dear Shareholders,

In 2023, due to factors such as high interest rates, high inflation, and poorer-than-expected economic performance of China after the pandemic, the global demand for end products was weak, resulting in a slowdown of manufacturing activities. Due to the recession in the manufacturing industry, the amount of the EAFD received by the Company was reduced. However, the quantity of other waste treated reached 24,401 tons in 2023, a new record compared to the previous year after the environmental assessment was approved. Thanks to the improvement in the production process of Taiwan Steel Resources Co., Ltd., the qualified quantity of LF slag reached a record high of 165,102 tons, and the concrete shipment volume was also the highest in history. The fully diversified operations has mitigated the impact of the manufacturing industry recession. In the future, we will continue to extend our business to hazardous waste treatment with high unit price, fully recycle and reuse waste as resources, and contribute to the sustainable development of the domestic industry.

In 2023, the global economy slowed down and the US dollar index continued to rise, which made zinc metal denominated in US dollars more expensive for holders of other currencies. In addition, the economy of China, a major zinc consuming country, was stagnant and thus, made the LME zinc price downward. In 2023, the annual average zinc price was US\$2,649.04, a decrease of 24% from the annual average zinc price of US\$3,485.10 in 2022, such that the zinc oxide sales unit price of the current period decreased by NT\$12,492 from the same period of last year, an increase of 33%. Total revenue from zinc oxide sales decreased by NT\$772,118 thousand, an decrease of 38% from the same period of last year.

The subsidiary, Taiwan Steel Resources Co., Ltd., continued to operate at a profit in 2023, which was mainly due to that its production process improvement result met the expectation. Presently, the stabilization process LF slag qualification rate has reached 100%. Accordingly, its treatment capacity will be progressive increased in the future. In 2023, it treated a total of 165,102 tons of steel LF slag, 3,144 tons of EAF slag and 98,289 tons of steel rotary kiln slag, contributing approximately 20% of the consolidated revenue.

In the future, TSU will continue to increase the revenue growth dynamics through the addition of wastes and full line operation of Taiwan Steel Resources Co., Ltd., in order to expand the ready-mixed concrete market share, and to comprehensively establish the foundation for the Company's growth as well as to assist the resource sustainable development of domestic industries.

## I. Business Results for FY2023

### 1. Business plan implementation results

- (1) The following table shows the status of the reuse and removal of EAF dust collected in FY2023.

Unit: Metric tons / NT\$1,000

Year Item	2023		2022		Growth (%)	
	Volume	Amount	Volume	Amount	Volume	Amount
Reuse	119,140	171,451	144,098	77,138	(17.32)	122.27
Disposal	124,369	-	135,976	-	(8.54)	-

- (2) The following table indicates the status of reuse and disposal of other waste in FY2023.

Unit: Metric tons / NT\$1,000

Year Item	2023		2022		Growth (%)	
	Volume	Amount	Volume	Amount	Volume	Amount
Reuse	24,401	192,894	20,231	151,176	20.61	27.60
Disposal	25,618	-	19,757	-	29.67	-

- (3) The status of reuse and disposal of LF slag by Taiwan Steel Resources Co., Ltd for 2023 are as follows:

Unit: Metric tons / NT\$1,000

Year Item	2023		2022		Growth (%)	
	Volume	Amount	Volume	Amount	Volume	Amount
Reuse	165,102	360,613	122,052	297,842	35.27	21.08
Disposal	161,906	-	124,303	-	30.25	-

(4) The Company's production and sales of zinc oxide in 2023 are as follows:

Unit: Metric tons / NT\$1,000

Item \ Year		2023		2022		Growth (%)	
		Volume	Amount	Volume	Amount	Volume	Amount
Unwashed	Output and cost	51,490	672,033	53,539	748,453	(3.83)	(10.21)
	Domestic sales	4,320	114,287	5,928	228,090	(27.13)	(49.89)
	Export	46,155	1,160,956	48,297	1,819,271	(4.44)	(36.19)

## 2. Budget Implementation

According to the current regulations, the Company did not need to disclose financial forecasts for 2023. The overall actual operating conditions and performance are roughly equivalent to the business plan formulated by the Company.

## 3. Financial structure and profitability analysis.

### (1) Consolidated Financial Statements

Item \ Year		2023	2022
Financial structure (%)	Ratio of liabilities to assets	9.62	12.55
	Ratio of long-term capital to property, plant and equipment	126.61	132.49
Profitability	Asset return ratio (%)	10.66	21.07
	Equity return ratio (%)	11.96	24.24
	Ratio of income before tax to paid-in capital (%)	56.97	109.77
	Net profit ratio (%)	24.72	37.31
	Earnings per share (NTD)	4.54	8.84



## (2) Standalone Financial Statements

Item \ Year		2023	2022
Financial structure (%)	Ratio of liabilities to assets	8.35	7.59
	Ratio of long-term capital to property, plant and equipment	361.02	388.94
Profitability	Asset return ratio (%)	11.01	22.48
	Equity return ratio (%)	11.95	24.24
	Ratio of income before tax to paid-in capital (%)	56.97	109.77
	Net profit ratio (%)	30.77	43.24
	Earnings per share (NTD)	4.54	8.84

## 4. Research and Development

The research & development status of the Company for 2023 is as follows:

- (1) High-value technology for low-carbon smelting of zinc by-products
- (2) Test on impact of SRP grain size on products
- (3) Research on Incineration plant incineration fly ash reuse
- (4) Research on the effectiveness of reducing slag application to road construction.

## II. 2024 Business Plan

### 1. Business Guidelines

In addition to the existing EAFD, the Company will be dedicated to additional 3 major categories and 11 waste items and collect and recycle the wastes that are difficult to treat and has a high unit price of treatment. In 2024, the Company will mitigate the impact of LME zinc prices on revenue by expanding new revenue growth from waste disposal price.

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. In addition to the existing stabilized slag business, we will focus on other domestic wastes that are difficult to treat, follow the national resource recycling policy, and gradually expand the waste recycle market. With the support of the two units of recycled aggregate specialized ready-mixed concrete plants, we will enter the slag ready-mixed concrete industry, thereby progressively expanding the

ready-mixed concrete market share

2. Expected sales/Volume of reuse

The Taiwan Steel & Iron Industries Association believes that the supply is tightening in 2024 and the US steel market is expected to lead the rise of the price. The steel market is expected to return to the upward trend. The boom of the domestic steel and iron industries will help the Company's EAFD and zinc oxide business.

In addition to the existing EAFD, the Company will be dedicated to additional 3 major categories and 11 waste items and collect and recycle the wastes that are hazardous to treat and has a high unit price of treatment. In 2024, the Company will mitigate the impact of LME zinc prices on revenue by expanding new revenue growth from waste disposal price.

In addition to the existing slag business, Taiwan Steel Resources Co., Ltd. follows the national resource recycling policy, and gradually expands the waste recycle market. it also actively develops the market for the concrete business and expands the market share of ready-mixed concrete.

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. Short-term development strategy:

- (1) Increase the volume of reusable waste for treatment.
- (2) Install solar panels on the roofs of the plant, and promote carbon reduction items.

2. Long-term development strategy: Promote the reuse of other hazardous waste materials.

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.

In the future, we will continue to increase customers and sources of materials in terms of other waste resources that are hazardous,, and to increase the volume of treatment/reuse. This will give us an excellent advantage in the domestic competition and diversify our operational risks.

In addition, the LME zinc price fluctuated at US\$2,500 due to the environmental protection issues that forced local zinc smelters to reduce production, the rising US dollar index rose, and the stagnation in China. If LME zinc prices fall in the future, the Company has the competitive advantage of strategically increasing its treatment price to mitigate the impact on its business operations.

So far, we have obtained the general permits for reuse of 13 contaminated soils. With these and the 3 categories and 11 waste items for expansion of diversified operations, the Company has a competitive advantage in terms of prices and volume and can provide proper treatment methods for different domestic wastes, which is well-aligned with the government's Resource Sustainable Recycling Implementation Program. In 2024, the Company will continue to make effort toward the direction of diverse 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	<p>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.</p>
1996	<p>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 &amp; 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.</p> <p>December ➤ The Industrial Development Bureau, Ministry of Economic Affairs, approved the establishment of a joint treatment system for EAF dust and waste.</p>
1998	<p>January ➤ Obtained the permit for the establishment of the zinc oxide manufacturing process (M01) for stationary pollution sources.</p> <p>September ➤ Conducted a capital increase in cash of NT\$100 million, with the paid-in capital increasing to NT\$400 million.</p>
1999	<p>February ➤ Obtained the permit for the establishment of a waste treatment</p>

Time	Major Milestones
	plant (factory) in Changhua County.
	June ➤ Began disposing of EAF dust, and the Company began to operate formally.
2000	February ➤ Obtained the factory registration certificate from the Ministry of Economic Affairs.
	June ➤ Obtained the permit for operating the zinc oxide manufacturing process (M01) for stationary pollution sources.
2001	October ➤ Obtained the permit for operating the dumping ground process (M02) for stationary pollution sources.
	December ➤ Obtained a license for joint clearance and treatment of industrial waste from the Ministry of Economic Affairs.
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	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.
	December ➤ Passed the ISO14001 environmental management system certification of the British Standards Institution (BSI).

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
	<p>registered total paid-in capital of NT\$1.6 billion, and the total paid-in capital of NT\$999.44887 million.</p> <p>➤ The annual capacity of the second rotary kiln for treating dust reached 109,900 metric tons.</p>
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	<p>December ➤ Obtained the general permit for reuse of EAF dust from the Industrial Development Bureau, Ministry of Economic Affairs.</p>
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	<p>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.</p>
2021	<p>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).</p> <p>➤ 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).</p> <p>February ➤ Won bid for washed fly ash recycling project at the Taoyuan Waste Incineration Plant (9,400 tons/year).</p> <p>May ➤ Obtain permission to recycle products with 15~40% zinc content produced by recycling or processing facilities (4,000 metric tons/year).</p> <p>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.</p> <p>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).</p> <p>➤ Awarded 2-star rating (highest level) for Taiwan's 2021 Taiwan Circular Economy Outstanding Enterprise Award.</p> <p>➤ 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.</p> <p>December ➤ Obtained special reuse permit for incineration fly ash (medical waste disposal facility) from the EPA (83 tons/month).</p>
2022	<p>April ➤ President Mr. Yen-Bin Fang retired, and Vice President Mr. Tsai-</p>

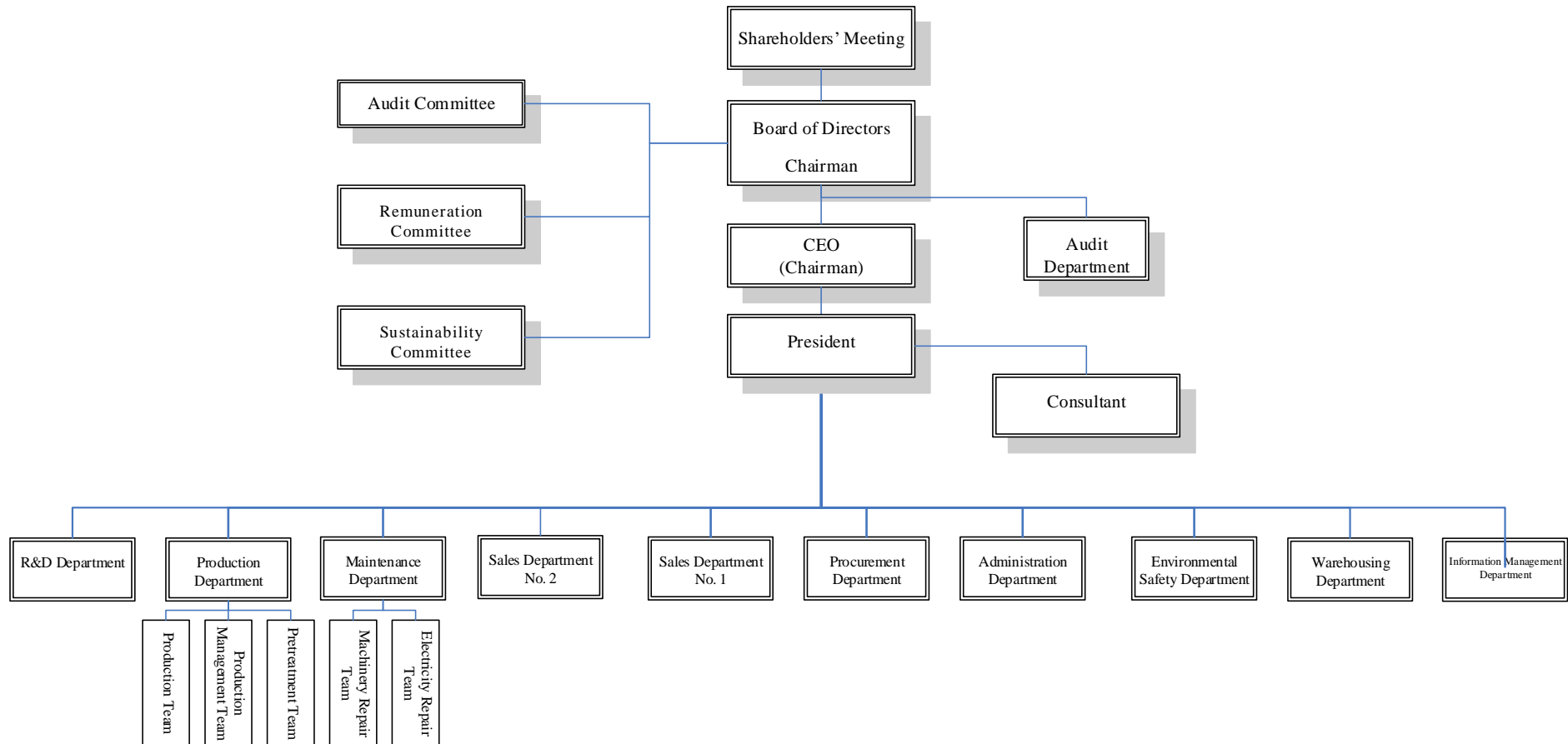


Time	Major Milestones
	Hsiang Lin was promoted to be the President of the Company.
November	➤ Received the honor of 15th TCSA Taiwan Top Hundred Sustainability Role Model Enterprise Award, Report Platinum Award and Single Performance - Circular Economy Leadership Award.
2023	November ➤ Obtained a subsidy from the Ministry of Economic Affairs for low-carbon and smart upgrading and transformation of the manufacturing industry.
	December ➤ Completed the solar power generation installation of the factory building, approximately 1,356KW.
	December ➤ TSR's LF slag stabilization volume reached 165,102 tons.

### 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>1. Planning, operation, and management of the recycle of industrial wastes, such as EAF dust, contaminated soils, and incineration fly ashes.</li> <li>2. Records of operation of and basic maintenance and management of production process equipment.</li> <li>3. Zinc oxide output planning.</li> <li>4. Operation and maintenance of pollution prevention and control facilities of the in-plant exhaust gas system.</li> <li>5. Operational technique testing and improvement.</li> <li>6. Execution and coordination of tasks related to environmental protection, labor safety and health, and quality control.</li> <li>7. Implementation and maintenance of ISO9001 quality management system. Pre-treatment operations, such as bag crushing, storage, transportation, mixing, sieving, and magnetic separation for receiving industrial waste.</li> </ol>
Maintenance Department	<ol style="list-style-type: none"> <li>1. Daily repair and maintenance of electromechanical equipment.</li> <li>2. Planning and execution of the repair and maintenance and shutdown of mechanical and electrical equipment for annual preventive maintenance.</li> <li>3. Supervision of equipment improvement projects.</li> <li>4. Execution of equipment improvement proposals.</li> <li>5. Fire management business, and implementation and filing of reports on fire drills for self-defense.</li> <li>6. Regular inspection of high- and low-voltage electrical equipment and filing of reports.</li> <li>7. Building public safety inspection and filing of reports</li> <li>8. Promotion and maintenance of ISO50001 energy management system.</li> </ol>
Sales Department No. 1	<ol style="list-style-type: none"> <li>1. Negotiation of relevant agreements on EAF dust, crude zinc oxide, zinc waste, and confirmation, signing, and execution of relevant terms and conditions.</li> <li>2. Development of business promotion plans and strategies for EAF dust, crude zinc oxide, and zinc waste.</li> <li>3. Tracking of production status and pre-scheduling of delivery plans.</li> <li>4. Response to customer complaints.</li> <li>5. Collection of accounts receivable.</li> <li>6. Visit to customers and provision of services to customers.</li> <li>7. Business promotion in domestic and overseas markets and collection of relevant industry information.</li> <li>8. Sales of equipment, salvage stocks, and tailings.</li> </ol>
Sales Department No. 2	<ol style="list-style-type: none"> <li>1. Negotiation of relevant agreements on contaminated soils, incineration fly ash, and electroplating sludge, and confirmation, signing, and execution of relevant terms and conditions.</li> </ol>

Department	Functions
	<ol style="list-style-type: none"> <li>2. Development of business promotion plans and strategies for contaminated soils, incineration fly ash, and electroplating sludge.</li> <li>3. Quotation for contaminated soil, incineration fly ash, and electroplating sludge business, assistance in arranging disposal operations, and collection of customer data.</li> <li>4. Contact with sources of cases and evaluation.</li> <li>5. Collection of accounts receivable.</li> <li>6. Visit to customers and provision of services to customers.</li> </ol>
Procurement Department	<ol style="list-style-type: none"> <li>1. Investigation, collection, and analysis of market data on domestic and overseas sourcing markets.</li> <li>2. Supplier management and evaluation.</li> <li>3. Analysis and compilation of procurement and outsourcing materials.</li> <li>4. Purchase, contracting, and payment application regarding materials, factory supplies, and equipment.</li> <li>5. Outsourcing, contracting and payment application regarding repair, improvement, and new construction projects.</li> <li>6. Response to cases of breach of procurement contracts, construction defects, and claims for compensation.</li> <li>7. 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>8. Outsourcing, contract signing, and settlement of service contracts.</li> <li>9. Food, accommodation, and transportation arrangements for foreign consultants, technicians, and customers during technical cooperation in Taiwan.</li> <li>10. 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 accounting and tax management operations, as well as decision support analysis and reporting.</li> <li>3. Planning and coordination of Board meetings.</li> <li>4. Planning and coordination of the shareholders' meetings.</li> <li>5. Planning and coordination of functional committee meetings.</li> <li>6. Employee attendance, evaluation management, and relevant data file management.</li> <li>7. Insurance underwriting planning for labor and health insurance, property insurance (movable property and immovable property), and liability insurance.</li> <li>8. Communication with the capital market and maintenance of investor relations.</li> </ol>

Department	Functions
	9. Planning, execution, audit, follow-up, sorting, and drafting of statements on internal control self-assessments. 10. Handling of matters that shall be declared or disclosed on the Market Observation Post System (MOPS) as a public company in accordance with regulations.
Information Management Department	1. Planning, formulation, execution, evaluation, review, revision, or abolition of various information management systems. 2. Network software and hardware planning, establishment, maintenance, and update management. 3. Management of systematized work processes at each unit. 4. Information security planning and management. 5. Maintenance of computer hardware and equipment. 6. Server room security control and maintenance management. 7. Backup system establishment and maintenance management. 8. Allocation of the license quantity of purchased software copyrights and management of such records
R&D Department	1. R&D of recycle technologies. 2. Collection of the latest information on various relevant technologies at home and abroad. 3. Formulation, execution, review, evaluation, revision, or abolition of inspection and testing standards for materials purchased, manufacturing processes, and shipments. 4. Establishment, execution, evaluation, review, revision, or abolition of product inspection methods and standards.
Environmental Safety Department	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. 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.). 3. Online filing of reports as required by the environmental protection laws and the occupational safety and health laws. 4. ISO14064 greenhouse gas inventory, certification, and registration. 5. Voluntary inspection management of and filing of reports on public dangerous articles. 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

Department	Functions
	<p>of given business (including environmental impact assessment supervision and tracking).</p> <ol style="list-style-type: none"> <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. Arrangement of matters related to plant-wide environmental monitoring and operating environment monitoring.</li> <li>10. Implementation of environmental safety and health education and training.</li> <li>11. Assistance with investigation, correction, and prevention of in-plant environmental pollution incidents and industrial safety accidents.</li> <li>12. Implementation of research projects related to environmental safety and health.</li> <li>13. Collection and processing of and report on environmental protection opinions from the public and relevant groups.</li> <li>14. Cooperation with questionnaires, testing, and research projects conducted by environmental protection agencies and academic groups.</li> <li>15. Cleanup of debris in ditches, catch basins, storage tanks, and sludge in ditches in the plant.</li> </ol>
Audit Department	<ol style="list-style-type: none"> <li>1. Formulation and execution of an annual audit plan.</li> <li>2. Non-routine ad-hoc audits or audit of abnormal cases.</li> <li>3. Writing of audit reports, provision of suggestions about improvement, and tracking of improvement effectiveness.</li> <li>4. 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>5. Internal control system self-assessment verification and filing of a report.</li> <li>6. 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>7. 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. Management of the incoming and outgoing materials.</li> <li>2. Filing of reports on industrial waste online.</li> <li>3. Preparation of reports on incoming and outgoing materials.</li> <li>4. Cleaning management of warehouse environment.</li> <li>5. Management of incoming and outgoing materials on truck scales.</li> <li>6. Flexible intermediate bulk container (FIBC) crushing.</li> <li>7. Daily and annual inventory counts.</li> <li>8. Outsourced transportation vehicles and personnel management.</li> <li>9. Materials requisition and return management.</li> </ol>

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

April 01, 2024

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.	55	2022.05.26	3 years	1995.05.05	26,012,587	23.38%	26,666,587	23.97%	-	-	-	-	-	Supervisor of Wen Shan Resort Corporation Institutional director of Chien Shing Harbour Service Co., Ltd. Institutional director of FengYu Resources Co., Ltd. Institutional director of Pro-Ascentek Investment Corporation	-	-	-	-
	R.O.C.	Representative: Mark Lin	Male 77	2022.05.26	3 years	1995.05.24	18,000	0.02%	19,000	0.02%	444,000	0.40%	-	-	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.	General Manager	Lin, Tsai-Hsiang	Father and son	Note 1
Director	R.O.C.	Tung Ho Steel Enterprise Corp.	62	2022.05.26	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. Institutional director of Hexawave, Inc.	-	-	-	-
	R.O.C.	Representative: Liu, Ming-Tsung	Male 58	2022.05.26	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: Hsiao, Yao-ying	Male 61	2023.06.21	3 years	2023.06.21	-	-	-	-	-	-	-	-	Taipei Engineering Professional School, Mining Manager Miaoli Plant of Tung Ho Steel Enterprise Corp.	Manager Miaoli Plant of Tung Ho Steel Enterprise Corp.	-	-	-	-
Director	R.O.C.	Hai Kwang Enterprise Corporation	55	2022.05.26	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.	-	-	-	-

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	
	R.O.C.	Representative: Huang, Wei-Han	Male 37	2022.05.26	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. Supervisor of Taiwan Steel Resources Co., Ltd.	-	-	-	-
Director	R.O.C.	Shyeh Sheng Fuat Steel & Iron Works Co., Ltd.	58	2022.05.26	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 66	2022.05.26	3 years	1996.11.20	-	-	-	-	31,000	0.03%	-	-	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. Chairman of Sheng Fuat Steel Construction Co., Ltd. Director of Xiaogang Warehousing Co., Ltd. Person in Charge of Fengshan Gas Station Co., Ltd. Director of Sie Ren Co., Ltd. Director of Sie Si Co., Ltd. Director of Sie Si Co., Ltd. Director of Sie Huan Co., Ltd. Chairman of Sheng Fuat Investment Co., Ltd. Chairman of Sie Cheng Fa Co., Ltd. Chairman of Jin Tai Shan Co., Ltd.	-	-	-	-
Director	R.O.C.	Chien Shun Steel Co., Ltd.	50	2022.05.26	3 years	1999.12.06	6,116,469	5.50%	6,116,469	5.50%	-	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: Chen, Mei-Hui	Female 50	2022.05.26	3 years	2016.11.16	-	-	-	-	-	-	-	-	Chih Ping Senior High School	Salesperson of Chien Shun Steel Co., Ltd.	-	-	-	-
Director	R.O.C.	United Steel Corporation	36	2022.05.26	3 years	2018.06.19	3,767,671	3.39%	3,767,671	3.39%	-	-	-	-	-	-	-	-	-	-
	R.O.C.	Representative: Yeh, Chun-Sheng	Male 54	2022.05.26	3 years	2022.05.26	-	-	-	-	-	-	-	-	Manager of United Steel Corporation	Manager of United Steel Corporation	-	-	-	-
Independent Director	R.O.C.	Lin, Hung-Tuan	Male 69	2022.05.26	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 69	2022.05.26	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 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 66	2022.05.26	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, Chung Yuan Christian University, Managing Director of Taiwan Power Company	-	-	-	-
Independent Director	R.O.C.	Huang, Xiao-Xin	Male 74	2022.05.26	3 years	2022.05.26	-	-	-	-	-	-	-	-	Chairman of The Formosa Association of Resource Recycling Chairman of ESG Booster Co.,Ltd. Independent Director of Anji Technology Co., Ltd. Independent Director of Lianyou Metals Co., Ltd.	Chairman of ESG Booster Co.,Ltd. Chairman of Jianqi Intelligent Co., Ltd. Independent Director of Anji Technology Co., Ltd. Independent Director of Lianyou Metals Co., Ltd.	-	-	-	-

Note 1: The Chairman and the CEO of the Company are the same person ,and the chairman and the general manager are first-degree relatives. 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 the number of independent directors for the 10th Board of Directors was increased to 4 seats when the shareholders' meeting were held on May,26 2022.

## (2) Major Shareholders of Institutional Shareholders

April 28, 2024

Name of institutional shareholder	Major Shareholders of Institutional Shareholders
Feng Hsin Steel Co., Ltd.	Chengchuang Investment Co., Ltd. (5.43%); Fengshuo Investment Co., Ltd. (3.84%); Lin, Meng-Bi (2.48%); Lin Chang, Shu-Wen (2.36%); Lai, San-Ping (2.18%); Jin Fuli Investment Co., Ltd. (2.08%); Mark Lin (2.03%), Lai, Chao-Chuan (1.96%), 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. (8.92%); Hezhao Investment Co., Ltd. (8.61%); Yuanta Taiwan Dividend Plus ETF (4.74%), Yutai Investment Co., Ltd. (1.78%), Yuanta Taiwan High Dividend Low Volatility ETF (1.67%), Investment account of Norges Bank managed by Citibank Taiwan (1.28%), Public Service Pension Fund Management Board (1.24%), JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.15%), JPMorgan Taipei Branch entrusted with the custody of the Van Gard Emerging Markets Stock Index Fund Investment Account (1.10%)
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 (1.23%), Huang, Wei-Han (1.05%), Yuzhan Investment Co., Ltd. (1.04%), Huang, Cheng-Han (1.00%)
Shyeh Sheng Fuat Steel & Iron Works Co., Ltd.	Xiehuan Co., Ltd. (9.855%); Xieren Co., Ltd. (9.855%); Huang, Huang-Chang (38.55%); Huang Tien, Yu-Yun (25.84%); Xiechengfa Co., Ltd. (8.3%); Xiexi Co., Ltd. (6.2%); Huang, Chao-Huan (0.7%); Huang, Chao-Ren (0.7%)
Chien Shun Steel Co., Ltd.	Tongshun Investment Co., Ltd. (91.15%); Tong Shun Steel Co., Ltd. (7.43%); Wang Li, Hsiu-Chao (0.63%); Wang, Chi-Sheng (0.59%); Wang, Pi-Tzu (0.16%); Wang, Yu-Chun (0.04%)
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, 2024

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%); 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%), Lin Hsu, Yu-Mei(3.00%)
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, Chieh-Teng (47.52%) Hou, Yu-Shu(47.48%)
Maosheng Investment Co., Ltd.	Hou, Chieh-Teng (47.52%) Hou, Yu-Shu(47.48%)
Hezhao Investment Co., Ltd.	Hou, Yu-Shu(77.85%), Shenyuan Investment Co., Ltd.(16.39%)
Yuanta Taiwan Dividend Plus ETF	N/A
Yutai Investment Co., Ltd.	Huang, Chih-Ming (42.5%); Huang, Tsung-Ling (17%); Cheng, Mei-Chu (8.1%)
Yuanta Taiwan High Dividend Low Volatility ETF	N/A
Investment account of Norges Bank managed by Citibank Taiwan	N/A
Public Service Pension Fund Management Board	N/A
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund	N/A
JPMorgan Taipei Branch entrusted with the custody	N/A

Name of institutional shareholder	Major shareholders of juridical persons
of the Van Gard Emerging Markets Stock Index Fund 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%); Huang, I-Cheng (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%); Huang, I-Cheng (0.5%)
Zongli Investment Co., Ltd.	Passion Trading Co., Ltd. (20%); Huang, Hsiao-Wen (39%); Huang, Wei-Han (11%); Huang, Cheng-Han (20%); Huang, I-Cheng (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%)
Xiechengfa Co., Ltd.	Huang, Huang-Chang (99.96%) and Huang Tian, You-Yun (0.04%)
Xiexi Co., Ltd.	Huang Tian, You-Yun (99.95%) and Huang, Huang-Chang (0.05%)
Tongshun Investment Co., Ltd.	Wang Li, Hsiu-Chao (58.539%); Wang, Pi-Chang (34.565%); Wang, Chien-Chih (6.881%); 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. (99.96%); 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-

Name of institutional shareholder	Major shareholders of juridical persons
	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, 2024

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.	Not applicable, not an independent director	
Liu, Ming-Tsung	Production Vice General Manager of Tung Ho Steel Enterprise Corp. General Manager of Katec Creative Resources Corp.		
Hsiao, Yao-ying	Manager Miaoli Plant of Tung Ho Steel Enterprise Corp.		
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, Chun-Sheng	Manager of United Steel Corporation		
Chen, Mei-Hui	Salesperson of Chien Shun Steel Co., Ltd.		
Wu, Chuan-Chuan	CPA of KPMG in Taiwan	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. 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.	1
Lin, Hung-Tuan	Chairman of the Taiwan Resource Recycling Industries Association	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	-

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	4. Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies). Not a professional individual that has provided commercial, legal, financial, accounting services or consultations to the Company over the past 2 years.	-
Huang, Xiao-Xin	Chairman of The Formosa Association of Resource Recycling		2

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 four 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 10<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		✓	✓	✓
Hsiao, Yao-ying	Male		✓	✓	✓
Huang, Wei-Han	Male		✓	✓	✓
Huang, Huang-Chang	Male		✓	✓	✓
Yeh, Chun-Sheng	Male		✓	✓	✓
Chen, Mei-Hui	Female		✓	✓	✓
Wu, Chuan-Chuan (independent director)	Male		✓	✓	✓
Lin, Hung-Tuan (independent director)	Male		✓	✓	✓
Chang, Tien-Chin (independent director)	Male		✓	✓	✓
Huang, Xiao-Xin (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	✓	✓	✓	✓	✓	✓	✓	✓
Hsiao, Yao-ying	Male	✓	✓	✓	✓	✓	✓	✓	✓
Huang, Wei-Han	Male	✓	✓	✓	✓	✓	✓	✓	✓
Huang, Huang-Chang	Male	✓	✓	✓	✓	✓	✓	✓	✓
Yeh, Chun-Sheng	Male	✓	✓	✓	✓	✓	✓	✓	✓
Chen, Mei-Hui	Female	✓	✓	✓		✓	✓	✓	✓
Wu, Chuan-Chuan (independent director)	Male	✓	✓	✓	✓		✓	✓	✓
Lin, Hung-Tuan (independent director)	Male	✓		✓	✓	✓	✓	✓	✓
Chang, Tien-Chin (independent director)	Male	✓		✓	✓	✓	✓	✓	✓
Huang, Xiao-Xin (independent director)	Male	✓		✓	✓	✓	✓	✓	✓

B. Independence of the Board of Directors

The Board of Directors of the Company consists of 4 independent directors and 7 directors, with independent directors making up approximately 36% 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

April 1, 2024

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	19,000	0.02%	444,000	0.40%	-	-	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.	General Manager	Lin, Tsai-Hsiang	Father and son	Note 1
General Manager	R.O.C.	Lin, Tsai-Hsiang	Male	2022.04.01	332,000	0.30%	543,000	0.49%	716,000	0.64%	Cal. State University Fullerton Marketing Assistant Administrator of the Business Department of Dragon Steel Corporation Vice General Manager 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. Director of Taiwan Steel Resources Co., Ltd.	Chief Executive Officer	Mark Lin	Father and son	-
Factory Manager of Production Department	R.O.C.	Hsieh, Tsung-Lin	Male	2024.01.01	-	-	-	-	-	-	Master's in Environmental Engineering, National Cheng Kung University Assistant Project Manager of AECOM Taiwan Corporation	None	-	-	-	Note2
Manager of Sales Department No. 1	R.O.C.	Chen, Yen-Chun	Female	2023.04.01	-	-	-	-	-	-	Master's in Environmental Engineering, National Chung Hsing University Director of Laboratory 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	-	-	-	-
Manager of Environmental Safety Department	R.O.C.	Su, Wen-Hung	Male	2024.01.01	-	-	-	-	-	-	Department of Environmental Engineering, Vanung University	None	-	-	-	None2
Manager of Sales	R.O.C.	Chen,	Male	2021.04.06	-	-	-	-	-	-	Ph.D in Department of Environmental Engineering, National Taiwan University	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	
Department No. 2		Meng-Chia														
Section Chief of Information Management Department	R.O.C.	Kang,Chih-h-Chiang	Male	2022.08.12	-	-	-	-	-	-	Master's Program in Artificial Intelligence and Data Science, National Chung Hsing University Technical Manager of Hyweb Technology Co., Ltd Program Manager of Knowledge & Service Information Copr.	None	-	-	-	-
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 ,and the chairman and the general manager are first-degree relatives. 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 the number of independent directors for the 10th Board of Directors was increased to 4 seats when the shareholders' meeting were held on May,26 2022.

Note 2: Hsieh, Tsung-Lin, the former manager of Environmental Safety Department, has been transferred to the factory director starting from January 1, 2024. Manager of Environmental Safety Department is succeeded by Su,Wen-Hung.

### 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								Sum of A, B, C, and D as amount and a percentage of net income		Relevant remuneration received by directors who are also employees								Sum of A, B, C, D, E, F, and G as amount and a percentage of 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)		Business execution expenses (D)				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	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	-	-	-	-	6,300	6,300	170	170	6,470/ 1.28%	6,470/ 1.28%	2,308	2,308	-	-	815	-	815	-	9,593/ 1.90%	9,593 1.90%	None
Director	Representative of Tung Ho Steel Enterprise Corp.: Liu, Ming-Tsung																					
Director	Representative of Tung Ho Steel Enterprise Corp.: Hsiao, Yao-ying																					
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, Chun-Sheng																					
Independent Director	Lin, Hung-Tuan	3,600	3,600	-	-	-	-	155	155	3,755/ 0.74%	3,755/ 0.74%	-	-	-	-	-	-	-	3,755/ 0.74%	3,755/ 0.74%	None	
Independent Director	Wu, Chuan-Chuan																					
Independent Director	Chang, Tien-Chin																					
Independent Director	Huang, Xiao-Xin																					
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 2023 was NT\$125,000.

### 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: Hsiao, Yao-ying 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, Chun-Sheng Lin, Hung-Tuan, Wu, Chuan-Chuan, Chang, Tien-Chin, Huang, Xiao-Xin	Feng Hsin Steel Co., Ltd. Representative: Mark Lin Tung Ho Steel Enterprise Corp. Representative: Liu, Ming-Tsung Tung Ho Steel Enterprise Corp. Representative: Hsiao, Yao-ying 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, Chun-Sheng Lin, Hung-Tuan, Wu, Chuan-Chuan, Chang, Tien-Chin, Huang, Xiao-Xin	Tung Ho Steel Enterprise Corp. Representative: Liu, Ming-Tsung Tung Ho Steel Enterprise Corp. Representative: Hsiao, Yao-ying 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, Chun-Sheng Lin, Hung-Tuan, Wu, Chuan-Chuan, Chang, Tien-Chin, Huang, Xiao-Xin	Tung Ho Steel Enterprise Corp. Representative: Liu, Ming-Tsung Tung Ho Steel Enterprise Corp. Representative: Hsiao, Yao-ying 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, Chun-Sheng Lin, Hung-Tuan, Wu, Chuan-Chuan, Chang, Tien-Chin, Huang, Xiao-Xin
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	None	None
NT\$3,500,000 (inclusive)– NT\$5,000,000 (not inclusive)	None	None	Feng Hsin Steel Co., Ltd. Representative: Mark Lin	Feng Hsin Steel Co., Ltd. Representative: Mark Lin
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	11 people in total	11 people in total	11 people in total	11 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)				Sum of A, B, C, and D as amount and a percentage of 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		The Company	All companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
Chief Executive Officer	Mark Lin	4,418	4,418	108	108	413	413	5,268	-	5,268	-	10,207/2.02	10,207/2.02	None
General Manager	Lin, Tsai-Hsiang													
Note1: The remuneration paid to the CEO's chauffeur in 2023 was NT\$125,000.														

### 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	Mark Lin
NT\$3,500,000 (inclusive)– NT\$5,000,000 (not inclusive)	-	-
NT\$5,000,000 (inclusive)– NT\$10,000,000 (not inclusive)	Lin, Tsai-Hsiang	Lin, Tsai-Hsiang
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	2 people in total	2 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	-	10,816	10,816	2.14
	General Manager	Lin, Tsai-Hsiang				
	Special assistant of Production Department	Yang, Ming-Chu				
	Manager of Sales Department No. 1	Chen, Yen-Chun				
	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				

4. Separately compare and describe total remuneration, as a percentage of net income stated in the parent company only financial reports, as paid by this company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, general managers, and assistant general managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

- (1) Remuneration paid to Directors, President, and Vice Presidents of the Company paid by the Company and companies included in the individual financial statements in proportion to the net income after tax referred to in the parent company only financial statements in the most recent two years:

Item \ Year	2023		2022	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Director	2.64%	2.64%	1.35%	1.35%
CEO, General Manager, and Vice General Managers	2.02%	2.02%	1.06%	1.09%

- (2) Policy, standard, and combination for payment of remuneration, establishment of procedure of remuneration, and correlation between the business performance and future risk:

A. Policy, standard and combination for payment of remuneration

1. With regard to the remuneration of directors of the Company, according to Article 22 of the Articles of Incorporation, for the remuneration of all directors, the board of directors is authorized to determine remuneration of directors and independent directors based on the participation level and contribution value to the operation of the Company along with the consideration of the remuneration standards adopted in the domestic and foreign industries. In addition, according to Article 25 of the Articles of Incorporation, when there is a surplus earning after the final account of a fiscal year, less than 3% of the surplus shall be appropriated as the remuneration of directors. The Company periodically assesses the remuneration of directors according to the "Regulations for Performance Evaluation of Board of Directors", and relevant performance evaluation and remuneration policy, system, standard and structure are reviewed by the Remuneration Committee and the Board of Directors.
2. The number of months in which year-end bonuses are paid to all employees is linked to the company's operating performance (EPS). The higher the EPS, the more months the company will pay. With regard to the remuneration of managerial officers of the Company, the Company's

Regulations for Salaries specify various job allowances and bonuses, in order to provide care and reward to employees for their effort and contribution at work(end-of-year assessment results). Relevant bonuses are also issued according to the annual business performance, financial status, operation status of the Company and individual job performance. Furthermore, when the Company has profit for the current year, an amount not less than 1% of such profit is appropriated as the remuneration of employees according to Article 25 of the Articles of Incorporation of the Company. The Company uses the performance evaluation result (end-of-year assessment results) of the “Regulations for Performance Evaluation and Three-holiday Bonuses” as the reference basis for the issuance of bonuses of managerial officers. The managerial officers’ performance evaluation items are classified into financial indicators and non-financial indicators. A managerial officer’s target achievement rate and each unit’s target achievement result are reviewed in order to calculate his or her remuneration. In addition, the remuneration system is reviewed timely according to the actual operation status and relevant laws and regulations.

3. The combination of remuneration payment of the Company is specified according to the Remuneration Committee Charter and includes the cash remuneration, pension welfare and severance pay, various allowances and other measures for substantial rewards. Its scope is consistent with the remuneration of directors and managerial officers specified in the Regulations Governing Information to be Published in Annual Reports of Public Companies.

B. Procedure for remuneration establishment

1. To periodically evaluate the remuneration of directors and managerial officers, the evaluation results performed according to the “Regulations for Performance Evaluation of Board of Directors” and the “Regulations for Performance Evaluation and Three-holiday Bonuses” applicable to managerial officers and employees are used as the determination basis. In addition, presently, the Company’s annual operation indicator results related to operation, governance and financial results are used as the measurement basis.
2. Relevant performance evaluation and remuneration reasonableness of directors and managerial officers of the Company are periodically evaluated and reviewed by the Remuneration Committee and the Board of Directors annually. In addition to the review of individual performance achievement rate and contribution to the Company, the overall operation performance, industry future risk and development trend of the Company are also considered. Furthermore, the actual operation status and relevant laws and regulations are reviewed timely with respect to the remuneration system, thus achieving balance between sustainable operation and risk control of the Company. The actual issuance amount of the 2023 remuneration of directors and managerial officers are reviewed by the Remuneration Committee, followed by submission to the Board of Directors for resolution.

C. Correlation between business performance and future risk



1. The review of the remuneration policy related payment standard and system of the Company is mainly based on the overall operation status of the Company, and the payment standard is determined according to the performance achievement rate and contribution level, in order to improve the overall organization and team performance of the Board of Directors and management departments. In addition, the remuneration standard adopted in the industry is also considered, in order to ensure that the remuneration for the management of the Company is competitive, thus retaining outstanding management talents.
2. The managerial officer performance goal of the Company is integrated with the risk control, in order to ensure that possible risks within the responsible scope may be managed. In addition, it is also linked to each relevant human resource and relevant remuneration policy according to the rating result of actual performance evaluation. For important decisions made by the management of the Company, various risk factors are considered in advance, and the performance of relevant decisions reflect in the profit status of the Company, in order to control the remuneration of risks of the management level.

#### IV. Implementation of Corporate Governance

##### 1. Operation of the Board of Directors

In the most recent year (2023), 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	3	2	60	
Director	Representative of Tung Ho Steel Enterprise Corp.	Li, Wei-Bin	2	-	67	Note1
Director	Representative of Tung Ho Steel Enterprise Corp.	Hsiao, Yao-ying	2	-	100	Note2
Director	Representative of Hai Kwang Enterprise Corporation	Huang, Wei-Han	4	-	80	
Director	Representative of Shyeh Sheng Fuat Steel & Iron Works Co., Ltd.	Huang, Huang-Chang	5	-	100	
Director	Representative of Chien Shun Steel Co., Ltd.	Chen, Mei-Hui	5	-	100	
Director	Representative of United Steel Corporation	Yeh, Chun-Sheng	5	-	100	
Independent Director	Lin, Hung-Tuan		5	-	100	
Independent Director	Wu, Chuan-Chuan		5	-	100	
Independent Director	Chang, Tien-Chin		5	-	100	
Independent Director	Huang, Xiao-Xin		4	1	80	

Note1: Dismissed on June 21, 2023, and shall attend 3 times.

Note2: Newly appointed on June 21, 2023, and shall attend 3 times.

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
2023.01.12	4 <sup>th</sup> meeting of the 10 <sup>th</sup> Board of Directors	Mark Lin, Li, Wei-Bin, Liu, Ming-Tsung, Huang, Huang-Chang, Chen, Mei-Hui,	Discussion on the distribution of remuneration to directors for 2022	Involving self-interest	Except for the recusal of the director with a conflict of interest, the remaining directors present passed the motion as it was without objection.

		Yeh, Chun-Sheng			
		Mark Lin	Discussion on compensation for employees and managers		

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, 2023 to December 31, 2023.	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 26, 2022 with the term of office from May 26, 2022 to May 25, 2025.
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 company 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. The 2023 annual assessment results were approved by the board of directors on February 22, 2024. All directors are professional and responsible, and diligently perform their duties
5. Please refer to the sections dedicated to "Investors", "Shareholder Services", and "Corporate Governance" on the Company's website (<http://www.tsutw.com.tw>) for more information on the Company's corporate governance.
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.

V. Succession planning for Board members and critical management personnel:
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.
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.

## 2. Operation of the Audit Committee

In the most recent year (2023), the Audit Committee had held 4 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	4	0	100	-
Independent Director	Wu, Chuan-Chuan	4	0	100	-
Independent Director	Chang, Tien-Chin	4	0	100	-
Independent Director	Huang, Xiao-Xin	3	1	75	-

Other matters:

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

The committee is composed of four 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
3 <sup>th</sup> meeting of 3 <sup>rd</sup> term on 2023.02.21	Discussions on the Company's 2022 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 5 <sup>th</sup> meeting of the 10 <sup>th</sup> Board of Directors on February 22, 2023
	Submitted a proposal for issue of the Company's 2022 statement on the internal control system		
	Amendments to the "Corporate Governance Best Practice Principles"		
	Proposal for appointment of Wu, Shao-Chun and Chiang, Shu-Ching, CPAs at Deloitte & Touche, to audit the 2023 financial statements and tax reports and their professional audit fees		
	Proposed application for endorsement and guarantee of short-term financing for the Company's subsidiary Taiwan Steel Resources, Co., Ltd.		
4 <sup>th</sup> meeting of 3 <sup>rd</sup>	The company's change of CPA	Submitted to	Approved by

term on 2023.04.25	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 2023.	the Board of Directors with the consent of all members present	all the directors present at the 6 <sup>th</sup> meeting of the 10 <sup>th</sup> Board of Directors on April 25, 2023
	Amendments on part of "Corporate Governance Best Practice Principles"		
	Amendments on part of "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties"		
	Proposed application for endorsement and guarantee of short-term financing for the Company's subsidiary Taiwan Steel Resources, Co., Ltd.		
5 <sup>th</sup> meeting of 3 <sup>rd</sup> term on 2023.7.24	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 2023.	Submitted to the Board of Directors with the consent of all members present	Approved by all the directors present at the 7 <sup>th</sup> meeting of the 10 <sup>th</sup> Board of Directors on July 25, 2023
	Proposed application for endorsement and guarantee of short-term financing for the Company's subsidiary Taiwan Steel Resources, Co., Ltd.		
6 <sup>th</sup> meeting of 3 <sup>rd</sup> term on 2023.10.24	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 2023..	Submitted to the Board of Directors with the consent of all members present	Approved by all the directors present at the 8 <sup>th</sup> meeting of the 10 <sup>th</sup> Board of Directors on October 25, 2023
	Proposed application for loaning of funds for the Company's subsidiary Taiwan Steel Resources, Co., Ltd.		
	Proposed application for endorsement and guarantee of short-term financing for the Company's subsidiary Taiwan Steel Resources, Co., Ltd.		
	Report on the Company's FY2024 annual audit plan		

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 seventh version of said principles on April 25, 2023 in accordance with the amended Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies in the Taiwan Stock Exchange Official Letter No. 11100243661 dated December 23, 2022. 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 seven institutional directors and four 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?			Sustanibility 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 2023 performance evaluation of the Board of Directors was conducted at the beginning of 2024.All directors are professional and responsible, and diligently perform their duties.The result was reported to the Board of Directors on February 22, 2024, 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?	✓		<div>The Company's Audit Committee and Board of Directors evaluate the independence and competence of CPAs with reference to the Audit Quality Indicators (AQIs), 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:</div> <table><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><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 consecutive years.</td><td>√</td><td></td><td>Yes</td></tr><tr><td>3. Does not serve as a director, supervisor, or manager at the Company.</td><td>√</td><td></td><td>Yes</td></tr></table>	Evaluation item	Evaluation results		Independence	Yes	No	1. Obtained the Statement on Independence.	√		Yes	2. The CPA has not been replaced for seven consecutive years.	√		Yes	3. Does not serve as a director, supervisor, or manager at the Company.	√		Yes	No difference.
Evaluation item	Evaluation results		Independence																			
	Yes	No																				
1. Obtained the Statement on Independence.	√		Yes																			
2. The CPA has not been replaced for seven consecutive years.	√		Yes																			
3. Does not serve as a director, supervisor, or manager at the Company.	√		Yes																			



Evaluation item	Implementation status						Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description				
			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	
			After assessment, CPA James Wu and CPA Rock Tseng of Deloitte Taiwan, except for the audit and tax related service fees, have no other financial benefit and business relationship with the Company. the family members of the CPAs have not violated the independence requirements and comply with the aforementioned independence evaluation standard. In addition, in accordance with the AQI indicator information, the CPAs and the accounting firm are verified to perform at a level higher than the average standard of the same industry with respect to the improvement request letters issued by the competent authority. Moreover, in the most recent three years, the audit innovative tools have also been implemented to improve the audit quality, such that they are assessed to be competent to act as the CPAs of the Company. Thus, on February 21, 2024, the appointment of the CPAs was approved at the 3 <sup>rd</sup> meeting of the 7 <sup>th</sup> Audit Committee, and was submitted to the 10 <sup>th</sup> meeting of the 10 <sup>th</sup> Board of Directors on February 22, 2024.				
IV. Has the Company appointed a appropriate number of suitable corporate governance personnel, and designated a corporate governance officer to be responsible for	✓		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				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	
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 and shareholders' meetings)?			<p>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 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.(6) Legality review of independent director qualifications (7) Handle matters related to director changes ◦</p> <p>The business execution in 2023 is as follows:</p> <ol style="list-style-type: none"> <li>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>Provided necessary company information to directors, and maintained smooth communication and exchange with directors and business executives.</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>(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.</p> <p>(3). Please refer to "2023 Directors' Continuing Education" of this annual report for information on at least 6 credits of continuing education courses taken by Board members every year.</p> <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>	

Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof				
	Yes	No	Description					
			2023Corporate Governance Officer Continuing Education:					
			Index	Educational Institution		Class Title	Period	Hours
			1	Taiwan Corporate Governance Association		Changes in the 5G era: industrial upgrading, future business applications and the new normal in the post-epidemic era	2023/02/22	3
			2	Taiwan Investor Relations Institute		The latest corporate governance practices in 2023	2023/03/12	2
			3	Securities and Futures Institute		Annual Insider Trading Prevention Promotion Conference	2023/06/02	3
			4	Taiwan Corporate Governance Association		Looking at the information security governance strategies of listed companies from the perspective of sustainable development	2023/07/25	3
			5	Taiwan Investor Relations Institute		How to use Excel for business valuation and IR work management	2023/11/24	3

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?	✓	<p>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:</p> <table><tr><th>Category</th><th>Item</th><th>Issue of concern</th><th>Contact point</th><th>Communication channel</th><th>Communication frequency</th></tr><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>Several times 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 Chen #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="5">Employees</td><td rowspan="5">Employees' opinions and satisfaction</td><td rowspan="5">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>Grievance mailbox</td><td>Ongoing</td></tr><tr><td>Training &amp; education</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>Supplier survey</td><td>Ongoing</td></tr><tr><td>Assessment of suppliers</td><td>Once a year</td></tr><tr><td>Supplier meetings</td><td>Once a year</td></tr></table>	Category	Item	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	Several times a year	Customers	Customers' ideas and opinions	Sales Department No. 1 (Zinc oxide sales, EAF dust, zinc-containing resources, waste filtration bags) Manager Chen #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	Grievance mailbox	Ongoing	Training & education	Ongoing	Suppliers	Supplier availability	Manager Chang at the Procurement Department #300	Supplier survey	Ongoing	Assessment of suppliers	Once a year	Supplier meetings	Once a year	No difference.
Category	Item	Issue of concern	Contact point	Communication channel	Communication frequency																																																		
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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	
VI. Has the Company appointed a professional shareholder service agency to deal with shareholder affairs?	✓		The Company has appointed the Transfer Agency of CTBC Bank Co., Ltd. to handle the affairs of our shareholders' meetings.	No difference.
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 2023 financial report to MOPS on February 22, 2024. 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	✓		(1) Employee rights and employee wellness	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	
facilitate better understanding of the Company's corporate governance practices (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>The Company has set up sound and complete systems, including a pension system and an Employees' Welfare Committee system; 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</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>change in suppliers is because of changes in market supply and demand that influence the increase or decrease of the purchase 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,</p>	



Evaluation item	Implementation status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Description	
			and submitted a report on the important contents, such as the insured amount, coverage, and contribution rates, to the Board of Directors.	
<p>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:</p> <p>With regard to the corporate governance evaluation result, the Company will prioritize improving the completeness of the information disclosed on the company's website and annual report.</p>				

#### 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 four, 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)	Huang, Xiao-Xin	Please refer to "Disclosure of Professional Qualifications of Directors and Independence of Independent Directors".		
Independent Director	Chang, Tien-Chin			
Independent Director	Lin, Hung-Tuan			
Independent Director	Wu, Chuan-Chuan			

(2) Operation of the Remuneration Committee

A. There are four members of the Company's Remuneration Committee.

B. The term of office of the current term is from May 26, 2022 through May 25, 2025. In the most recent year (2023), 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	Huang, Xiao-Xin	2	1	67	-
Member	Chang, Tien-Chin	3	0	100	-
Member	Lin, Hung-Tuan	3	0	100	-
Member	Wu, Chuan-Chuan	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:

- Review the Company's remuneration policy and propose amendments regularly.
- 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.
- 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
3 <sup>rd</sup> meeting of 4 <sup>th</sup> term on 2023.01.12	Discussion on the distribution of remuneration to directors for 2022	Passed by all members of the committee	Submitted to the Board of Directors and approved by all the directors present
	Review of the employee compensation for managers for 2022		
4 <sup>th</sup> meeting of 4 <sup>th</sup> term on 2023.04.25	Proposal for the Company's personnel change		
5 <sup>th</sup> meeting of 4 <sup>th</sup> term on 2023.10.24	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. In 2023, a total of two meetings were held, and the proposal content included (1) Evaluation of the material issues requiring special attention of the management team and feasibility of response actions; (2) Review of the 2022 ESG Report, evaluation of the Company's ESG implementation status, and report of the aforementioned matters in the board of directors' meeting.</p> <p>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 2023 to December 2023. 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><tr><th>Material issue</th><th>Risk assessment item</th><th>Risk management policy or strategy</th></tr><tr><td>Environmental</td><td>Climate strategy</td><td>1. Formulating greenhouse gas management policies, conducting climate change risk assessment, and implementing action plans under the TCFD framework. 2. 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. 3. Implementing energy conservation and carbon reduction measures, and improving the efficiency of process equipment. 4. Promoting renewable energy and built solar power panels on the rooftop.</td></tr></table>	Material issue	Risk assessment item	Risk management policy or strategy	Environmental	Climate strategy	1. Formulating greenhouse gas management policies, conducting climate change risk assessment, and implementing action plans under the TCFD framework. 2. 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. 3. Implementing energy conservation and carbon reduction measures, and improving the efficiency of process equipment. 4. Promoting renewable energy and built solar power panels on the rooftop.	No difference.
Material issue	Risk assessment item	Risk management policy or strategy								
Environmental	Climate strategy	1. Formulating greenhouse gas management policies, conducting climate change risk assessment, and implementing action plans under the TCFD framework. 2. 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. 3. Implementing energy conservation and carbon reduction measures, and improving the efficiency of process equipment. 4. Promoting renewable energy and built solar power panels on the rooftop.								

			<div> <div>Social</div> <div> <div>Occupational Health and Safety</div> <div>Community care</div> <div>Corporate governance</div> </div> <div> <div>1. We built occupational health and safety management system of ISO 45001. We strive to create a healthy and safe organizational culture. We continue to improve and offer a healthy and safe work environment so that our employees and their families can rest assured.</div> <div>2. Health checks: General health checks for employees and health checks for special operators are provided each year. Tiered health management is administered according to regulations.</div> <div>3. A deficiency improvement system has been established for environmental health and safety issues. Any problems identified are immediately registered, notified and followed up for improvement.</div> </div> </div>	
III. Environmental issues				
(I) Has the Company established environmental management systems proper to its industry's characteristics?	✓		The Company is governed by the Environmental Impact Assessment Act and has set up a relevant environmental management systems in accordance with the contents of the approved Environmental Impact Assessment Act, in addition to establishing an environmental management system in accordance with ISO 14001, and conducting annual inventory checks and registrations in accordance with the EPA's greenhouse gas emissions inventory registration guidelines and ISO 14064-1 organizational greenhouse gas inventory quantification and verification standards. Emission reduction results are tracked and publicly disclosed in the Company's Sustainability Report and on the Company's website.	No difference.
(II) Does the Company endeavor to utilize all energy resources more efficiently and choose to use renewable materials with low impact on the environment?	✓		In order to implement energy saving and carbon reduction, the Company continues to promote various energy saving action plans in order to improve energy use efficiency and continuously enhance energy efficiency performance. Taiwan Steel Union is categorized as an electricity user that is subject to the "Regulations on Setting Energy Conservation Objectives and Execution Plans for Energy Users". This requires at least 1% average electricity saving rate p.a. in 2015-2024. By 2023, the average electricity saving rate is 1.1%, with saved calorific value of 1.47TJ, the highest in history. Taiwan Steel Union implemented a coke energy efficiency improvement project in 2018-2021. The reuse rate of polluted soils was increased by adjusting basicity in a timely basis. With gradual reduction of coke as an input and at a lower ratio of coke to EAF dust, the reaction within a kiln can slowly stabilize. Coke consumption per ton of EAFD+ polluted soils treated dropped from 303 kilograms in 2017 by 39% to 186 kilograms in 2023. The Company has started to use solid recovered fuel (SRF) in September 2021 as auxiliary fuel, and it is able to replace 20~25% of crude coke without affecting the production capacity and quality, and the usage quantity is approximately 2,363 tons in 2023, which is able to reduce approximately 5,669 tons of CO2e greenhouse gas emission. To effectively use water resources, the water used for the manufacturing process is reclaimed and	No difference.

			<p>reused. The harvested rainwater and pre-treated wastewater from the manufacturing process are reused for aggregation manufacturing, road sprinkling and cleaning onsite to enhance water use efficiency.</p> <p>In order to reduce the load on the air supply system, the air compressor (NO.4) in 1J was replaced with a new variable frequency air compressor, and the air compressor (NO.1) in the granulation factory was replaced with a permanent magnet air compressor, which can improve efficiency and reduce energy consumption. It is estimated that approximately 28,512 kWh of electricity can be saved annually. According to the calculation of the electricity carbon emission coefficient of 0.495 (kg CO<sub>2</sub>e/kWh) in the latest announcement of the Energy Administration in 2022, approximately 14 metric tons of greenhouse gas emissions will be reduced.</p> <p>Use of renewable energy: The planned installation of rooftop solar power generation panels with a capacity of 7,686 m<sup>2</sup> (approximately 1,356kW) has been completed. The factory roof-type solar power generation device has been completed in December 2023. It is also estimated that 10,000 m<sup>2</sup> of solar panels will be installed on the roof of TSR. Providing 2.0 MW of green electricity, reducing scope 2 electricity usage and providing specific carbon reduction benefits.</p> <p>Use electric vehicles to replace diesel: In order to reduce the use of diesel, evaluate the feasibility of replacing diesel vehicles in the factory, including forklifts, forklifts, transport vehicles and trucks, with electric vehicles. Reduce greenhouse gas emissions.</p> <p>Process adjustment: Evaluate the feasibility of high-temperature gas and kiln shell heat recovery in the rotary kiln. Install rain shielding equipment on the rotary kiln to prevent climate factors from affecting the temperature drop in the rotary kiln, which would lead to more fuel investment to raise the temperature and therefore increase carbon emissions.</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>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.</p> <p>Taiwan Steel Union uses its "Sustainable Development Best Practice Principles" 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.</p> <p>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>	No difference.
(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>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>	No difference.
IV. Social issues				
(I)	Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓	<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>	No difference.
(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><u>Employee Remuneration</u></p> <p>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</p>	No difference.

		<p>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. Details of the remuneration policy are as follows:</p> <ul style="list-style-type: none"> <li>➤ Production performance bonus The Company has established the production performance standard according to the monthly production quantity and quality result. If the production result of the current month exceeds the standard, 30%~45% of production performance bonus is issued according to the equation calculation, in order to provide a return to employees contributing at work.</li> <li>➤ Number of months for year-end bonus Since 2018, the Company has linked the number of months of the year-end bonus with the Company's business performance (EPS). When the EPS is higher, the number of months for the year-end bonus issuance is greater; provided that there are upper and lower limits to the issuance.</li> </ul> <p><u>Employee Welfare Measures</u> The Company issues birthday gift money and subsidies for weddings and funerals, and hosts year-end dinner parties. 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. 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. 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> 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 high-tech environmental protection industry, the majority of our employees are male, while the average percentage of female employees is 15% and the average percentage of female supervisors is 16%.</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><u>Occupational Safety and Health Policy</u> 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 2023. Our contractors reported no occupational injury during the year.</p> <p><u>Occupational Safety and Health Education</u> 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. In addition, the Company signed a temporary on-site nursing and occupational doctor services</p>	No difference.

			contract with Chang Bing Show Chwan Memorial Hospital to provide employees with health consultation and analysis of personnel health problems and provide professional advice. <u>Fire incident Disclosure</u> The company had no fire incidents in 2023.	
(IV) Has the Company established effective career development and training plans for its employees?	✓		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. 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/tsucsr/index.php">https://www.tsutw.com.tw/tsucsr/index.php</a>	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?	✓		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. 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.	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?	✓		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. 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. 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.	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 assurance or an assurance opinion form a third-party certification unit about said reports?	✓		The Company has prepared the 2022 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 on the Company's website.	No difference.
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: 1. The Company has passed the ISO14001, ISO14064, and ISO 45001 environmental safety and health management system and ISO50001energy management system certification, and our management systems are complete. 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. 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.				



## 6. Implementation of Climate-Related Information

Item	Implementation status								
<p>1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.</p> <p>2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).</p> <p>3. Describe the financial impact of extreme weather events and transformative actions.</p> <p>4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.</p>	<p>1.~4.</p> <p>1. Governance :The Company has established the Sustainable Development Committee, composed of all independent directors. The committee confirm environment performances, climate change issues and corporate concerns each year. The committee formulates GHG policies and continues to promote energy conservation and carbon reduction.</p> <p>The Company offers incentives for proposals of improvement measures regarding climate change. Bonuses of an appropriate amount are provided to the reviewed and adopted proposals in energy,water conservation and cost reduction. Employees are encouraged to enhance awareness and enthusiasm in work efficiency, energy saving and carbon reduction.</p> <p>2. Strategy: The Company formulates its climate change strategies on products, low-carbon investments and operating activities.</p> <table border="1"> <thead> <tr> <th>Strategic aspects</th><th>The Company's responding strategy</th></tr> </thead> <tbody> <tr> <td><b>Products</b></td><td>Circular economy product: crude zinc oxide</td></tr> <tr> <td><b>Low-carbon investments</b></td><td>Low-carbon transition projects to achieve carbon reduction goals</td></tr> <tr> <td><b>Operating activities</b></td><td>Continued energy conservation and carbon reduction</td></tr> </tbody> </table> <p>➤ <u>Response to climate change impact on financials</u></p> <p>The climate change impact on the Company's financials includes a possible increase in operating expenses such as carbon management fees and fines for breaching total control limits.</p> <p>➤ <u>NDC scenario analysis-transition risk assessment</u></p> <p>Regarding the carbon reduction targets of the Company, the plan is to achieve a 34% reduction of greenhouse gas in 2030" and to achieve zero emission in 2050 in</p>	Strategic aspects	The Company's responding strategy	<b>Products</b>	Circular economy product: crude zinc oxide	<b>Low-carbon investments</b>	Low-carbon transition projects to achieve carbon reduction goals	<b>Operating activities</b>	Continued energy conservation and carbon reduction
Strategic aspects	The Company's responding strategy								
<b>Products</b>	Circular economy product: crude zinc oxide								
<b>Low-carbon investments</b>	Low-carbon transition projects to achieve carbon reduction goals								
<b>Operating activities</b>	Continued energy conservation and carbon reduction								

Item	Implementation status		
	accordance with the “Climate Change Response Act.		
	3.	Risk and Opportunity:The Company uses its Practical Guides on Sustainable Development 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.	
	4.	Assessment of key risks, potential financial impacts and risk management measures	
	TSU’s climate change risk assessments and action plans		
	Risk type	Transition risks	
	Item	Policies and regulations	Market
	Time	Long-term	Mid-term
	Climate related risks	Higher GHG emission prices	Rising raw material costs - rising electricity prices
	Potential financial impacts	Increase of operating costs	Increase of operating costs
	Financial impact analysis (Quantitative explanations)	Expected costs and expenses Short-term 2024~2025 of approximatelyNT\$50 million Mid-term 2026~2030of approximately NT\$120 million	Expected costs and expenses Short-term 2024~2025 of approximatelyNT\$20 million Mid-term 2026~2030of approximately NT\$110 million
	Responses	1. Risk transfer (price increase) 2. Risk mitigation (energy saving, carbon reduction, low-carbon investment )	Risk mitigation: (power saving measures, ISO 50001 energy management system)
Estimated costs of responding measures	Carbon reduction investment of approximately NT\$150 million (renewable energy and energy saving measures)	Electricity saving measures amount to approximately NT\$7.85 million.	

Item	Implementation status		
	5. Potential financial impact assessment and risk management measures for the two key opportunities:		
	TSU's climate change opportunity assessments and action plans		
	Opportunities	(Slag/zinc oxide/other new waste)	Energy sources
	Time	Short-term	Short-term
	Climate related risks	Recycle and reuse	Use of low-carbon energy (cogeneration and fuel alternatives)
	Potential financial impacts	Increased incomes	Capital expenditures
	Financial impact analysis (Quantitative explanations)	Increase of business lines such as incineration fly ash, electroplating sludge, zinc contained waste or industrial waste with high calorific value, to boost the Company's revenue, and to reduce the use quantity of coke and lime.	The installation of solar panels is expected to generate approximately 1,670,000 kWh each year and to save an estimated electricity bill of NT\$3.83 million based on a tariff of approximately NT\$2.3 per kWh.
	Responses	Additional personnel and equipment for pre-treatment before manufacturing process	Additional installation of solar energy generation facility to increase the energy source
	Estimated costs of responding measures	Additional installation of solar energy generation facility to increase the energy source	Approximately NT\$50 million for rooftop solar panel installation

Item	Implementation status
<p>5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.</p> <p>6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.</p> <p>7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.</p> <p>8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.</p> <p>9. Greenhouse gas inventory and assurance status , reduction targets, strategies and specific action plans (separately fill out in point 1-1 and 1-2 below).</p>	<p>5.~9. :None.</p>

7. 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 2023 ethical management operations at the 9 <sup>th</sup> meeting and 10 <sup>th</sup> Board of Directors on January 31, 2023.  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 2023. 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 2023, 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?	✓		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.  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.	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 2023. The completion rate was 100%, and the class and the test lasted for around one hour.	No difference.
III. Operation of the Whistleblowing System (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 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 2023, we received zero report.	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 has established the Procedures for Ethical Management and Guidelines for Conduct, which specifies the whistleblowing investigation procedures and the confidentiality mechanisms.	No difference.
(III) Does the Company provide protection to whistleblowers against receiving improper treatment?	✓		The Company keeps whistleblowers' personal information confidential, and promises to protect whistleblowers from improper treatment due to whistleblowing.	No difference.
IV. Enhanced disclosure of corporate social responsibility information (I) Does the Company disclose its ethical corporate management policies and the	✓		The Company discloses the content of the Company's Principles of Ethical Business and the	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	
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.				

8. 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.

9. 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 and internal audit:

License	Financial accounting and internal audit
Certified Public Accountant of the Republic of China	4 people

(3) Directors' continuing education in 2023



Title	Name	Date	Organizer	Class title	Training hours
Chairman	Mark Lin	2023/02/22	Taiwan Corporate Governance Association	Changes in the 5G era: industrial upgrading, future business applications and the new normal in the post-epidemic era	3
Director	Liu, Ming-Tsung				
	Yeh, Chun-Sheng				
	Li, Wei-Bin				
	Huang, Huang-Chang				
	Chen, Mei-Hui				
Independent Director	Wu, Chuan-Chuan				
	Lin, Hung-Tuan				
	Chang, Tien-Chin				
	Huang, Xiao-Xin				
Chairman	Mark Lin	2023/07/25	Taiwan Corporate Governance Association	Looking at the information security governance strategies of listed companies from the perspective of sustainable development	3
Director	Liu, Ming-Tsung				
	Yeh, Chun-Sheng				
	Huang, Huang-Chang				
	Hsiao, Yao-ying				
	Chen, Mei-Hui				
Independent Director	Lin, Hung-Tuan				
	Huang, Xiao-Xin				
Director	Huang, Wei-Han	2023/05/09	Taiwan Corporate Governance Association	Discussion on enterprise employee reward strategies	3
		2023/08/09	Taiwan Corporate Governance Association	Risks and opportunities of climate change trends to business operations	3
Director	Hsiao, Yao-ying	2023/07/31	Taiwan Corporate Governance Association		3
		2023/08/18			3
		2023/09/26			3
Independent Director	Wu, Chuan-Chuan	2023/11/07		The legal liability of corporate "false financial reporting" crimes and the actual status of judicial investigation and evidence collection litigation cases	3
Independent Director	Chang, Tien-Chin	2023/04/13		Business opportunities and challenges under the net zero boom	3

## 10. Implementation of Internal Control System

### (1) Statement on Internal Control System

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

February 22, 2024

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 2023:

- 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, 2023, 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 22, 2024, 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  
Lin, Tsai-Hsiang  
General Manager

- (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.
11. 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.
12. 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

Date/Meeting	Major resolutions	Implementation
<b>May 30, 2023 2023 Annual Shareholders' Meetings</b>	Ratification the 2022 business report and financial statements.	N/A
	Ratification of the 2022 earnings distribution proposal.	The ex-dividend record date is April 5, 2023, and cash dividends were be paid out on April 24, 2023.
	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

Meeting Date	Major resolutions
<b>January 12, 2023</b>	<ol style="list-style-type: none"> <li>1. Proposal for the operating budget for the FY2023</li> <li>2. Application for extension of general loans for working capital</li> <li>3. Discussions on the distribution of remuneration to Directors for FY2022</li> <li>4. Discussions on the distribution of remuneration to employees for FY2022</li> <li>5. Review of the remuneration of the Company's managerial officers for FY2022</li> </ol>
<b>February 24, 2023</b>	<ol style="list-style-type: none"> <li>1. Discussions on the Company's FY2022 financial statements and business report</li> <li>2. Proposal for the Company's FY2022 earnings distribution</li> <li>3. Proposal for payout of the Company's FY2022 cash dividends</li> <li>4. Submitted a proposal for issue of the Company's FY2022 statement on the internal control system</li> <li>5. Proposal for holding of the Company's 2023 annual shareholders' meeting, acceptance of shareholders' proposals, and other relevant matters</li> <li>6. The Company intends to apply for a general working capital loan from Yuanta Commercial Bank</li> <li>7. Amendments on part of "Corporate Governance Best Practice Principles"</li> <li>8. Appointment of attesting CPAs Wu, Shao-Chun and Tseng, Done-Yuin of Deloitte &amp; Touche Taiwan to audit the 2023 annual tax return and public expenditures</li> <li>9. Proposal for non-assurance services by CPA, their firms and their affiliates</li> </ol>

Meeting Date	Major resolutions
	<p>to the company and its subsidiaries</p> <p>10. Proposed application for endorsement and guarantee of short-term financing for the Company's subsidiary Taiwan Steel Resources, Co., Ltd.</p>
<b>April 25, 2023</b>	<p>1. 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 1st quarter of 2023.</p> <p>2. Application for extension of general loans for working capital</p> <p>3. Proposal for the Company's personnel change</p> <p>4. Amendments on part of "Corporate Governance Best Practice Principles"</p> <p>5. Amendments on part of "Rules Governing Financial and Business Matters Between this Corporation and its Related Parties"</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>July 25, 2023</b>	<p>1. 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 2nd quarter of 2023</p> <p>2. Proposed application for endorsement and guarantee of short-term financing for the Company's subsidiary Taiwan Steel Resources, Co., Ltd.</p> <p>3. Proposal for modification of the 2023 operating budget.</p>
<b>October 25, 2023</b>	<p>1. 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 2023.</p> <p>2. Proposed application for loaning of funds for the Company's subsidiary Taiwan Steel Resources, Co., Ltd.</p> <p>3. Proposed application for endorsement and guarantee of short-term financing for the Company's subsidiary Taiwan Steel Resources, Co., Ltd.</p> <p>4. Application for extension of general loans for working capital</p> <p>5. Submission of the Company's 2024 annual audit plan</p> <p>6. Proposal for the Company's personnel change</p>
<b>January 31, 2024</b>	<p>1. Application for extension of general loans for working capital</p> <p>2. Proposal for the operating budget for the FY2024</p> <p>3. Proposal for the Company's personnel change</p> <p>4. Discussions on the distribution of remuneration to Directors for FY2023</p> <p>5. Discussions on the distribution of remuneration to employees for FY2023</p> <p>6. Review of the remuneration of the Company's managerial officers for FY2023</p> <p>7. Proposal for the adjustment of the Company's base salary schedule</p>
<b>February 22, 2024</b>	<p>1. Discussions on the Company's FY2023 financial statements and business report</p> <p>2. Proposal for the Company's FY2023 earnings distribution</p> <p>3. Proposal for payout of the Company's FY2023 cash dividends</p> <p>4. Submitted a proposal for issue of the Company's FY2023 statement on the internal control system</p> <p>5. Amendments on part of "Articles of Incorporation"</p> <p>6. Amendments on part of "Rules of Procedure for Shareholders Meetings"</p> <p>7. Proposal for holding of the Company's 2024 annual shareholders' meeting,</p>

Meeting Date	Major resolutions
	acceptance of shareholders' proposals, and other relevant matters
	8. Appointment of attesting CPAs Wu, Shao-Chun and Tseng, Done-Yuin of Deloitte & Touche Taiwan to audit the 2024 annual tax return and public expenditures
	9. Proposal for non-assurance services by CPA, their firms and their affiliates to the company and its subsidiaries
	10. Proposed application for endorsement and guarantee of short-term financing for the Company's subsidiary Taiwan Steel Resources, Co., Ltd.
13. 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.	
14. 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:None.	

V. Information on CPA Professional Fees:

Unit:NT\$1,000

CPA Firm	Name of CPAs		Audit period	Audit Fee	Non-Audit Fee	Total	Remarks
Deloitte & Touche	Wu,Shao-Chun	Tseng, Done-Yuin	January 1, 2023 through December 31, 2023	1,970	5	1,975	—

Note : Content of non-audit service: Change registration.

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: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	2023 (Note 1)		2024 (as of April 1, 2024)	
		Shareholding increase (decrease)	Pledged share increase (decrease)	Shareholding increase (decrease)	Pledged share increase (decrease)
Director, CEO, and major shareholder	Feng Hsin Steel Co., Ltd.	160,000	—	—	—
Legal representative of director Chairman	Mark Lin	—	—	—	—
Director and major shareholder	Tung Ho Steel Enterprise Corp.	—	—	—	—
Legal representative of director	Liu, Ming-Tsung	—	—	—	—
Legal representative of director	Hsiao, Yao-Ying	—	—	—	—
Director	Hai Kwang Enterprise Corporation	—	—	—	—
Legal representative of director	Huang, Wei-Han	—	—	—	—
Director	Shyeh Sheng Fuat Steel & Iron Works Co., Ltd.	—	—	—	—
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, Chun-Sheng	—	—	—	—
Independent Director	Lin, Hung-Tuan	—	—	—	—
Independent Director	Wu, Chuan-Chuan	—	—	—	—
Independent Director	Chang, Tien-Chin	—	—	—	—
Independent Director	Huang, Xiao-Xin	—	—	—	—
General Manager	Lin, Tsai-Hsiang	31,000	—	—	—
Manager of Procurement Department	Chang, Chih-Yang	—	—	—	—
Head of Audit Department	Chao, Yu-Chiao	—	—	—	—
Factory Manager of Production Department	Hsieh, Tsung-Lin(Note2)	—	—	—	—
Special Assistant of Production Department	Yang, Ming-Chu	—	—	—	—
Head of Maintenance Department	Yu, Ching-Nan	—	—	—	—
Manager of Administration Department	Lin, Kun-Chieh	—	—	—	—
Manager of Sales Department No. 1	Chen, Yen-Chun (Note3)	—	—	—	—
Manager of Sales Department No. 1	Fu, Fang-Li(Note4)	—	—	—	—

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

Note2: Appointed on January 1, 2024.

Note3: Appointed on April 1, 2023.

Note4: Resigned on April 1, 2023.

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: April 1, 2024; 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	26,666,587	23.97	—	—	—	—	None	None	
	173,000	0.16	—	—	—	—	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	
	—	—	31,000	0.03	—	—	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	4,037,637	3.63	—	—	—	—	None	None	
	—	—	—	—	—	—	None	None	
United Steel Corporation Representative: Yeh, Shih-Cheng	3,767,671	3.39	—	—	—	—	None	None	
	—	—	—	—	—	—	None	None	
Cheng Chuang Investment Co., Ltd Representative: Lin, Yu-Li	3,693,000	3.32	—	—	—	—	None	None	
	32,000	0.03	190,000	0.17	—	—	Lin, Ta-Chun	Brother and sister	
Wei Chih Steel Industrial Co., Ltd. Representative: Kuo, Su-Hui	3,351,449	3.01	—	—	—	—	None	None	
	—	—	—	—	—	—	None	None	
Li, Yen-Ching	2,000,000	1.80	—	—	—	—	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

April 1, 2024

Structure Volume	Government agencies	Financial institutions	Other institutional shareholders	Domestic natural persons	Foreign institutions and natural persons	Total
Number of shareholders (person)	0	4	42	3,214	32	3,292
Shareholding (shares)	0	1,002,500	94,594,255	14,761,237	912,895	111,270,887
Percentage (%)	0.00	0.90	85.01	13.27	0.82	100.00

Note: The Company does not have shareholders from China.

## 3. Shareholding distribution status

### (1) Ordinary shares

April 1, 2024

Range of shareholding	Number of shareholders	Shares	Percentage (%)
1-999	814	83,079	0.07%
1,000-5,000	2,069	3,808,481	3.43%
5,001-10,000	180	1,417,513	1.27%
10,001-15,000	64	839,616	0.75%
15,001-20,000	36	648,000	0.58%
20,001-30,000	42	1,080,160	0.97%
30,001-40,000	18	632,000	0.57%
40,001-50,000	9	417,015	0.37%
50,001-100,000	22	1,435,000	1.29%
100,001-200,000	15	2,086,116	1.87%
200,001-400,000	9	2,279,000	2.05%
400,001-600,000	1	459,000	0.41%
600,001-800,000	2	1,335,000	1.20%
800,001-1,000,000	1	920,000	0.83%
Over 1,000,001	10	93,830,907	84.34%
Total	3,292	111,270,887	100.00%

### (2) Preference shares: None.

#### 4. List of major shareholders

April 1, 2024

Shareholding Name of shareholder	Shares	%
Feng Hsin Steel Co., Ltd.	26,666,587	23.97%
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.	4,037,637	3.63%
United Steel Corporation	3,767,671	3.39%
Cheng Chuang Investment Co., Ltd	3,693,000	3.32%
Wei Chih Steel Industrial Co., Ltd.	3,351,449	3.01%
Li, Yen-Ching	2,000,000	1.80%

#### 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	2022	2023	2024 (as of April 28, 2024) (Note 5)
Market price per share (Note 1)	Highest	119.5	110.5	98.0
	Lowest	75.0	86.3	87.9
	Average	97.67	96.20	91.24
Net worth per share	Before distribution	38.91	36.96	33.83
	After distribution	32.41	32.66	Not yet distributed
Earnings per share	Weighted average shares	111,271	111,271	111,271
	Earnings per share	8.84	4.54	1.17
Dividends per share	Cash dividends	6.5	4.3	Not yet distributed
	Stock dividends	Not yet distributed	—	Not yet distributed
	Not yet distributed	—	—	Not yet distributed
	Cumulative undistributed dividends	—	—	—
Return on investment	Price/earnings ratio (Note 2)	11.05	21.19	—
	Price/dividend ratio (Note 3)	15.03	22.37	Not yet distributed
	Cash dividend yield rate (Note 4)	6.66%	4.47%	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.

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

The Company's Board of Directors, on February 22, 2024, proposed to distribute a dividend of NT\$478,464,814 with NT\$4.3 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 31, 2024, the Company will distribute NT\$26,788,700 for employee compensation and NT\$6,300,000 for director compensation for 2023 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 2023.

- 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 (2022) (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	2023		2022	
	Amount	%	Amount	%
Sales of zinc oxide	1,275,243	62	2,047,361	78
Removal and reuse	728,052	36	549,717	21
Sales of concrete	37,710	2	39,977	1
Others	436	-	528	-
Total	2,041,441	100	2,637,583	100

##### (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 industrial 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 industrial 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 industrial 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 realize 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 are 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 industrial 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 industrial 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 industrial 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 Industrial 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 industrial 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 industrial waste. After the Soil and Groundwater Pollution Remediation Act has been adopted in Taiwan, in the investigations into the impact of long-term

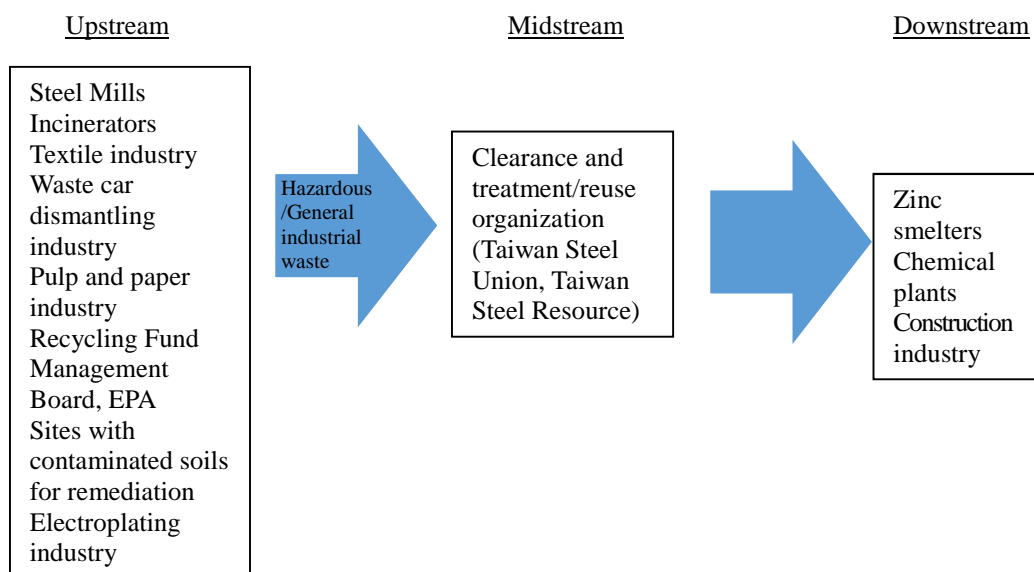
storage of waste at low-hazard sites on nearby soils and groundwater have been conducted, and sites with the soils and groundwater polluted have been found. According to the latest announcement by the EPA on March 16, 2023, there are 344 sites controlled, 104 sites for remediation, and 33 areas with 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 stable 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 industrial 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, Thailand, 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 industrial 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 Industrial 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 Taipei Steel Resources Co., Ltd., a 100% invested subsidiary of the company that is 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	Reduceing 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 2023, we removed and reused 119,140 metric tons of EAF dust. At present, more than 80% 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 industrial 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

Unit: Person

Year		2022	2023	April 28, 2024
Item	Ph.D	2	2	2
	Master's	2	1	1
	University	10	11	9
	Total	14	14	12

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

Unit: NT\$1,000

Year	Item	Amount
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
2022	Test on impact of SRP grain size on products	500
2023	High-value technology for low-carbon smelting of zinc by-products	2,987
2023	Research on Incineration plant incineration fly ash reuse	850
2023	Research on the effectiveness of reducing slag application to road construction	1,000

(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		2023		2022	
				Sales	Percentage (%)	Sales	Percentage (%)
Zinc oxide (export)	Japan			668,902	32.77	1,124,231	42.62
	Europe			389,720	19.09	519,903	19.71
	China			-	-	-	-
	Thailand			102,334	5.01	175,137	6.64
	Africa			-	-	-	-
	Others			-	-	-	-
Zinc oxide (domestic sales)				114,287	5.60	228,090	8.65
Clearance and reuse				728,052	35.66	549,717	20.84
Others				38,146	1.87	40,505	1.54
Total				2,041,441	100.00	2,637,583	100.00

(2) Market share

A. Domestic clearance and recycle of dust

Unit: Ton

Year	Total domestic dust disposal volume	Taiwan Steel Union	Domestic competitors	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	145,075	19,933	87.92%	12.08%
2022	156,557	135,976	20,581	86.85%	13.15%
2023	133,201	124,369	8,832	93.37%	6.63%

Note : Source of data: Environmental Management Administration Ministry of Environment 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 80%.

(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 2023, the global economy slowed down and the US dollar index continued to rise, which made zinc metal denominated in US dollars more expensive for holders of other currencies. In addition, the economy of China, a major zinc consuming country, was stagnant and thus, made the LME zinc price downward. The annual average zinc price for 2023 was US\$2,649, representing a 24% decrease over the annual average zinc price of US\$3,485 for 2022, resulting in a 33% decrease in zinc oxide sales unit price of NT\$12,492 compared to the same period last year. Total revenue from zinc oxide sales decreased by NT\$772,118,000, up 38% 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 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 industrial 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 industrial 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 91% of it is exported and sold to metal refining companies in Japan, Europe, and other countries in 2023 to extract zinc ingots for recycling and reuse. Reuse (refined into zinc ingots with 99.995% of purity), and the remaining 9% 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.,Jung An Limited Company, 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	2022				2023				Quarter 1 of 2024			
	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	149,080	34.08	None	Ever Low	78,000	17.53	None	Ta Ease	25,164	25.23	None
2	China Steel Chemical	55,769	12.75	None	Diafriend Corporation	68,131	15.31	None	Diafriend Corporation	21,877	21.94	None
3	Ever Low	53,346	12.19	None	Ta Ease	64,393	14.47	None	Lime-Crown	11,485	11.52	None
	Others	179,255	40.98		Others	234,353	52.69		Others	41,195	41.31	
	Net purchase	437,450	100.00		Net purchase	444,877	100.00		Net purchase	99,721	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	2022				2023				Quarter 1 of 2024			
	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	924,092	35.04	None	MMS	519,284	25.44	None	MMS	129,987	27.81	None
2	TFG	384,759	14.59	None	TFG	326,891	16.01	None	TFG	49,683	10.63	None
	Others	1,328,732	50.37		Others	1,195,266	58.55		Others	287,759	61.56	
	Net purchase	2,637,583	100.00		Net purchase	2,041,441	100.00		Net purchase	467,429	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

Year	2023			2022		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Major product (or department)						
Clearance and recycle of domestic EAF dust and zinc oxide	198,900	119,140	843,484	198,900	144,098	825,591
Recycle of LF slag	170,000	165,102	360,613	170,000	122,052	297,842
Total	368,900	284,242	1,204,097	368,900	266,150	1,123,433

Note: The production capacity for EAF dust is 198,900 tons, and the production capacity of LF 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		2023				2022			
			Domestic sales		Export		Domestic sales		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Clearance and reuse of domestic dust and zinc oxide	119,140	285,738	-	1,160,956	144,098	305,228	-	1,819,271		
Reused of LF/EAF slags	168,246	363,706	-	-	144,022	321,403	-	-		
Others	-	231,041	-	-	-	191,681	-	-		
Total	287,386	880,485	-	1,160,956	288,120	818,312	-	1,819,271		

## 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		2022	2023	April 28, 2024
No. of employees	Managerial Officer	26	27	25
	General employee	44	41	38
	Operator	123	131	121
	Total	193	199	184
Average age		40.20	40.30	40.40
Average years of service		6.31	6.49	6.92
Distribution of educational level	Ph.D	3	3	3
	Master's	19	15	13
	University	103	106	98
	Senior high school	59	47	43
	Below senior high school	9	28	27

#### 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) Marriage cash gift, birthday cash gift, and funeral condolence money.

(B) 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
- Hold regular labor-management meetings.
  - Set up employee suggestion mailboxes to motivate employees to make suggestions at any time.
  - 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	Heavy metals	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

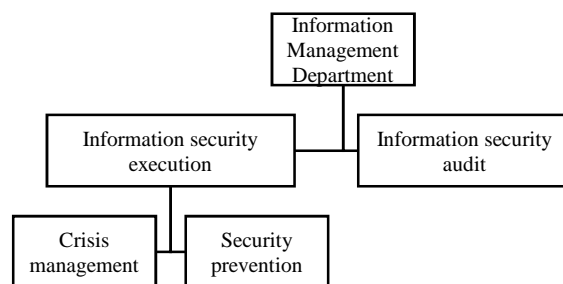


health checks and personal protective equipment to employees. This is to protect the health of employees and avoid injury to physical health due to work process or damage to laborers' right to life. The jobs with high risks or high incidence of specific diseases include slag removal from rotary kilns, 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	Management and records of the history of AD accounts, ERP accounts,	Account application, change, and deletion management Tiered control and management of access

	and access permission	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.

4. 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

Year Item		Financial Data for the Past Five Fiscal Years					2024 (as of March 31, 2024) Financial Data
		2019	2020	2021	2022	2023	
Current assets		1,190,877	1,630,542	1,024,753	1,556,736	1,113,915	1,228,961
Property, plant and equipment		2,917,927	3,271,974	3,299,524	3,279,576	3,257,164	3,224,868
Intangible assets		5,613	4,646	3,726	3,408	8,465	10,739
Other assets		423,466	135,871	82,695	111,385	170,117	187,932
Total assets		4,537,883	5,043,033	4,410,698	4,951,105	4,549,661	4,652,500
Current liabilities	Before distribution	367,967	569,411	611,053	605,885	425,783	878,650
	After distribution	657,271	903,224	1,056,137	1,329,146	904,248 (Note1)	N/A
Non-current liabilities		731,530	916,247	10,462	15,235	11,711	9,975
Total liabilities	Before distribution	1,099,497	1,485,658	621,515	621,120	437,494	888,625
	After distribution	1,388,801	1,819,471	1,066,599	1,344,381	915,959 (Note1)	N/A
Equity attributable to owners of parent		3,438,386	3,557,375	3,789,183	4,329,985	4,112,167	3,763,875
Share capital		1,112,709	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	999,216	999,216
Retained earnings	Before distribution	1,326,692	1,445,681	1,677,489	2,218,291	2,000,242	1,651,950
	After distribution	1,037,388	1,111,868	1,232,405	1,495,030	1,521,777 (Note1)	N/A
Other equity		—	—	—	—	—	—
Treasury shares		—	—	—	—	—	—
Non-controlling interests		—	—	—	—	—	—
Total equity	Before distribution	3,438,386	3,557,375	3,789,183	4,329,985	4,112,167	3,763,875
	After distribution	3,149,082	3,223,562	3,344,099	3,606,724	3,633,702 (Note1)	N/A

Note 1: Amount approved by the Board of Directors on February 22, 2024.

(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					2024 (as of March 31, 2024) Financial Data
	2019	2020	2021	2022	2023	
Operating revenue	1,650,701	1,622,229	1,853,873	2,637,583	2,041,441	467,429
Gross profit	734,032	738,786	1,013,377	1,512,673	873,668	223,352
Operating profit (loss)	521,572	531,497	728,781	1,203,714	643,260	153,484
Non-operating income and expenses	2,333	(7,890)	(3,950)	17,661	(9,328)	5,547
Net income before tax	523,905	523,607	724,831	1,221,375	633,932	159,031
Net income/loss of continuing operations for the current period	398,825	407,534	564,869	984,155	504,622	130,173
Loss from discontinued operations	—	—	—	—	—	—
Net income (loss) for the current period	398,825	407,534	564,869	984,155	504,622	130,173
Other comprehensive income for the current period (net of tax)	857	759	752	1,730	590	—
Total comprehensive income for the current period	399,682	408,293	565,621	985,885	505,212	130,173
Net income (loss) attributable to owners of parent	398,825	407,534	564,869	984,155	504,622	130,173
Net income attributable to non-controlling interests	—	—	—	—	—	—
Total comprehensive income attributable to owners of parent	399,682	408,293	565,621	985,885	505,212	130,173
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—	—
Earnings (loss) per share	3.58	3.66	5.08	8.84	4.54	1.17

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

Unit: NT\$1,000

Year Item		Financial Data for the Past Five Fiscal Years				
		2019	2020	2021	2022	2023
Current assets		1,085,703	1,408,972	865,497	1,386,498	1,062,031
Property, plant and equipment		1,221,997	1,118,183	1,077,069	1,117,066	1,142,164
Intangible assets		2,557	2,354	2,082	2,032	7,194
Other assets		1,350,351	1,284,323	2,124,452	2,179,803	2,275,291
Total assets		3,660,608	3,813,832	4,069,100	4,685,399	4,486,680
Current liabilities	Before distribution	206,831	246,445	270,043	340,684	363,226
	After distribution	496,135	580,258	715,127	1,063,945	841,691 (Note1)
Non-current liabilities		15,391	10,012	9,874	14,730	11,287
Total liabilities	Before distribution	222,222	256,457	279,917	355,414	374,513
	After distribution	511,526	590,270	725,001	1,078,675	852,978 (Note1)
Equity attributable to owners of parent		3,438,386	3,557,375	3,789,183	4,329,985	4,112,167
Share capital		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	999,216
Retained earnings	Before distribution	1,326,692	1,445,681	1,677,489	2,218,291	2,000,242
	After distribution	1,037,388	1,111,868	1,232,405	1,495,030	1,521,777 (Note1)
Other equity		—	—	—	—	—
Treasury shares		—	—	—	—	—
Non-controlling interests		—	—	—	—	—
Total equity	Before distribution	3,438,386	3,557,375	3,789,183	4,329,985	4,486,680
	After distribution	3,149,082	3,223,562	3,344,099	3,606,724	4,008,215

Note 1: Amount approved by the Board of Directors on February 22, 2024.

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				
	2019	2020	2021	2022	2023
Operating revenue	1,648,885	1,510,772	1,670,051	2,275,962	1,639,999
Gross profit	741,335	739,928	1,025,177	1,407,659	755,534
Operating profit (loss)	581,405	582,093	793,907	1,162,053	595,122
Non-operating income and expenses	(57,500)	(58,486)	(69,076)	59,322	38,810
Net income before tax	523,905	523,607	724,831	1,221,375	633,932
Net income of continuing operations for the current period	398,825	407,534	564,869	984,155	504,622
Loss from discontinued operations	—	—	—	—	—
Net income (loss) for the current period	398,825	407,534	564,869	984,155	504,622
Other comprehensive income for the current period (net of tax)	857	759	752	1,730	590
Total comprehensive income for the current period	399,682	408,293	565,621	985,885	505,212
Net income attributable to owners of parent	398,825	407,534	564,869	984,155	504,622
Net income attributable to non-controlling interests	—	—	—	—	—
Total comprehensive income attributable to owners of parent	399,682	408,293	565,621	985,885	505,212
Total comprehensive income attributable to non-controlling interests	—	—	—	—	—
Earnings per share	3.58	3.66	5.08	8.84	4.54

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
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
2022	Deloitte & Touche	Wu, Shao-Chun and Tseng Done-Yuin	Unqualified opinions
2023	Deloitte & Touche	Wu, Shao-Chun and Tseng Done-Yuin	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					2024 (as of March 31, 2024)
		2019	2020	2021	2022	2023	
Financial structure (%)	Ratio of liabilities to assets	24.23	29.46	14.09	12.55	9.62	19.10
	Ratio of long-term capital to property, plant and equipment	142.91	136.73	115.16	132.49	126.61	117.02
Solvency (%)	Current ratio	323.64	286.36	167.71	256.94	261.22	139.87
	Quick ratio	287.31	266.71	145.09	227.57	216.39	114.47
	Times interest earned ratio	27,659.44	6,320.83	18,266.19	45,588.83	31,749.13	—
Operating ability	Accounts receivable turnover rate (times)	9.84	11.57	12.32	18.61	10.56	9.71
	Average days for cash receipts	37.09	31.55	29.63	19.61	34.56	37.59
	Inventory turnover rate (times)	8.04	8.70	7.78	8.54	7.86	5.70
	Payables turnover rate (times)	27.67	27.17	25.05	27.87	24.44	20.32
	Average days for sale of goods	45.40	41.95	46.92	42.74	46.43	64.04
	Turnover rate for property, plant and equipment (times)	0.61	0.52	0.56	0.80	0.63	0.58
	Total asset turnover rate (times)	0.36	0.34	0.39	0.56	0.43	0.41



Year Item (Note 3)		Financial Analysis for the Past Five Fiscal Years					2024 (as of March 31, 2024)
		2019	2020	2021	2022	2023	
Profitability	Asset return ratio (%)	8.77	8.65	12.02	21.07	10.66	11.32
	Equity return ratio (%)	11.34	11.65	15.38	24.24	11.96	13.22
	Ratio of income before tax to paid-in capital (%)	47.08	47.06	65.14	109.77	56.97	57.17
	Net profit ratio (%)	24.16	25.12	30.47	37.31	24.72	27.85
	Earnings per share (NTD)	3.58	3.66	5.08	8.84	4.54	1.17
Cash flow	Cash flow ratio (%)	176.75	117.16	135.37	199.67	160.78	87.62
	Cash flow sufficiency ratio (%)	77.65	76.86	77.62	89.98	91.29	114.59
	Cash reinvestment ratio (%)	1.50	5.48	7.73	10.76	(0.55)	2.84
Leverage	Operating leverage	1.76	1.71	1.52	1.37	1.72	1.77
	Financial leverage	1.00	1.02	1.01	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>Financial structure: Decrease in ratio of liabilities to assets which was mainly due to TSR's repayment of bank borrowings during the year.</p> <p>Solvency: Decrease in times interest earned ratio which was mainly due to TSR's repayment of bank borrowings during the year.</p> <p>Operating ability: Decrease in accounts receivable turnover rate, real property, plant and equipment turnover rate, total asset turnover rate, increase of average cash collection days, which was mainly due to the decrease in the LME zinc price, and decrease in net sales amount.</p> <p>Profitability: Decrease in profitability in 2023, which was mainly due to the decrease in the LME zinc price in the current year.</p> <p>Cash Flow: Decrease in cash reinvestment ratio, which was mainly due to the decrease in cash received from customers as the LME zinc price decreased, such that the cash flow from operating activities decreased. And more dividends were paid in 2023.</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 =  $365/\text{Inventory turnover}$ .

(6) Turnover rate for property, plant and equipment =  $\text{Net sales}/\text{Average net property, plant and equipment}$ .

(7) Total asset turnover rate =  $\text{Net sales}/\text{Average total assets}$ .

4. Profitability

(1) Asset return ratio =  $[\text{Profit or loss after tax} + \text{Interest expenses} \times (1 - \text{Tax rate})]/\text{Average total assets}$ .

(2) Equity return ratio =  $\text{Profit or loss after tax}/\text{Average total equity}$ .

(3) Net profit ratio =  $\text{Profit or loss after tax}/\text{Net sales}$ .

(4) Earnings per share =  $(\text{Income attributable to owners of parent company} - \text{Preferred shares dividends})/\text{Weighted average number of shares issued}$ .

5. Cash flow

(1) Cash flow ratio =  $\text{Net cash flows from operating activities}/\text{Current liabilities}$ .

(2) Cash flow sufficiency ratio =  $\text{Net cash flow from operating activities for the most recent five years}/(\text{Capital expenditures} + \text{Inventory increment} + \text{Cash dividends})$  for the most recent five years.

(3) Cash reinvestment ratio =  $(\text{Net cash flow from operating activities} - \text{Cash dividends})/(\text{Gross property, plant and equipment} + \text{Long-term investment} + \text{Other non-current assets} + \text{Working capital})$ .

6. Leverage

(1) Operating leverage =  $(\text{Net operating revenue} - \text{Variable operating costs and expenses})/\text{Operating income}$ .

(2) Financial leverage =  $\text{Operating income}/(\text{Operating income} - \text{Interest expenses})$ .

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

Item \ Year		Financial Analysis for the Past Five Fiscal Years				
		2019	2020	2021	2022	2023
Financial structure (%)	Ratio of liabilities to assets	6.07	6.72	6.88	7.59	8.35
	Ratio of long-term capital to property, plant and equipment	282.63	319.03	352.72	388.94	361.02
Solvency (%)	Current ratio	524.92	571.72	320.50	406.97	292.39
	Quick ratio	462.50	528.26	274.62	362.03	247.38
	Times interest earned ratio	27,659.44	—	—	—	171,432.97
Operating ability	Accounts receivable turnover rate (times)	10.00	12.10	12.61	21.57	12.32
	Average days for cash receipts	36.50	30.17	28.95	16.92	29.63
	Inventory turnover rate (times)	7.96	7.63	6.08	6.74	6.24
	Payables turnover rate (times)	27.40	24.08	19.83	23.00	20.54
	Average days for sale of goods	45.85	47.84	60.03	54.15	58.49
	Turnover rate for property, plant and equipment (times)	1.30	1.29	1.52	2.07	1.45
	Total asset turnover rate (times)	0.43	0.40	0.42	0.52	0.36
Profitability	Asset return ratio (%)	10.36	10.90	14.33	22.48	11.01
	Equity return ratio (%)	11.34	11.65	15.38	24.24	11.95
	Ratio of income before tax to paid-in capital (%)	47.08	47.06	65.14	109.77	56.97
	Net profit ratio (%)	24.19	26.98	33.82	43.24	30.77
	Earnings per share (NTD)	3.58	3.66	5.08	8.84	4.54
Cash flow	Cash flow ratio (%)	350.90	257.67	293.80	317.40	148.01
	Cash flow sufficiency ratio (%)	93.59	95.67	81.76	86.74	87.93
	Cash reinvestment ratio (%)	3.02	5.83	7.38	9.28	(2.77)
Leverage	Operating leverage	1.61	1.47	1.28	1.22	1.44
	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 decline in solvency, which was mainly due to the decrease in cash received from customers as the LME zinc price decreased in the current year.</p> <p>Operating ability: Decrease in accounts receivable turnover rate, real property, plant and equipment turnover rate, increase of average cash collection days, which was mainly due to the decrease in the LME zinc price, and decrease in net sales amount.</p> <p>Profitability: Decrease in profitability in 2023, which was mainly due to the decrease in the LME zinc price for the current year.</p> <p>Cash flow: Decrease in cash reinvestment ratio, which was mainly due to the decrease in cash received from customers as the LME zinc price decreased, such that the cash flow from operating activities decreased.</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 2023 consolidated financial statements, parent company-only financial statements, a business report, and an earnings distribution proposal, of which the Company's 2023 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

2024 Annual Shareholders' Meeting of Taiwan Steel Union Co., Ltd.

Taiwan Steel Union Co., Ltd.

Wu, Chuan-Chuan, Convener of the Audit Committee

February 22, 2024

#### IV. Most Recent Annual Financial Report

Please refer to Appendix 1.

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

Please refer to Appendix 2.

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:

Unit: NT\$1,000

Item \ Year	2023	2022	Difference	
			Amount	%
Current assets	1,113,915	1,556,736	(442,821)	(28)
Non-current assets	3,435,746	3,394,369	41,377	1
Total assets	4,549,661	4,951,105	(401,444)	(8)
Current liabilities	425,783	605,885	(180,102)	(30)
Non-current liabilities	11,711	15,235	(3,524)	(23)
Total liabilities	437,494	621,120	(183,626)	(30)
Share capital	1,112,709	1,112,709	-	0
Capital surplus	999,216	998,985	231	0
Retained earnings	2,000,242	2,218,291	(218,049)	(10)
Total equity	4,112,167	4,329,985	(217,818)	(5)
<p>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:</p> <p>1.Current assets: It was mainly due to the decrease in cash received from customers as the LME zinc price decreased in 2023 and the cash and time deposit recognized decreased.</p> <p>2.Current liabilities and total liabilities : It was mainly due to the repayment of bank borrowings in 2023.</p>				



## 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:

Unit: NT\$1,000

Item \ Year	2023	2022	Difference	
			Amount	%
Operating revenue	2,041,441	2,637,583	(596,142)	(23)
Operating cost	1,167,773	1,124,910	42,863	4
Gross profit	873,668	1,512,673	(639,005)	(42)
Operating expenses	230,408	308,959	(78,551)	(25)
Net operating income	643,260	1,203,714	(560,454)	(47)
Non-operating income and expenses	(9,328)	17,661	(26,989)	(153)
Net income before tax	633,932	1,221,375	(587,443)	(48)
Income tax	129,310	237,220	(107,910)	(45)
Net income for the year	504,622	984,155	(479,533)	(49)
<p>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:</p> <ol style="list-style-type: none"> <li>1. Decrease in revenue and profit of the current year, which was mainly due to the decrease in the LME zinc price in 2023.</li> <li>2. Decrease in the operating cost of the current year, which was mainly due to the decrease in sea freight.</li> <li>3. Increase in non-operating expense, which was mainly due to the increase in property, plant, and equipment disposal losses and foreign currency exchange losses.</li> </ol>				

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:

Unit: NT\$1,000

Item \ Year	2023	2022	Difference	
			Amount	%
Net cash inflows from operating activities	684,561	1,209,767	(525,206)	(43)
Net cash inflows (outflows) from investing activities	2,216	(630,034)	632,250	100
Net cash outflows from financing activities	(920,708)	(535,304)	(385,404)	(72)
Analysis of changes in cash flow:				
1. Decrease in net cash inflow from operating activities: It was mainly due to the decrease in the LME zinc price 2023 and decrease in cash received from customers. .				
2. Decrease in net cash outflow from investing activities: It was mainly due to the conversion of time deposits above three months into cash in the current period.				
3. Decrease in net cash outflow from financing activities: The amount of cash dividends paid this year is relatively high.				

2. Improvement plan for insufficient liquidity: The Company's current borrowing facilities are still around NT\$550 million, which should be sufficient to cope with the risk of short-term insufficient liquidity.
3. Analysis of Cash Liquidity in the Coming Year (2024):

Unit: NT\$1,000

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
552,277	615,710	(628,745)	539,242	-	-
Analysis and explanation:					
1. Estimated annual net cash inflow from operating activities: Continuous profitability is estimated in 2024.					
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 the benefits and implemented the policy after it was approved by the Board of Directors.
2. The main reason for profit or loss: The invested subsidiary, Taiwan Steel Resources Co., Ltd., started its trial operation in November 2019, and started to operate at a profit in 2022, which was mainly due to that its production process improvement result met the expectation. Presently, the stabilization process reducing slag qualification rate has reached 100%. Accordingly, its treatment capacity will be progressively increased in the future.
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 2023 and 2022 were NT\$2,003,000 and NT\$2,685,000, respectively, which accounted for 0.1% and 0.1% of the net operating revenue of 2023 and 2022, 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 and gain for 2023

and 2022 were NT\$4,630,000 and NT\$19,781,000, respectively, which accounted for 0.23% and 0.75% of the net operating revenue of 2023 and 2022, 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:

As of the end of 2023, the Company has short-term financing loans and actual working expenditure for the subsidiary's (Taiwan Steel Resources Co., Ltd.) operating turnover requirements of NT\$120,000 (Thousands of New Taiwan Dollars). The maximum amount of the Company's loan is 40% of the net value; The credit limit for a single enterprise is 40% of net worth, the Company's loaning of funds to others are handled in accordance with the "Procedures for Extending Loans to Others" of the Company and its subsidiaries

(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 to 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

upto 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:

There have been no plant for expansions in the most recent year and up to the publication date of the Annual Report.

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.

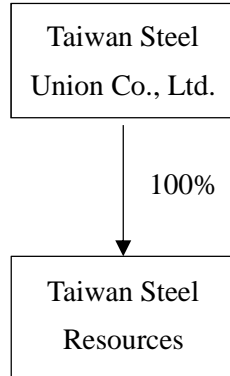
VII. Other Important Matters: None.

## Eight. Special Disclosure

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

#### 1. Consolidated business report:

##### (1) Organizational structure of affiliated company (2023.12.31):



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

April 28, 2024; 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
- All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- ZZ99999



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

April 28, 2024

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, Tsai-Hsiang		
	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, 2023

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	2,340,917	192,839	2,148,078	509,559	50,403	42,811	0.29

## 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, 2023, 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

## Appendix 1.

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

**Consolidated Financial Statements for the  
Years Ended December 31, 2023 and 2022 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 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 22, 2024

## 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, 2023 and 2022, 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 material accounting policy information (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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of 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, 2023. 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, 2023 is as follows:

#### Revenue recognition

The Group's sales revenue from major customers was NT\$846,175 thousand, representing 41% of the Group's consolidated net sales revenue for the year ended December 31, 2023. Since sales revenue has significant changes compared to 2022, 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 with respect to 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, 2023 and 2022, 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 Standards on Auditing of 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 Standards on Auditing of 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, 2023, 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 Done-Yuin Tseng.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 22, 2024

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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash (Notes 4 and 6)	\$ 552,277	12	\$ 786,208	16
Financial assets at amortized cost - current (Notes 4, 7 and 21)	124,432	3	407,432	8
Notes receivable, net (Notes 4 and 8)	1,090	-	3,888	-
Trade receivables from unrelated parties, net (Notes 4 and 8)	184,955	4	133,513	3
Trade receivables from related parties, net (Notes 4, 8 and 24)	33,960	1	29,113	-
Other receivables (Notes 4, 8 and 24)	7,659	-	6,766	-
Inventories (Notes 4, 9 and 21)	154,873	3	142,176	3
Other financial assets – current (Notes 4)	6,779	-	-	-
Other current assets (Notes 4, 12 and 17)	<u>47,890</u>	<u>1</u>	<u>47,640</u>	<u>1</u>
Total current assets	<u>1,113,915</u>	<u>24</u>	<u>1,556,736</u>	<u>31</u>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (Notes 4, 11, 21, 25 and 26)	3,257,164	72	3,279,576	66
Other intangible assets (Note 4)	8,465	-	3,408	-
Deferred tax assets (Notes 4 and 19)	16,157	-	10,402	-
Prepayments for machinery and equipment (Notes 4 and 21)	69,960	2	72,307	2
Refundable deposits (Note 4)	5,705	-	10,705	-
Other financial assets – non-current (Notes 4, 21 and 25)	76,514	2	14,150	1
Other non-current assets (Note 12)	<u>1,781</u>	<u>-</u>	<u>3,821</u>	<u>-</u>
Total non-current assets	<u>3,435,746</u>	<u>76</u>	<u>3,394,369</u>	<u>69</u>
<b>TOTAL</b>	<u>\$ 4,549,661</u>	<u>100</u>	<u>\$ 4,951,105</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 4 and 13)	\$ -	-	\$ 195,000	4
Trade payables (Note 4 and 24)	48,264	1	47,285	1
Other payables (Notes 4, 14 and 24)	141,407	3	152,797	3
Current tax liabilities (Notes 4 and 19)	137,725	3	153,932	3
Other current liabilities (Notes 14,17 and 24)	<u>98,387</u>	<u>3</u>	<u>56,871</u>	<u>1</u>
Total current liabilities	<u>425,783</u>	<u>10</u>	<u>605,885</u>	<u>12</u>
<b>NON-CURRENT LIABILITIES</b>				
Net defined benefit liabilities – non-current (Notes 4 and 15)	3,400	-	4,165	-
Other non-current liabilities (Note 4)	<u>8,311</u>	<u>-</u>	<u>11,070</u>	<u>1</u>
Total non-current liabilities	<u>11,711</u>	<u>-</u>	<u>15,235</u>	<u>1</u>
Total liabilities	<u>437,494</u>	<u>10</u>	<u>621,120</u>	<u>13</u>
<b>EQUITY</b>				
Ordinary shares	1,112,709	24	1,112,709	22
Capital surplus	999,216	22	998,985	20
Retained earnings				
Legal reserve	578,790	13	480,201	10
Unappropriated earnings	<u>1,421,452</u>	<u>31</u>	<u>1,738,090</u>	<u>35</u>
Total equity	<u>4,112,167</u>	<u>90</u>	<u>4,329,985</u>	<u>87</u>
<b>TOTAL</b>	<u>\$ 4,549,661</u>	<u>100</u>	<u>\$ 4,951,105</u>	<u>100</u>

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

# TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
SALES (Notes 4, 17 and 24)	\$ 2,041,441	100	\$ 2,637,583	100
COST OF GOODS SOLD (Notes 9, 15, 18 and 24)	<u>1,167,773</u>	<u>57</u>	<u>1,124,910</u>	<u>43</u>
GROSS PROFIT	<u>873,668</u>	<u>43</u>	<u>1,512,673</u>	<u>57</u>
OPERATING EXPENSES (Notes 15, 18, 24 and 26)				
Selling and marketing expenses	92,512	5	169,801	7
General and administrative expenses	129,738	6	138,881	5
Research and development expenses	<u>8,158</u>	<u>1</u>	<u>277</u>	<u>-</u>
Total operating expenses	<u>230,408</u>	<u>12</u>	<u>308,959</u>	<u>12</u>
PROFIT FROM OPERATIONS	<u>643,260</u>	<u>31</u>	<u>1,203,714</u>	<u>45</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 4)	8,479	1	3,380	-
Other income (Notes 4 and 18)	1,783	-	1,374	-
Finance costs	(2,003)	-	(2,685)	-
Other expenses	(103)	-	(90)	-
Loss on disposal of assets (Note 4)	(12,854)	(1)	(4,099)	-
Net foreign exchange gain (loss) (Notes 4 and 27)	<u>(4,630)</u>	<u>-</u>	<u>19,781</u>	<u>1</u>
Total non-operating income and expenses	<u>(9,328)</u>	<u>-</u>	<u>17,661</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	633,932	31	1,221,375	46
INCOME TAX EXPENSE (Notes 4 and 19)	<u>129,310</u>	<u>6</u>	<u>237,220</u>	<u>9</u>
NET PROFIT FOR THE YEAR	<u>504,622</u>	<u>25</u>	<u>984,155</u>	<u>37</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 15)	737	-	2,163	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 19)	<u>(147)</u>	<u>-</u>	<u>(433)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>590</u>	<u>-</u>	<u>1,730</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 505,212</u>	<u>25</u>	<u>\$ 985,885</u>	<u>37</u>

(Continued)

# TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 20)				
Basic	\$ 4.54		\$ 8.84	
Diluted	\$ 4.52		\$ 8.81	

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

(Concluded)

# TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Ordinary Shares (Note 16)	Capital Surplus (Note 16)	Legal Reserve (Note 16)	Unappropriated Earnings (Note 16)	Total Equity
BALANCE AT JANUARY 1, 2022	\$ 1,112,709	\$ 998,985	\$ 423,639	\$ 1,253,850	\$ 3,789,183
Appropriation of 2021 earnings					
Legal reserve	-	-	56,562	(56,562)	-
Cash dividends – NT\$4 per share	-	-	-	(445,083)	(445,083)
Net profit for the year ended December 31, 2022	-	-	-	984,155	984,155
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	1,730	1,730
Total comprehensive income for the year ended December 31, 2022	-	-	-	985,885	985,885
BALANCE AT DECEMBER 31, 2022	1,112,709	998,985	480,201	1,738,090	4,329,985
Appropriation of 2022 earnings					
Legal reserve	-	-	98,589	(98,589)	-
Cash dividends – NT\$6.5 per share	-	-	-	(723,261)	(723,261)
Exercise of disgorgement	-	231	-	-	231
Net profit for the year ended December 31, 2023	-	-	-	504,622	504,622
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	590	590
Total comprehensive income for the year ended December 31, 2023	-	-	-	505,212	505,212
BALANCE AT DECEMBER 31, 2023	\$ 1,112,709	\$ 999,216	\$ 578,790	\$ 1,421,452	\$ 4,112,167

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

# TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 633,932	\$ 1,221,375
Adjustments for:		
Depreciation expense	223,392	204,016
Amortization expense	4,177	4,055
Finance costs	2,003	2,685
Interest income	(8,479)	(3,380)
Loss on disposal of property, plant and equipment	12,854	4,099
Write-down of inventories	7,898	3,295
Unrealized foreign currency exchange loss, net	2,924	1,594
Changes in operating assets and liabilities		
Notes receivable	2,798	(1,504)
Trade receivables	(59,304)	(49,654)
Other receivables	(1,536)	(2,512)
Inventories	(19,685)	(23,792)
Other current assets	(250)	(2,028)
Trade payables	979	13,846
Other payables	(14,246)	36,962
Other current liabilities	41,516	(6,168)
Net defined benefit liabilities	(28)	(2,760)
Cash generated from operations	828,945	1,400,129
Interest received	9,122	3,138
Interest paid	(2,087)	(2,635)
Income taxes paid	(151,419)	(190,865)
Net cash generated from operating activities	<u>684,561</u>	<u>1,209,767</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	-	(398,000)
Proceeds from disposal of financial assets at amortized cost	242,000	-
Payments for property, plant and equipment	(160,899)	(124,696)
Proceeds from disposal of property, plant and equipment	1,812	1,884
Decrease (increase) in refundable deposits	5,000	(9,845)
Payments for intangible assets	(8,380)	(2,883)
Increase in other financial assets	(28,143)	(11,150)
Decrease (increase) in other non-current assets	1,186	(1,364)
Increase in prepayments for machinery and equipment	(50,279)	(83,897)
Decrease in deferred revenue	(81)	(83)
Net cash generated from (used in) investing activities	<u>2,216</u>	<u>(630,034)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	350,000	-
Repayments of short-term borrowings	(545,000)	(100,000)
Proceeds from guarantee deposits received	-	9,779
Refund of guarantee deposits received	(2,678)	-
		(Continued)

# TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

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	2023	2022
Dividends paid	\$ (723,261)	\$ (445,083)
Disgorgement received	<u>231</u>	<u>-</u>
Net cash used in financing activities	<u>(920,708)</u>	<u>(535,304)</u>
NET INCREASE (DECREASE) IN CASH	(233,931)	44,429
CASH AT THE BEGINNING OF THE YEAR	<u>786,208</u>	<u>741,779</u>
CASH AT THE END OF THE YEAR	<u>\$ 552,277</u>	<u>\$ 786,208</u>

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

(Concluded)



# TAIWAN STEEL UNION CO., LTD. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (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 22, 2024.

### 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 “IFRS Accounting Standards”) 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 2024

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<b><u>New, Amended and Revised Standards and Interpretations</u></b>	<b><u>Effective Date Announced by IASB (Note 1)</u></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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

- 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 IFRS Accounting Standards 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 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 5 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, 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.

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.

l. Revenue recognition

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

Revenue from the sale of goods 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. MATERIAL 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 on 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.



When developing material accounting estimates, the Group considers the possible impact on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

## 6. CASH

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash on hand and revolving funds	\$ 182	\$ 179
Demand deposits	<u>552,095</u>	<u>786,029</u>
	<u>\$ 552,277</u>	<u>\$ 786,208</u>

## 7. FINANCIAL ASSETS AT AMORTIZED COST

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Current</u>		
Time deposits with original maturities of more than three months	<u>\$ 124,432</u>	<u>\$ 407,432</u>

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Notes receivable from unrelated parties	<u>\$ 1,090</u>	<u>\$ 3,888</u>
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 185,114	\$ 133,672
Less: Allowance for impairment loss	<u>(159)</u>	<u>(159)</u>
	<u>\$ 184,955</u>	<u>\$ 133,513</u>
Trade receivables from related parties	<u>\$ 33,960</u>	<u>\$ 29,113</u>
<u>Other receivables</u>		
Tax refund receivable	\$ 5,576	\$ 5,276
Others	<u>2,083</u>	<u>1,490</u>
	<u>\$ 7,659</u>	<u>\$ 6,766</u>

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

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

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

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

	<b>Not Past Due</b>
<u>December 31, 2023</u>	
Expected credit loss rate	0%
Gross carrying amount	\$ 220,164
Loss allowance (Lifetime ECLs)	<u>(159)</u>
Amortized cost	<u>\$ 220,005</u>
<u>December 31, 2022</u>	
Expected credit loss rate	0%
Gross carrying amount	\$ 166,673
Loss allowance (Lifetime ECLs)	<u>(159)</u>
Amortized cost	<u>\$ 166,514</u>

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
Beginning and ending balance	\$ <u>159</u>	\$ <u>159</u>

## 9. INVENTORIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Raw materials	\$ 100,417	\$ 85,983
Finished goods	<u>54,456</u>	<u>56,193</u>
	<u>\$ 154,873</u>	<u>\$ 142,176</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$749,565 thousand and \$805,844 thousand, respectively.

The cost of goods sold for the years ended December 31, 2023 and 2022 included inventory write-down of \$7,898 thousand and \$3,295 thousand, respectively.

## 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>2023</b>	<b>2022</b>
The Company	Taiwan Steel Resources Co., Ltd. ("TSR")	Waste reuse 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

	<b>For the Year Ended December 31, 2023</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassified Amount</b>	<b>Ending Balance</b>
<u>Cost</u>					
Land	\$ 1,216,738	\$ -	\$ -	\$ -	\$ 1,216,738
Land improvements	69,543	1,852	-	143	71,538
Buildings	1,636,606	29,208	(2,877)	5,300	1,668,237
Machinery equipment	2,810,693	103,472	(45,113)	41,836	2,910,888
Transportation equipment	222,339	18,315	(1,480)	2,097	241,271
Miscellaneous equipment	90,390	9,863	(1,793)	2,340	100,800
Construction in progress	<u>380</u>	<u>1,220</u>	<u>-</u>	<u>-</u>	<u>1,600</u>
	<u>6,046,689</u>	<u>\$ 163,930</u>	<u>\$ (51,263)</u>	<u>\$ 51,716</u>	<u>6,211,072</u>
<u>Accumulated depreciation</u>					
Land improvements	60,672	\$ 2,865	\$ -	\$ -	63,537
Buildings	376,879	72,542	(1,714)	-	447,707
Machinery equipment	2,130,435	113,682	(32,340)	-	2,211,777
Transportation equipment	148,914	22,324	(1,186)	-	170,052
Miscellaneous equipment	<u>50,213</u>	<u>11,979</u>	<u>(1,357)</u>	<u>-</u>	<u>60,835</u>
	<u>2,767,113</u>	<u>\$ 223,392</u>	<u>\$ (36,597)</u>	<u>\$ -</u>	<u>2,953,908</u>
	<u>\$ 3,279,576</u>				<u>\$ 3,257,164</u>

For the Year Ended December 31, 2022					
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 1,216,738	\$ -	\$ -	\$ -	\$ 1,216,738
Land improvements	69,408	135	-	-	69,543
Buildings	1,612,467	29,287	(5,240)	92	1,636,606
Machinery equipment	2,702,457	66,757	(16,202)	57,681	2,810,693
Transportation equipment	201,469	24,280	(3,410)	-	222,339
Miscellaneous equipment	79,430	11,531	(571)	-	90,390
Construction in progress	92	380	-	(92)	380
	<u>5,882,061</u>	<u>\$ 132,370</u>	<u>\$ (25,423)</u>	<u>\$ 57,681</u>	<u>6,046,689</u>
<u>Accumulated depreciation</u>					
Land improvements	57,886	\$ 2,786	\$ -	\$ -	60,672
Buildings	313,863	67,324	(4,308)	-	376,879
Machinery equipment	2,037,594	104,439	(11,598)	-	2,130,435
Transportation equipment	133,261	18,616	(2,963)	-	148,914
Miscellaneous equipment	39,933	10,851	(571)	-	50,213
	<u>2,582,537</u>	<u>\$ 204,016</u>	<u>\$ (19,440)</u>	<u>\$ -</u>	<u>2,767,113</u>
	<u>\$ 3,299,524</u>				<u>\$ 3,279,576</u>

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

Land improvements	5-10 years
Buildings	
Main buildings	25-50 years
Others	2-48 years
Machinery equipment	2-20 years
Transportation equipment	2-12 years
Miscellaneous equipment	2-15 years

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 25.

## 12. OTHER ASSETS

	December 31	
	2023	2022
<u>Current</u>		
Prepayments	\$ 37,687	\$ 35,718
Tax overpaid retained	4,807	4,286
Temporary payments (payments on behalf of others)	514	654
Costs to fulfill a contract (Note 17)	<u>4,882</u>	<u>6,982</u>
	<u>\$ 47,890</u>	<u>\$ 47,640</u>
<u>Non-current</u>		
Long-term prepayments	<u>\$ 1,781</u>	<u>\$ 3,821</u>

### 13. BORROWINGS

	December 31	
	2023	2022
<u>Unsecured loans</u>		
Bank loans	\$ <u>          -</u>	\$ <u>195,000</u>
Rate of interest per annum (%)	-	1.14-1.519

### 14. OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	December 31	
	2023	2022
<u>Other payables</u>		
Payables for salaries and bonuses	\$ 61,708	\$ 70,498
Payables for purchases of equipment	19,219	16,188
Payables for remuneration of directors	6,300	6,658
Payables for annual leave	4,386	3,906
Payables for donations	1,633	1,734
Payables for interest	-	84
Others	<u>48,161</u>	<u>53,729</u>
	<u>\$ 141,407</u>	<u>\$ 152,797</u>
<u>Other current liabilities</u>		
Contract liabilities (Note 17)	\$ 97,678	\$ 56,284
Temporary credits (receipts under custody)	<u>709</u>	<u>587</u>
	<u>\$ 98,387</u>	<u>\$ 56,871</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>2023</b>	<b>2022</b>
Present value of defined benefit obligation	\$ 26,957	\$ 29,588
Fair value of plan assets	<u>(23,557)</u>	<u>(25,423)</u>
Deficit	<u>3,400</u>	<u>4,165</u>
Net defined benefit liabilities	<u>\$ 3,400</u>	<u>\$ 4,165</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, 2022	<u>\$ 29,219</u>	<u>\$ (20,131)</u>	<u>\$ 9,088</u>
Service cost			
Current	784	-	784
Net interest expense (income)	<u>186</u>	<u>(130)</u>	<u>56</u>
Recognized in profit or loss	<u>970</u>	<u>(130)</u>	<u>840</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,562)	(1,562)
Actuarial gain - experience adjustments	<u>(601)</u>	<u>-</u>	<u>(601)</u>
Recognized in other comprehensive income	<u>(601)</u>	<u>(1,562)</u>	<u>(2,163)</u>
Contributions from the employer	<u>-</u>	<u>(3,600)</u>	<u>(3,600)</u>
Balance at December 31, 2022	<u>29,588</u>	<u>(25,423)</u>	<u>4,165</u>
Service cost			
Current	777	-	777
Net interest expense (income)	<u>350</u>	<u>(304)</u>	<u>46</u>
Recognized in profit or loss	<u>1,127</u>	<u>(304)</u>	<u>823</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(227)	(227)
Actuarial gain - experience adjustments	<u>(510)</u>	<u>-</u>	<u>(510)</u>
Recognized in other comprehensive income	<u>(510)</u>	<u>(227)</u>	<u>(737)</u>
Contributions from the employer	<u>-</u>	<u>(851)</u>	<u>(851)</u>
welfare payments	<u>(3,248)</u>	<u>3,248</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 26,957</u>	<u>\$ (23,557)</u>	<u>\$ 3,400</u>

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>2023</b>	<b>2022</b>
Discount rates	1.15%	1.2%
Expected rates of salary increase	3%	3%
Mortality rate	Taiwan Life Insurance Industry 6th Mortality Table According to different age groups, there are 0%-0.25%, etc. different assumptions.	Taiwan Life Insurance Industry 6th Mortality Table
Turnover rate		0.58%

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>2023</b>	<b>2022</b>
Discount rate		
0.25% increase	\$ (419)	\$ (481)
0.25% decrease	\$ 429	\$ 492
Expected rate of salary increase		
0.25% increase	\$ 420	\$ 482
0.25% decrease	\$ (413)	\$ (474)

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>2023</b>	<b>2022</b>
Expected contributions to the plan for the next year	\$ 650	\$ 658
Average duration of the defined benefit obligation	6 years	6 years

## 16. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2023</b>	<b>2022</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>2023</b>	<b>2022</b>
Issuance of ordinary shares	\$ 997,847	\$ 997,847
Expired employee share options	1,138	1,138
Disgorgement	<u>231</u>	<u>-</u>
	<u>\$ 999,216</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 and disgorgement 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-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 May 30, 2023 and May 26, 2022, and the appropriations of earnings for 2022 and 2021 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</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 98,589	\$ 56,562		
Cash dividends	723,261	445,083	\$ 6.5	\$ 4

The appropriation of earnings for 2023, which were proposed by the Company's board of directors on February 22, 2024, were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 50,521	
Cash dividends	478,465	\$ 4.3

The appropriation of earnings for 2023 will be resolved by the shareholders in their meeting to be held on May 30, 2024.

## 17. REVENUE

### a. Revenue from contracts with customers

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue from sale of Zinc	\$ 1,275,243	\$ 2,047,361
Revenue from waste disposal	728,052	549,717
Revenue from sale of concrete	37,710	39,977
Other operating revenue	<u>436</u>	<u>528</u>
	<u>\$ 2,041,441</u>	<u>\$ 2,637,583</u>

### b. Contract balance

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Notes receivable and trade receivables (Note 8)	<u>\$ 220,005</u>	<u>\$ 166,514</u>	<u>\$ 116,950</u>
Contract liabilities (Note 14)	<u>\$ 97,678</u>	<u>\$ 56,284</u>	<u>\$ 62,533</u>

### c. Assets related to contract costs

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Costs to fulfill a contract (Note 12)	<u>\$ 4,882</u>	<u>\$ 6,982</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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Government grants	\$ 967	\$ 157
Others	<u>816</u>	<u>1,217</u>
	<u>\$ 1,783</u>	<u>\$ 1,374</u>

### b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 223,392	\$ 204,016
Other intangible assets	<u>4,177</u>	<u>4,055</u>
	<u>\$ 227,569</u>	<u>\$ 208,071</u>
An analysis of depreciation by function		
Operating costs	\$ 209,102	\$ 190,489
Operating expenses	<u>14,290</u>	<u>13,527</u>
	<u>\$ 223,392</u>	<u>\$ 204,016</u>
An analysis of amortization by function		
Operating costs	\$ 242	\$ 477
Operating expenses	<u>3,935</u>	<u>3,578</u>
	<u>\$ 4,177</u>	<u>\$ 4,055</u>

### c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 205,770	\$ 204,729
Post-employment benefits		
Defined contribution plans	6,942	6,097
Defined benefit plans (Note 15)	<u>823</u>	<u>840</u>
	<u>7,765</u>	<u>6,937</u>
Other employee benefits	<u>24,033</u>	<u>22,505</u>
	<u>\$ 237,568</u>	<u>\$ 234,171</u>

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
An analysis of employee benefits expense by function		
Operating costs	\$ 153,600	\$ 152,496
Operating expenses	<u>83,968</u>	<u>81,675</u>
	<u>\$ 237,568</u>	<u>\$ 234,171</u>

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, 2023 and 2022, which were approved by the Company's board of directors on January 31, 2024 and January 12, 2023, respectively, are as follows:

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Accrual rate</b>	<b>Amount</b>	<b>Accrual rate</b>	<b>Amount</b>
Compensation of employees	4.02%	\$ 26,789	2.81%	\$ 35,454
Remuneration of directors	0.94%	6,300	0.53%	6,658

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, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2024 and 2023 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 are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 130,241	\$ 233,489
Income tax on unappropriated earnings	8,202	3,199
Adjustments for prior years	<u>(3,231)</u>	<u>(3,355)</u>
	135,212	233,333
Deferred tax		
In respect of the current year	<u>(5,902)</u>	<u>3,887</u>
Income tax expense recognized in profit or loss	<u>\$ 129,310</u>	<u>\$ 237,220</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before income tax	\$ <u>633,932</u>	\$ <u>1,221,375</u>
Income tax expense calculated at the statutory rate	\$ 126,787	\$ 244,275
Tax effect of adjusting items:		
Non-deductible expenses in determining taxable income	5,661	445
Tax-exempt income	(8,109)	(7,344)
Income tax on unappropriated earnings	8,202	3,199
Adjustments for prior years' tax	<u>(3,231)</u>	<u>(3,355)</u>
Income tax expense recognized in profit or loss	\$ <u>129,310</u>	\$ <u>237,220</u>

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, 2023</b>			
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 833	\$ (6)	\$ (147)	\$ 680
Unrealized intercompany profit	1,846	4,418	-	6,264
Inventory write-downs	6,793	992	-	7,785
Payables for annual leave	597	71	-	668
Effects of foreign currency exchange differences	<u>333</u>	<u>427</u>	<u>-</u>	<u>760</u>
	<u>\$ 10,402</u>	<u>\$ 5,902</u>	<u>\$ (147)</u>	<u>\$ 16,157</u>

	<b>For the Year Ended December 31, 2022</b>			
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 1,817	\$ (551)	\$ (433)	\$ 833
Unrealized intercompany profit	6,105	(4,259)	-	1,846
Inventory write-downs	6,134	659	-	6,793
Payables for annual leave	628	(31)	-	597
Effects of foreign currency exchange differences	<u>38</u>	<u>295</u>	<u>-</u>	<u>333</u>
	<u>\$ 14,722</u>	<u>\$ (3,887)</u>	<u>\$ (433)</u>	<u>\$ 10,402</u>

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Loss carryforwards		
Expiry in 2031	\$ 69,671	\$ 69,671
Expiry in 2030	58,030	58,030
Expiry in 2029	18,887	59,310
Expiry in 2028	<u>-</u>	<u>5,348</u>
	<u>\$ 146,588</u>	<u>\$ 192,359</u>

- d. Income tax assessments

The income tax returns of the Company and its subsidiary through 2021 have been assessed by the tax authorities.

## 20. EARNINGS PER SHARE

	<b>Net profit Attributable to Owners of the Company</b>	<b>Shares (In Thousands of Shares)</b>	<b>Earnings Per Share (NT\$)</b>
<u>For the Year Ended December 31, 2023</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Company	\$ 504,622	111,271	<u>\$4.54</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>304</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 504,622</u>	<u>111,575</u>	<u>\$4.52</u>
<u>For the Year Ended December 31, 2022</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Company	\$ 984,155	111,271	<u>\$8.84</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>402</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 984,155</u>	<u>111,673</u>	<u>\$8.81</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, 2023 and 2022:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2023</b>	<b>2022</b>
<u>Non-cash transactions for investing and financing activities</u>		
Remeasurement of defined benefit plans	\$ 737	\$ 2,163
Transfers from prepayments for equipment to property, plant and equipment	\$ 51,716	\$ 58,063
Transfers from property, plant and equipment to inventories	\$ -	\$ 382
Transfers from prepayments for equipment to inventories	\$ 910	\$ -
Transfers from other financial assets - non-current to financial assets at amortized cost - current	\$ -	\$ 5,000

## 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 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>2023</b>	<b>2022</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 993,371	\$ 1,391,775
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	125,164	329,443
1) The balances included financial assets measured at amortized cost, which comprise cash, 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 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, 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>2023</b>	<b>2022</b>
Profit before income tax	\$ 1,184	\$ 547

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>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$ 124,432	\$ 407,432
Financial liabilities	-	195,000
Cash flow interest rate risk		
Financial assets	635,369	800,179

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 pre-tax profit for the years ended December 31, 2023 and 2022 would have increased by \$6,354 thousand and \$8,002 thousand, respectively, which was mainly a result of variable-rate bank deposits 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 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.

	<b>Less Than 1 Year</b>
<u>December 31, 2023</u>	
Non-interest bearing	\$ 189,671
<u>December 31, 2022</u>	
Non-interest bearing	200,082
Fixed interest rate liabilities	195,000

## 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

<u>Related Party Name</u>	<u>Related Party Category</u>
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

(Continued)

<b>Related Party Name</b>	<b>Related Party Category</b>
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
FENG YU RESOURCES CO., LTD. ("Feng Yu Co.")	Related party in substance

(Concluded)

b. Sales

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Service revenue	The Company's key management personnel		
	Feng Hsin Co.	\$ 87,923	\$ 99,548
	Others	197,003	145,542
	Related parties in substance	<u>7,610</u>	<u>7,718</u>
		<u>\$ 292,536</u>	<u>\$ 252,808</u>
Other operating revenue	Related parties in substance	<u>\$ 628</u>	<u>\$ 396</u>
sales revenue	Related parties in substance	<u>\$ 25</u>	<u>\$ -</u>

There are no significant differences for sales and payments terms between related parties and normal customers.

c. Purchases of goods (classified as purchase discounts and allowances)

<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Related parties in substance	\$ 1,097	\$ (314)
The Company's key management personnel	<u>4</u>	<u>-</u>
	<u>\$ 1,101</u>	<u>\$ (314)</u>

There are no significant differences for purchases of goods (classified as purchase discounts and allowances) and payments terms between related parties and normal suppliers.

d. Operating costs

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Others	The Company's key management personnel	<u>\$ -</u>	<u>\$ 1,163</u>

e. Operating expenses

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Other expenses	Related parties in substance	\$ <u>858</u>	\$ <u>1,943</u>

f. Receivables from related parties

Line Item	Related Party Category	December 31	
		2023	2022
Trade receivables	The Company's key management personnel	\$ 32,931	\$ 29,113
	Related parties in substance	<u>1,029</u>	<u>-</u>
		\$ <u>33,960</u>	\$ <u>29,113</u>
Other receivables	Related parties in substance	\$ <u>628</u>	\$ <u>-</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment losses were recognized for trade receivables from related parties.

g. Payables to related parties

Line Item	Related Party Category	December 31	
		2023	2022
Trade payables	The Company's key management personnel	\$ 2	\$ -
	Related parties in substance	<u>2</u>	<u>-</u>
		\$ <u>4</u>	\$ <u>-</u>
Other payables	Related parties in substance	\$ <u>183</u>	\$ <u>427</u>

h. Contract liabilities

Line Item	Related Party Category	December 31	
		2023	2022
Other current liabilities	The Company's key management personnel	\$ 13,436	\$ 10,771
	Related parties in substance	<u>3,466</u>	<u>-</u>
		\$ <u>16,902</u>	\$ <u>10,771</u>

i. Remuneration of key management personnel

Remuneration of directors and key management personnel was as follows:

For the Year Ended December 31		2023	2022
Short-term employee benefits		\$ 20,082	\$ 21,311
Post-employment benefits		<u>108</u>	<u>134</u>
		\$ <u>20,190</u>	\$ <u>21,445</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>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 914,860	\$ 914,860
Other financial assets - non-current	<u>56,293</u>	<u>14,150</u>
	<u>\$ 971,153</u>	<u>\$ 929,010</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, 2023 and 2022 were as follows:

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Property, plant and equipment	<u>\$ 46,162</u>	<u>\$ 74,358</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 \$17,871 thousand and \$21,615 thousand in 2023 and 2022, 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, 2023</b>		
	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary item			
USD	\$ 3,942	30.71 (USD:NTD)	\$ 121,032
<u>Financial liabilities</u>			
Monetary item			
USD	85	30.71 (USD:NTD)	2,612

		December 31, 2022	
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary item			
USD	\$ 1,886	30.71 (USD:NTD)	\$ 57,914
<u>Financial liabilities</u>			
Monetary item			
USD	105	30.71 (USD:NTD)	3,236

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

For the Year Ended December 31				
Foreign Currencies	2023	2022		
	Exchange Rate	Net Foreign Exchange Loss	Exchange Rate	Net Foreign Exchange Gain
USD	31.15 (USD:NTD)	\$ 4,631	29.81 (USD:NTD)	\$ 19,756

## 28. SEPARATELY DISCLOSED ITEMS

### a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in 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. (None)
- 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. (Table 3)
- 9) Trading in derivative instruments. (None)
- 10) Other: intercompany relationships and significant intercompany transactions. (Table 4)
- 11) Information on investees. (Table 5)

- 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 6)

## 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 other waste, and recycle zinc oxide which has economic value when sold. Taiwan Steel Resources Co.'s main business is to dispose reducing slags and slags from the Company. 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 TSR 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 the years ended December 31, 2023 and 2022, 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, 2023</u>					
Revenue from external customers	\$ 1,639,999	\$ 401,442	\$ -	\$ 2,041,441	
Inter-segment revenue	<u>-</u>	<u>108,118</u>	<u>(108,118)</u>	<u>-</u>	
Total revenue	<u>\$ 1,639,999</u>	<u>\$ 509,560</u>	<u>\$ (108,118)</u>	<u>\$ 2,041,441</u>	
Segment's profit	\$ 595,123	\$ 50,403	\$ (2,266)	\$ 643,260	
Interest revenue	8,589	429	(539)	8,479	
Finance costs	(370)	(2,172)	539	(2,003)	
Other non-operation income and expenses	<u>30,590</u>	<u>(5,848)</u>	<u>(40,546)</u>	<u>(15,804)</u>	
Profit before income tax	633,932	42,812	(42,812)	633,932	
Income tax expense	<u>129,310</u>	<u>-</u>	<u>-</u>	<u>129,310</u>	
Net profit	<u>\$ 504,622</u>	<u>\$ 42,812</u>	<u>\$ (42,812)</u>	<u>\$ 504,622</u>	
	The Company	Taiwan Steel Resources Co.	Unallocated Assets/Liabilities	Reconciliation and Elimination	Total
<u>December 31, 2023</u>					
Identifiable segment's assets	<u>\$ 4,395,523</u>	<u>\$ 2,332,624</u>	<u>\$ 99,450</u>	<u>\$ (2,277,936)</u>	<u>\$ 4,549,661</u>
Identifiable segment's liabilities	<u>\$ 236,788</u>	<u>\$ 72,839</u>	<u>\$ 257,725</u>	<u>\$ (129,858)</u>	<u>\$ 437,494</u>

	<b>The Company</b>	<b>Taiwan Steel Resources Co.</b>	<b>Reconciliation and Elimination</b>	<b>Total</b>
<u>For the Year Ended December 31, 2022</u>				
Revenue from external customers	\$ 2,275,962	\$ 361,621	\$ -	\$ 2,637,583
Inter-segment revenue	<u>-</u>	<u>104,308</u>	<u>(104,308)</u>	<u>-</u>
Total revenue	<u>\$ 2,275,962</u>	<u>\$ 465,929</u>	<u>\$ (104,308)</u>	<u>\$ 2,637,583</u>
Segment's profit (loss)	\$ 1,162,053	\$ 39,762	\$ 1,899	\$ 1,203,714
Interest revenue	3,161	219	-	3,380
Finance costs	-	(2,685)	-	(2,685)
Other non-operation income and expenses	<u>56,161</u>	<u>(2,478)</u>	<u>(36,717)</u>	<u>16,966</u>
Profit (loss) before income tax	1,221,375	34,818	(34,818)	1,221,375
Income tax expense	<u>237,220</u>	<u>-</u>	<u>-</u>	<u>237,220</u>
Net profit (loss)	<u>\$ 984,155</u>	<u>\$ 34,818</u>	<u>\$ (34,818)</u>	<u>\$ 984,155</u>

	<b>The Company</b>	<b>Taiwan Steel Resources Co.</b>	<b>Unallocated Assets/Liabilities</b>	<b>Reconciliation and Elimination</b>	<b>Total</b>
<u>December 31, 2022</u>					
Identifiable segment's assets	\$ 4,667,997	\$ 2,377,290	\$ 24,552	(\$ 2,118,734)	\$ 4,951,105
Identifiable segment's liabilities	\$ 201,482	\$ 84,174	\$ 348,931	(\$ 13,467)	\$ 621,120

Segment profit represented the profit before tax earned by each segment without interest income, other income, net foreign exchange gain (loss), finance costs, other expenses, loss on disposal of property, plant and equipment 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>2023</b>	<b>2022</b>
Customer A	\$ 519,284	\$ 924,092
Customer B	<u>326,891</u>	<u>384,759</u>
	<u>\$ 846,175</u>	<u>\$ 1,308,851</u>



**TABLE 1**

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

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 5)	Ending Balance (Note 5)	Actual Amount Borrowed (Note 6)	Interest Rate (%)	Nature of Financing (Note 3)	Business Transactio n Amounts	Reasons for Short-term Financing	Loss Allowance	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits
													Item	Value		
0	The Company	Taiwan Steel Resources Co., Ltd.	Receivable from related parties	Yes	\$ 400,000	\$ 200,000	\$ 120,000	1.59%	2	\$ -	Operating Capital	\$ -	-	\$ -	\$ 1,644,867 (Note 2 and 7)	\$ 1,644,867 (Note 4 and 7)

Note 1: The numbers denote the following:

- 1) 0 represents the issuer.
- 2) Investees are numbered starting from 1.

Note 2: The financing limit for each borrower is up to 40% of the net worth of the Company.

Note 3: The nature of financing provided could be

- 1) Business relationships.
- 2) Short-term financing needs.

Note 4: The aggregate financing limit is up to 40% of the net worth of the Company.

Note 5: The ending balance amount has been approved by the board of directors.

Note 6: Significant intercompany accounts and transactions have been eliminated.

Note 7: According to the Company’s guidelines for loaning funds, the maximum amount of loaning is based on the Company’s net worth as stated in its latest audited (reviewed) financial statements. In December 2023, the Company announced that the Company’s maximum amount of the loan to be provided to a single enterprise is \$1,568,388 thousand and the maximum amount of the loan to be provided is \$1,568,388 thousand. Because the 2023 annual financial statements have not been audited, these amounts were based on the financial statements for the nine months ended September 30, 2023. Thus, there is a difference between them.

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

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

No. (Note 1)	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsements/ Guarantees Given on Behalf of Each Party (Notes 3 and 5)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 4)	Outstanding Endorsements/ Guarantees at the End of the Year (Note 4)	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsements/ Guarantees to Net Equity in Latest Financial Statements (%)	Aggregate Endorsements/ Guarantees Limit (Notes 3 and 5)	Endorsements/ Guarantees Given by Parent on Behalf of Subsidiaries	Endorsements/ Guarantees Given by Subsidiaries on Behalf of Parent	Endorsements/ Guarantees Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Company	Taiwan Steel Resources Co., Ltd.	(2)	\$ 2,014,962	\$ 706,680 (NT\$ 600,000 and US\$ 3,500)	\$ 407,468 (NT\$ 300,000 and US\$ 3,500)	\$ -	\$ -	9.91	\$ 2,056,083	Y	N	N

Note 1: 1) Taiwan Steel Union Co., Ltd. is numbered 0.  
2) Subsidiaries are numbered starting from 1.

Note 2: The relationship between endorser/guarantor and the endorsee/guarantee can be classified into the following four categories:  
1) The companies with which it has business relations.  
2) Subsidiaries in which the company held more than 50% of its total outstanding ordinary shares.  
3) The companies in which the parent company and the subsidiary together held more than 50% of its outstanding ordinary shares.  
4) The parent company which held, directly or indirectly through a subsidiary, more than 50% of its outstanding ordinary shares.

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

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

Note 5: According to the Company’s Guideline for Endorsements and Guarantees, the maximum amount of the endorsements/guarantees is based on the Company’s net assets as stated in its latest audited (reviewed) financial statements. In December 2023, the Company announced that the Company’s maximum amount of the endorsements/guarantees to a single enterprise is \$1,921,276 thousand and the maximum amount of the endorsements/guarantees is \$1,960,485 thousand. Because the 2023 annual financial statements have not been audited, these amounts were based on the financial statements for the nine months ended September 2023. Thus, there is a difference in between.

**TABLE 3**

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note 1 and 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Taiwan Steel Resources Co., Ltd.	(Note 2)	\$ 120,114	-	\$ -	Repayment will depend on the operating status of the company	\$ -	\$ -

Note 1: Including other receivables.

Note 2: Investees which the Corporation directly or indirectly holds more than 50% of the voting shares.

Note 3: Significant intercompany accounts and transactions have been eliminated.

**TABLE 4**

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

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2023**

**(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Account	Amount (Note 2)	Payment Terms	% of Total Sales or Assets
0	The Company	Taiwan Steel Resources Co., Ltd.	1	Cost of goods sold	\$ 105,852	-	5
			1	Other payables	9,744	O/A 30 days	0.2
			1	Other receivables	120,114	According to the contract	2.6
			1	Interest income	539	-	-

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

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

**TABLE 5**

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

**INFORMATION ON INVESTEES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares(In thousands)	%	Carrying Amount			
The Company	Taiwan Steel Resources Co., Ltd.	Changhua	Waste reuse services	\$ 2,300,000	\$ 2,300,000	149,000	100	\$ 2,148,078	\$ 42,811	\$ 40,545	Subsidiary

Note: Significant intercompany accounts and transactions have been eliminated.

**TABLE 6****TAIWAN STEEL UNION CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Feng Hsin Steel Co., Ltd.	26,666,587	23.96
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.

## Appendix 2.

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

**Parent Company Only Financial Statements for the  
Years Ended December 31, 2023 and 2022 and  
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, 2023 and 2022, 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 material accounting policy information.

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, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of 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, 2023. 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, 2023 is as follows:

#### Revenue recognition

The Company's sales revenue from major customers was NT\$846,175 thousand, representing 52% of the Company's net sales revenue for the year ended December 31, 2023. Since sales revenue has significant changes compared to 2022, 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 with respect to 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 Standards on Auditing of 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 Standards on Auditing of 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, 2023, 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 Done-Yuin Tseng.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 22, 2024

#### 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, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash (Notes 4 and 6)	\$ 477,236	11	\$ 711,887	15
Financial assets at amortized cost - current (Notes 4, 7 and 20)	124,432	3	407,432	9
Notes receivable, net (Notes 4 and 8)	-	-	396	-
Trade receivables from unrelated parties, net (Notes 4 and 8)	144,740	3	101,903	2
Trade receivables from related parties, net (Notes 4, 8 and 23)	16,282	-	2,921	-
Other receivables (Notes 4, 8 and 23)	125,749	3	5,782	-
Inventories (Notes 4, 9 and 20)	144,500	3	139,052	3
Other financial assets – current (Notes 4)	6,779	-	-	-
Other current assets (Notes 4 and 12)	<u>22,313</u>	<u>1</u>	<u>17,125</u>	<u>1</u>
Total current assets	<u>1,062,031</u>	<u>24</u>	<u>1,386,498</u>	<u>30</u>
<b>NON-CURRENT ASSETS</b>				
Investments accounted for using the equity method (Notes 4 and 10)	2,148,078	48	2,107,533	45
Property, plant and equipment (Notes 4, 11, 20, 23 and 24)	1,142,164	25	1,117,066	24
Other intangible assets (Note 4)	7,194	-	2,032	-
Deferred tax assets (Notes 4 and 18)	16,157	-	10,402	-
Prepayments for machinery and equipment (Notes 4 and 20)	37,139	1	44,172	1
Refundable deposits (Note 4)	5,695	-	10,695	-
Other financial assets – non-current (Notes 4, 20 and 24)	68,221	2	7,000	-
Other non-current assets (Note 12)	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>
Total non-current assets	<u>3,424,649</u>	<u>76</u>	<u>3,298,901</u>	<u>70</u>
<b>TOTAL</b>	<u>\$ 4,486,680</u>	<u>100</u>	<u>\$ 4,685,399</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Trade payables (Note 4 and 23)	\$ 42,992	1	\$ 43,127	1
Other payables (Notes 4, 13 and 23)	98,975	2	111,470	2
Current tax liabilities (Notes 4 and 18)	137,725	3	153,932	3
Other current liabilities (Notes 13,16 and 23)	<u>83,534</u>	<u>2</u>	<u>32,155</u>	<u>1</u>
Total current liabilities	<u>363,226</u>	<u>8</u>	<u>340,684</u>	<u>7</u>
<b>NON-CURRENT LIABILITIES</b>				
Net defined benefit liabilities – non-current (Notes 4,14 and 20)	3,400	-	4,165	-
Guarantee deposits	<u>7,887</u>	<u>-</u>	<u>10,565</u>	<u>1</u>
Total non-current liabilities	<u>11,287</u>	<u>-</u>	<u>14,730</u>	<u>1</u>
Total liabilities	<u>374,513</u>	<u>8</u>	<u>355,414</u>	<u>8</u>
<b>EQUITY</b>				
Ordinary shares	1,112,709	25	1,112,709	24
Capital surplus	999,216	22	998,985	21
Retained earnings				
Legal reserve	578,790	13	480,201	10
Unappropriated earnings	<u>1,421,452</u>	<u>32</u>	<u>1,738,090</u>	<u>37</u>
Total equity	<u>4,112,167</u>	<u>92</u>	<u>4,329,985</u>	<u>92</u>
<b>TOTAL</b>	<u>\$ 4,486,680</u>	<u>100</u>	<u>\$ 4,685,399</u>	<u>100</u>

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

# TAIWAN STEEL UNION CO., LTD.

## PARNET COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
SALES (Notes 4, 16 and 23)	\$ 1,639,999	100	\$ 2,275,962	100
COST OF GOODS SOLD (Notes 9, 14, 17 and 23)	<u>884,465</u>	<u>54</u>	<u>868,303</u>	<u>38</u>
GROSS PROFIT	<u>755,534</u>	<u>46</u>	<u>1,407,659</u>	<u>62</u>
OPERATING EXPENSES (Notes 14, 17 and 25)				
Selling and marketing expenses	67,534	4	150,284	7
General and administrative expenses	86,957	5	95,322	4
Research and development expenses	<u>5,921</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>160,412</u>	<u>10</u>	<u>245,606</u>	<u>11</u>
PROFIT FROM OPERATIONS	<u>595,122</u>	<u>36</u>	<u>1,162,053</u>	<u>51</u>
NON-OPERATING INCOME AND EXPENSES				
Finance costs	(370)	-	-	-
Share of the profit or loss of subsidiary accounted for using the equity method (Note 4 and 10)	40,545	2	36,717	2
Interest income (Notes 4 and 23)	8,589	1	3,161	-
Other income (Notes 4 and 17)	890	-	573	-
Other expenses	-	-	(60)	-
Loss on disposal of assets (Note 4)	(6,214)	-	(816)	-
Net foreign exchange gain (loss) (Notes 4 and 26)	<u>(4,630)</u>	<u>-</u>	<u>19,747</u>	<u>1</u>
Total non-operating income and expenses	<u>38,810</u>	<u>3</u>	<u>59,322</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	633,932	39	1,221,375	54
INCOME TAX EXPENSE (Notes 4 and 18)	<u>129,310</u>	<u>8</u>	<u>237,220</u>	<u>11</u>
NET PROFIT FOR THE YEAR	<u>504,622</u>	<u>31</u>	<u>984,155</u>	<u>43</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 14)	737	-	2,163	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 18)	<u>(147)</u>	<u>-</u>	<u>(433)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>590</u>	<u>-</u>	<u>1,730</u>	<u>-</u>

(Continued)

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

### **PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

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	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 505,212</u>	<u>31</u>	<u>\$ 985,885</u>	<u>43</u>
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 4.54</u>		<u>\$ 8.84</u>	
Diluted	<u>\$ 4.52</u>		<u>\$ 8.81</u>	

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

# TAIWAN STEEL UNION CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Ordinary Shares (Note 15)	Capital Surplus (Note 15)	Legal Reserve (Note 15)	Unappropriated Earnings (Note 15)	Total Equity
BALANCE AT JANUARY 1, 2022	\$ 1,112,709	\$ 998,985	\$ 423,639	\$ 1,253,850	\$ 3,789,183
Appropriation of 2021 earnings					
Legal reserve	-	-	56,562	(56,562)	-
Cash dividends – NT\$4 per share	-	-	-	(445,083)	(445,083)
Net profit for the year ended December 31, 2022	-	-	-	984,155	984,155
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	1,730	1,730
Total comprehensive income for the year ended December 31, 2022	-	-	-	985,885	985,885
BALANCE AT DECEMBER 31, 2022	1,112,709	998,985	480,201	1,738,090	4,329,985
Appropriation of 2022 earnings					
Legal reserve	-	-	98,589	(98,589)	-
Cash dividends – NT\$6.5 per share	-	-	-	(723,261)	(723,261)
Exercise of disgorgement	-	231	-	-	231
Net profit for the year ended December 31, 2023	-	-	-	504,622	504,622
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	590	590
Total comprehensive income for the year ended December 31, 2023	-	-	-	505,212	505,212
BALANCE AT DECEMBER 31, 2023	\$ 1,112,709	\$ 999,216	\$ 578,790	\$ 1,421,452	\$ 4,112,167

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



# TAIWAN STEEL UNION CO., LTD.

## PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 633,932	\$ 1,221,375
Adjustments for :		
Depreciation expense	115,198	102,541
Amortization expense	2,049	1,925
Finance costs	370	-
Interest income	(8,589)	(3,161)
Share of the profit or loss of subsidiary	(40,545)	(36,717)
Loss on disposal of property, plant and equipment	6,214	816
Write-down of inventories	4,958	3,295
Unrealized foreign currency exchange loss, net	2,924	1,594
Changes in operating assets and liabilities		
Notes receivable	396	(396)
Trade receivables	(59,213)	(635)
Other receivables	(72)	(2,106)
Inventories	(9,496)	(23,489)
Other current assets	(5,188)	(10,685)
Trade payables	(135)	10,762
Other payables	(13,460)	18,172
Other current liabilities	51,379	(11,257)
Net defined benefit liabilities	(28)	(2,760)
Cash generated from operations	680,694	1,269,274
Interest received	8,694	2,918
Interest paid	(370)	-
Income taxes paid	(151,419)	(190,865)
Net cash generated from operating activities	537,599	1,081,327
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	-	(398,000)
Proceeds from disposal of financial assets at amortized cost	242,000	-
Payments for property, plant and equipment	(103,936)	(90,416)
Proceeds from disposal of property, plant and equipment	1,522	1,923
Increase in other receivables from related parties	(120,000)	-
Decrease (increase) in refundable deposits	5,000	(9,845)
Payments for intangible assets	(7,211)	(1,875)
Increase in other financial assets	(27,000)	(7,000)
Decrease in other non-current assets	-	1
Increase in prepayments for machinery and equipment	(36,917)	(55,857)
Net cash generated from (used in) investing activities	(46,542)	(561,069)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	100,000	-
Repayments of short-term borrowings	(100,000)	-
Proceeds from guarantee deposits received	-	9,779
Refund of guarantee deposits received	(2,678)	-

(Continued)

## TAIWAN STEEL UNION CO., LTD.

### PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

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	2023	2022
Dividends paid	(723,261)	(445,083)
Disgorgement received	<u>231</u>	<u>-</u>
Net cash used in financing activities	<u>(725,708)</u>	<u>(435,304)</u>
NET INCREASE (DECREASE) IN CASH	(234,651)	84,954
CASH AT THE BEGINNING OF THE YEAR	<u>711,887</u>	<u>626,933</u>
CASH AT THE END OF THE YEAR	<u>\$ 477,236</u>	<u>\$ 711,887</u>

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, 2023 AND 2022 (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 22, 2024.

### 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 “IFRS Accounting Standards”) 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 2024

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

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. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<b><u>New, Amended and Revised Standards and Interpretations</u></b>	<b><u>Effective Date Announced by IASB (Note 1)</u></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 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

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

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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 MATERIAL ACCOUNTING POLICY INFORMATION**

- 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 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, 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.

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. MATERIAL 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 on 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.

When developing material accounting estimates, the Company considers the possible impact on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

## 6. CASH

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash on hand and revolving funds	\$ 75	\$ 72
Demand deposits	<u>477,161</u>	<u>711,815</u>
	<u>\$ 477,236</u>	<u>\$ 711,887</u>

## 7. FINANCIAL ASSETS AT AMORTIZED COST

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Current</u>		
Time deposits with original maturities of more than three months	<u>\$ 124,432</u>	<u>\$ 407,432</u>

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Notes receivable from unrelated parties	<u>\$ -</u>	<u>\$ 396</u>
<u>Trade receivables from unrelated parties</u>		
At amortized cost		
Gross carrying amount	\$ 144,899	\$ 102,062
Less: Allowance for impairment loss	<u>(159)</u>	<u>(159)</u>
	<u>\$ 144,740</u>	<u>\$ 101,903</u>
Trade receivables from related parties	<u>\$ 16,282</u>	<u>\$ 2,921</u>
<u>Other receivables</u>		
Loans to subsidiaries	\$ 120,000	\$ -
Tax refund receivable	5,536	5,263
Others	<u>213</u>	<u>519</u>
	<u>\$ 125,749</u>	<u>\$ 5,782</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, 2023</u>	
Expected credit loss rate	0%
Gross carrying amount	\$ 161,181
Loss allowance (Lifetime ECLs)	<u>(159)</u>
Amortized cost	<u>\$ 161,022</u>
<u>December 31, 2022</u>	
Expected credit loss rate	0%
Gross carrying amount	\$ 105,379
Loss allowance (Lifetime ECLs)	<u>(159)</u>
Amortized cost	<u>\$ 105,220</u>

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

	<u><b>For the Year Ended December 31</b></u>	
	<b>2023</b>	<b>2022</b>
Beginning and ending balance	\$ <u>159</u>	\$ <u>159</u>

## 9. INVENTORIES

	<u><b>December 31</b></u>	
	<b>2023</b>	<b>2022</b>
Raw materials	\$ 90,044	\$ 82,859
Finished goods	<u>54,456</u>	<u>56,193</u>
	<u>\$ 144,500</u>	<u>\$ 139,052</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 was \$673,770 thousand and \$746,399 thousand, respectively.

The cost of goods sold for the years ended December 31, 2023 and 2022 included inventory write-down of \$4,958 thousand and \$3,295 thousand, respectively.

## 10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investment in subsidiary

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Taiwan Steel Resources Co., Ltd. ("TSR")	\$ 2,148,078	\$ 2,107,533
<b>Investee</b>	<b>% of Ownership</b>	
	<b>December 31</b>	
	<b>2023</b>	<b>2022</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, 2023 and 2022 were based on the subsidiary 's financial statements which have been audited for the same years.

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>For the Year Ended December 31, 2023</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Reclassified Amount</b>	<b>Ending Balance</b>
<u>Cost</u>					
Land	\$ 550,606	\$ -	\$ -	\$ -	\$ 550,606
Land improvements	61,407	160	-	143	61,710
Buildings	496,711	25,346	(2,877)	5,300	524,480
Machinery equipment	2,296,973	72,697	(35,930)	37,390	2,371,130
Transportation equipment	173,436	1,509	(4,248)	207	170,904
Miscellaneous equipment	50,480	4,866	(1,453)	-	53,893
Construction in progress	380	414	-	-	794
	<u>3,629,993</u>	<u>\$ 104,992</u>	<u>\$ (44,508)</u>	<u>\$ 43,040</u>	<u>3,733,517</u>
<u>Accumulated depreciation</u>					
Land improvements	57,570	\$ 1,716	\$ -	\$ -	59,286
Buildings	254,089	26,985	(1,714)	-	279,360
Machinery equipment	2,036,434	67,711	(29,631)	-	2,074,514
Transportation equipment	132,300	13,644	(4,184)	-	141,760
Miscellaneous equipment	32,534	5,142	(1,243)	-	36,433
	<u>2,512,927</u>	<u>\$ 115,198</u>	<u>\$ (36,772)</u>	<u>\$ -</u>	<u>2,591,353</u>
	<u>\$ 1,117,066</u>				<u>\$ 1,142,164</u>

	For the Year Ended December 31, 2022				
	Beginning Balance	Additions	Disposals	Reclassified Amount	Ending Balance
<u>Cost</u>					
Land	\$ 550,606	\$ -	\$ -	\$ -	\$ 550,606
Land improvements	61,407	-	-	-	61,407
Buildings	476,559	25,072	(4,920)	-	496,711
Machinery equipment	2,211,882	54,062	(13,336)	44,365	2,296,973
Transportation equipment	162,725	14,121	(3,410)	-	173,436
Miscellaneous equipment	43,774	7,277	(571)	-	50,480
Construction in progress	-	380	-	-	380
	<u>3,506,953</u>	<u>\$ 100,912</u>	<u>\$ (22,237)</u>	<u>\$ 44,365</u>	<u>3,629,993</u>
<u>Accumulated depreciation</u>					
Land improvements	55,832	\$ 1,738	\$ -	\$ -	57,570
Buildings	235,618	22,734	(4,263)	-	254,089
Machinery equipment	1,987,866	60,269	(11,701)	-	2,036,434
Transportation equipment	122,448	12,815	(2,963)	-	132,300
Miscellaneous equipment	<u>28,120</u>	<u>4,985</u>	<u>(571)</u>	<u>-</u>	<u>32,534</u>
	<u>2,429,884</u>	<u>\$ 102,541</u>	<u>\$ (19,498)</u>	<u>\$ -</u>	<u>2,512,927</u>
	<u>\$ 1,077,069</u>				<u>\$ 1,117,066</u>

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

Land improvements	5-10 years
Buildings	
Main buildings	25-50 years
Others	2-48 years
Machinery equipment	2-20 years
Transportation equipment	5-12 years
Miscellaneous equipment	2-12 years

Property, plant and equipment used by the Company and pledged as collateral for bank borrowings are set out in Note 24.

## 12. OTHER ASSETS

	December 31	
	2023	2022
<u>Current</u>		
Prepayments	\$ 18,967	\$ 14,082
Tax overpaid retained	2,996	2,812
Temporary payments	<u>350</u>	<u>231</u>
	<u>\$ 22,313</u>	<u>\$ 17,125</u>
<u>Non-current</u>		
Long-term prepayments	<u>\$ 1</u>	<u>\$ 1</u>

### 13. OTHER PAYABLES AND OTHER CURRENT LIABILITIES

	December 31	
	2023	2022
<u>Other payables</u>		
Payables for salaries and bonuses	\$ 35,192	\$ 43,102
Payables for purchases of equipment	17,010	15,954
Payables for remuneration of directors	6,300	6,658
Payables for annual leave	3,339	2,982
Payables for donations	1,633	1,734
Others	<u>35,501</u>	<u>41,040</u>
	<u>\$ 98,975</u>	<u>\$ 111,470</u>
<u>Other current liabilities</u>		
Contract liabilities (Note 16)	\$ 83,063	\$ 31,780
Temporary credits (receipts under custody)	<u>471</u>	<u>375</u>
	<u>\$ 83,534</u>	<u>\$ 32,155</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:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Present value of defined benefit obligation	\$ 26,957	\$ 29,588
Fair value of plan assets	<u>(23,557)</u>	<u>(25,423)</u>
Deficit	<u>3,400</u>	<u>4,165</u>
Net defined benefit liabilities	<u>\$ 3,400</u>	<u>\$ 4,165</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, 2022	<u>\$ 29,219</u>	<u>\$ (20,131)</u>	<u>\$ 9,088</u>
Service cost			
Current	784	-	784
Net interest expense (income)	<u>186</u>	<u>(130)</u>	<u>56</u>
Recognized in profit or loss	<u>970</u>	<u>(130)</u>	<u>840</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,562)	(1,562)
Actuarial gain - experience adjustments	<u>(601)</u>	<u>-</u>	<u>(601)</u>
Recognized in other comprehensive income	<u>(601)</u>	<u>(1,562)</u>	<u>(2,163)</u>
Contributions from the employer	<u>-</u>	<u>(3,600)</u>	<u>(3,600)</u>
Balance at December 31, 2022	<u>29,588</u>	<u>(25,423)</u>	<u>4,165</u>
Service cost			
Current	777	-	777
Net interest expense (income)	<u>350</u>	<u>(304)</u>	<u>46</u>
Recognized in profit or loss	<u>1,127</u>	<u>(304)</u>	<u>823</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(227)	(227)
Actuarial gain - experience adjustments	<u>(510)</u>	<u>-</u>	<u>(510)</u>
Recognized in other comprehensive income	<u>(510)</u>	<u>(227)</u>	<u>(737)</u>
Contributions from the employer	<u>-</u>	<u>(851)</u>	<u>(851)</u>
welfare payments	<u>(3,248)</u>	<u>3,248</u>	<u>-</u>
Balance at December 31, 2023	<u>\$ 26,957</u>	<u>\$ (23,557)</u>	<u>\$ 3,400</u>



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>2023</b>	<b>2022</b>
Discount rates	1.15%	1.2%
Expected rates of salary increase	3%	3%
Mortality rate	Taiwan Life Insurance Industry 6th Mortality Table According to different age groups, there are 0%-0.25%, etc. different assumptions.	Taiwan Life Insurance Industry 6th Mortality Table
Turnover rate		0.58%

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>2023</b>	<b>2022</b>
Discount rate		
0.25% increase	\$ (419)	\$ (481)
0.25% decrease	\$ 429	\$ 492
Expected rate of salary increase		
0.25% increase	\$ 420	\$ 482
0.25% decrease	\$ (413)	\$ (474)

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>2023</b>	<b>2022</b>
Expected contributions to the plan for the next year	\$ <u>650</u>	\$ <u>658</u>
Average duration of the defined benefit obligation	6 years	6 years

## 15. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2023</b>	<b>2022</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>2023</b>	<b>2022</b>
Issuance of ordinary shares	\$ 997,847	\$ 997,847
Expired employee share options	1,138	1,138
Disgorgement	<u>231</u>	<u>-</u>
	<u>\$ 999,216</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 and disgorgement 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 May 30, 2023 and May 26, 2022, and the appropriations of earnings for 2022 and 2021 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</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 98,589	\$ 56,562		
Cash dividends	723,261	445,083	\$ 6.5	\$ 4

The appropriation of earnings for 2023, which were proposed by the Company's board of directors on February 22, 2024, were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 50,521	
Cash dividends	478,465	\$ 4.3

The appropriation of earnings for 2023 will be resolved by the shareholders in their meeting to be held on May 30, 2024.

## 16. REVENUE

### a. Revenue from contracts with customers

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Revenue from sale of Zinc	\$ 1,275,243	\$ 2,047,361
Revenue from waste disposal	364,346	228,314
Other operating revenue	<u>410</u>	<u>287</u>
	<u>\$ 1,639,999</u>	<u>\$ 2,275,962</u>

### b. Contract balance

	<b>December 31, 2023</b>	<b>December 31, 2022</b>	<b>January 1, 2022</b>
Notes receivable and trade receivables (Note 8)	<u>\$ 161,022</u>	<u>\$ 105,220</u>	<u>\$ 105,783</u>
Contract liabilities (Note 13)	<u>\$ 83,063</u>	<u>\$ 31,780</u>	<u>\$ 43,066</u>

## 17. NET PROFIT FROM CONTINUING OPERATIONS

### a. Other revenue

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Government grants	\$ 885	\$ 75
Others	<u>5</u>	<u>498</u>
	<u>\$ 890</u>	<u>\$ 573</u>

### b. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 115,198	\$ 102,541
Other intangible assets	<u>2,049</u>	<u>1,925</u>
	<u>\$ 117,247</u>	<u>\$ 104,466</u>
An analysis of depreciation by function		
Operating costs	\$ 110,160	\$ 98,353
Operating expenses	<u>5,038</u>	<u>4,188</u>
	<u>\$ 115,198</u>	<u>\$ 102,541</u>
An analysis of amortization by function		
Operating costs	\$ 227	\$ 468
Operating expenses	<u>1,822</u>	<u>1,457</u>
	<u>\$ 2,049</u>	<u>\$ 1,925</u>

c. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 124,501	\$ 129,900
Post-employment benefits		
Defined contribution plans	3,838	3,582
Defined benefit plans (Note 14)	<u>823</u>	<u>840</u>
	4,661	4,422
Other employee benefits	<u>14,343</u>	<u>14,542</u>
	<u>\$ 143,505</u>	<u>\$ 148,864</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 86,809	\$ 93,677
Operating expenses	<u>56,696</u>	<u>55,187</u>
	<u>\$ 143,505</u>	<u>\$ 148,864</u>

	<b>For the Year Ended December 31,2023</b>		
	<b>Operating Cost</b>	<b>Operating Expenses</b>	<b>Total</b>
Employee benefits expenses			
Employee salaries	\$ 73,408	\$ 40,913	\$ 114,321
Labor insurance and health insurance	6,619	2,974	9,593
Post –employment benefits	3,036	1,625	4,661
Remuneration of directors	-	10,180	10,180
Other employee benefits	<u>3,746</u>	<u>1,004</u>	<u>4,750</u>
	<u>\$ 86,809</u>	<u>\$ 56,696</u>	<u>\$ 143,505</u>

	<b>For the Year Ended December 31,2022</b>		
	<b>Operating Cost</b>	<b>Operating Expenses</b>	<b>Total</b>
Employee benefits expenses			
Employee salaries	\$ 80,088	\$ 39,610	\$ 119,698
Labor insurance and health insurance	6,182	2,679	8,861
Post –employment benefits	2,969	1,453	4,422
Remuneration of directors	-	10,202	10,202
Other employee benefits	<u>4,438</u>	<u>1,243</u>	<u>5,681</u>
	<u>\$ 93,677</u>	<u>\$ 55,187</u>	<u>\$ 148,864</u>

For the year ended December 31, 2023 and 2022, the average number employees of the Company was 117 and 117 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, 2023 and 2022, the average of employee benefits expense were \$1,246 and \$1,296 thousand, respectively; as of 2023 and 2022, the average of employee salaries were \$1,068 and \$1,119 thousand, respectively, and the change of the average employee salaries was 4%. 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, 2023 and 2022, which were approved by the Company's board of directors on January 31, 2024 and January 12, 2023, respectively, are as follows:

	<b>For the Year Ended December 31</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Accrual rate</b>	<b>Amount</b>	<b>Accrual rate</b>	<b>Amount</b>
Compensation of employees	4.02%	\$ 26,789	2.81%	\$ 35,454
Remuneration of directors	0.94%	6,300	0.53%	6,658

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, 2022 and 2021.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2024 and 2023 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 are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Current tax		
In respect of the current year	\$ 130,241	\$ 233,489
Income tax on unappropriated earnings	8,202	3,199
Adjustments for prior years	<u>(3,231)</u>	<u>(3,355)</u>
	135,212	233,333
Deferred tax		
In respect of the current year	<u>(5,902)</u>	<u>3,887</u>
Income tax expense recognized in profit or loss	<u>\$ 129,310</u>	<u>\$ 237,220</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Profit before income tax	<u>\$ 633,932</u>	<u>\$ 1,221,375</u>
Income tax expense calculated at the statutory rate	\$ 126,787	\$ 244,275
Tax effect of adjusting items:		
Non-deductible expenses in determining taxable income	5,661	445
Tax-exempt income	(8,109)	(7,344)
Income tax on unappropriated earnings	8,202	3,199
Adjustments for prior years' tax	<u>(3,231)</u>	<u>(3,355)</u>
Income tax expense recognized in profit or loss	<u>\$ 129,310</u>	<u>\$ 237,220</u>

- 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, 2023</b>			
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 833	\$ (6)	\$ (147)	\$ 680
Unrealized intercompany profit	1,846	4,418	-	6,264
Inventory write-downs	6,793	992	-	7,785
Payables for annual leave	597	71	-	668
Effects of foreign currency exchange differences	<u>333</u>	<u>427</u>	<u>-</u>	<u>760</u>
	<u>\$ 10,402</u>	<u>\$ 5,902</u>	<u>\$ (147)</u>	<u>\$ 16,157</u>

<b>For the Year Ended December 31, 2022</b>				
	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Comprehensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 1,817	\$ (551)	\$ (433)	\$ 833
Unrealized intercompany profit	6,105	(4,259)	-	1,846
Inventory write-downs	6,134	659	-	6,793
Payables for annual leave	628	(31)	-	597
Effects of foreign currency exchange differences	<u>38</u>	<u>295</u>	<u>-</u>	<u>333</u>
	<u>\$ 14,722</u>	<u>\$ (3,887)</u>	<u>\$ (433)</u>	<u>\$ 10,402</u>

c. Income tax assessments

The income tax returns of the Company and its subsidiary through 2021 have been assessed by the tax authorities.

## 19. EARNINGS PER SHARE

	<b>Net profit Attributable to Owners of the Company</b>	<b>Shares (In Thousands of Shares)</b>	<b>Earnings Per Share (NT\$)</b>
<u>For the Year Ended December 31, 2023</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Company	\$ 504,622	111,271	<u>\$4.54</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>304</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 504,622</u>	<u>111,575</u>	<u>\$4.52</u>



	<b>Net profit Attributable to Owners of the Company</b>	<b>Shares (In Thousands of Shares)</b>	<b>Earnings Per Share (NT\$)</b>
<u>For the Year Ended December 31, 2022</u>			
Basic earnings per share			
Profit for the year attributable to owners of the Company	\$ 984,155	111,271	<u>\$8.84</u>
Effect of potentially dilutive ordinary shares			
Compensation of employees	<u>-</u>	<u>402</u>	
Diluted earnings per share			
Profit for the year attributable to owners of the Company plus effect of potentially dilutive ordinary shares	<u>\$ 984,155</u>	<u>111,673</u>	<u>\$8.81</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, 2023 and 2022:

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Non-cash transactions for investing and financing activities</u>		
Remeasurement of defined benefit plans	\$ <u>737</u>	\$ <u>2,163</u>
Transfers from prepayments for equipment to property, plant and equipment	\$ <u>43,040</u>	\$ <u>44,747</u>
Transfers from property, plant and equipment to inventories	\$ <u>-</u>	\$ <u>382</u>
Transfers from prepayments for equipment to inventories	\$ <u>910</u>	\$ <u>-</u>
Transfers from other financial assets - non-current to financial assets at amortized cost - current	\$ <u>-</u>	\$ <u>5,000</u>

## 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 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>2023</b>	<b>2022</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 969,134	\$ 1,248,016
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	105,023	112,421

1) The balances included financial assets measured at amortized cost, which comprise cash, 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, trade receivables, 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>2023</b>	<b>2022</b>
Profit before income tax	\$ 1,184	\$ 547

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>2023</b>	<b>2022</b>
Fair value interest rate risk		
Financial assets	\$ 124,432	\$ 407,432
Cash flow interest rate risk		
Financial assets	552,142	718,815

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 pre-tax profit for the years ended December 31, 2023 and 2022 would have increased by \$5,521 thousand and \$7,188 thousand, respectively, which was mainly a result of variable-rate bank deposits 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 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>
<u>December 31, 2023</u>	
Non-interest bearing	\$ 141,967
<u>December 31, 2022</u>	
Non-interest bearing	\$ 154,597

## 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

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
		<b>2023</b>	<b>2022</b>
Service revenue	The Company’s key management personnel		
	Feng Hsin Co.	\$ 38,037	\$ 15,291
	Tung Ho Co.	34,857	7,232
	Others	31,960	7,026
	Related parties in substance	<u>7,610</u>	<u>7,718</u>
		<u>\$ 112,464</u>	<u>\$ 37,267</u>

There are no significant differences for sales and payments terms between related parties and normal customers.

c. Purchases of goods (classified as purchase discounts and allowances)

Related Party Category	For the Year Ended December 31	
	2023	2022
Related parties in substance	\$ 1,097	\$ (314)
The Company's key management personnel	<u>4</u>	<u>-</u>
	<u>\$ 1,101</u>	<u>\$ (314)</u>

There are no significant differences for purchases of goods (classified as purchase discounts and allowances) and payments terms between related parties and normal suppliers.

d. Operating costs

Line Item	Related Party Category	For the Year Ended December 31	
		2023	2022
Environmental expenditures	The Company's subsidiary	\$ 105,852	\$ 106,208
Others	The Company's key management personnel	<u>-</u>	<u>1,163</u>
		<u>\$ 105,852</u>	<u>\$ 107,371</u>

e. Receivables from related parties

Line Item	Related Party Category	December 31	
		2023	2022
Trade receivables	The Company's key management personnel	\$ 15,253	\$ 2,921
	Related parties in substance	<u>1,029</u>	<u>-</u>
		<u>\$ 16,282</u>	<u>\$ 2,921</u>
Other receivables	The Company's subsidiary	<u>\$ 114</u>	<u>\$ -</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2023 and 2022, no impairment losses were recognized for trade receivables from related parties.

f. Payables to related parties

Line Item	Related Party Category	December 31	
		2023	2022
Trade payables	The Company's key management personnel	\$ 2	\$ -
	Related parties in substance	<u>2</u>	<u>-</u>
		<u>\$ 4</u>	<u>\$ -</u>
Other payables	The Company's subsidiary	<u>\$ 9,744</u>	<u>\$ 10,924</u>

g. Contract liabilities

Line Item	Related Party Category	December 31	
		2023	2022
Other current liabilities	The Company's key management personnel	\$ 6,878	\$ 292
	Related parties in substance	<u>3,466</u>	<u>-</u>
		<u>\$ 10,344</u>	<u>\$ 292</u>

h. Disposal of property, plant and equipment

Related Party Category	For the Year Ended December 31			
	2023		2022	
	Proceeds	Gain(Loss) on Disposal	Proceeds	Gain(Loss) on Disposal
Subsidiary	<u>\$ 67</u>	<u>\$ -</u>	<u>\$ 277</u>	<u>\$ -</u>

i. Loans to related parties

Related Party Category/Name	For the Year Ended December 31	
	2023	2022
The Company's subsidiary TSR	<u>\$ 120,000</u>	<u>\$ -</u>

Related Party Category	For the Year Ended December 31	
	2023	2022
Interest income The Company's subsidiary	<u>\$ 539</u>	<u>\$ -</u>

The company provides short-term unsecured loans to TSR with an interest rate of 1.59%.

j. Endorsements and guarantees

Endorsements and guarantees provided by the Company

Related Party Category	December 31	
	2023	2022
Subsidiary		
Guaranteed amounts	<u>\$ 407,468</u>	<u>\$ 614,970</u>
Actual borrowing amount	<u>\$ -</u>	<u>\$ 195,000</u>

k. Remuneration of key management personnel

Remuneration of directors and key management personnel was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term employee benefits	\$ 20,082	\$ 21,045
Post-employment benefits	<u>108</u>	<u>134</u>
	<u>\$ 20,190</u>	<u>\$ 21,179</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>2023</b>	<b>2022</b>
Property, plant and equipment	\$ 254,728	\$ 254,728
Other financial assets - non-current	<u>48,000</u>	<u>7,000</u>
	<u>\$ 302,728</u>	<u>\$ 261,728</u>

## 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, 2023 and 2022 were as follows:

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

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Property, plant and equipment	<u>\$ 29,121</u>	<u>\$ 55,496</u>



- 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 \$17,871 thousand and \$21,615 thousand in 2023 and 2022, 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:

December 31, 2023			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary item USD	\$ 3,942	30.71 (USD:NTD)	\$ 121,032
<u>Financial liabilities</u>			
Monetary item USD	85	30.71 (USD:NTD)	2,612
December 31, 2022			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary item USD	\$ 1,886	30.71 (USD:NTD)	\$ 57,911
<u>Financial liabilities</u>			
Monetary item USD	105	30.71 (USD:NTD)	3,236

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

For the Year Ended December 31				
Foreign Currencies	2023	Net Foreign Exchange Loss	2022	Net Foreign Exchange Gain
	Exchange Rate		Exchange Rate	
USD	31.15 (USD:NTD)	\$ 4,631	29.81 (USD:NTD)	\$ 19,756

## 27. SEPARATELY DISCLOSED ITEMS

### a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in 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. (None)
- 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. (Table 3)
- 9) Trading in derivative instruments. (None)
- 10) 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)

**TABLE 1**

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

**FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 5)	Ending Balance (Note 5)	Actual Amount Borrowed (Note 6)	Interest Rate (%)	Nature of Financing (Note 3)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairmen t Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
0	The Company	Taiwan Steel Resources Co., Ltd.	Amounts receivable from related parties	Yes	\$ 400,000	\$ 200,000	\$ 120,000	1.59%	2	\$ -	Operating turnover	\$ -	-	\$ -	\$ 1,644,867	\$ 1,644,867	(Note 2,4 and 6)

Note 1: The numbers denote the following:

- 1) 0 represents the issuer.
- 2) Investees are numbered starting from 1.

Note 2: The financing limit for each borrower is up to 40% of the net worth of the Company.

Note 3: The nature of financing provided could be:

- 1) Business relationships.
- 2) Short-term financing needs.

Note 4: The aggregate financing limit is up to 40% of the net worth of the Company.

Note 5: The ending balance amount has been approved by the board of directors.

Note 6: According to the Company’s guidelines for loaning funds, the maximum amount of loaning is based on the Company’s net worth as stated in its latest audited (reviewed) financial statements. In December 2023, the Company announced that the Company’s maximum amount of the loan to be provided to a single enterprise is \$1,568,388 thousand and the maximum amount of the loan to be provided is \$1,568,388 thousand. Because the 2023 annual financial statements have not been audited, these amounts were based on the financial statements for the nine months ended September 30, 2023. Thus, there is a difference between them.

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

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars and Foreign Currencies)**

No. (Note 1)	Endorser/Guarantor	Endorsee/Guaranteed Party		Limits on Endorsements/ Guarantees Given on Behalf of Each Party (Notes 3 and 5)	Maximum Amount Endorsed/ Guaranteed During the Year (Note 4)	Outstanding Endorsements/ Guarantees at the End of the Year (Note 4)	Actual Amount Borrowed	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsements/ Guarantees to Net Equity in Latest Financial Statements (%)	Aggregate Endorsements/ Guarantees Limit (Notes 3 and 5)	Endorsements/ Guarantees Given by Parent on Behalf of Subsidiaries	Endorsements/ Guarantees Given by Subsidiaries on Behalf of Parent	Endorsements/ Guarantees Given on Behalf of Companies in Mainland China
		Name	Relationship (Note 2)										
0	The Company	Taiwan Steel Resources Co., Ltd.	(2)	\$ 2,014,962	\$ 706,680 (NT\$ 600,000 and US\$ 3,500)	\$ 407,468 (NT\$ 300,000 and US\$ 3,500)	\$ -	\$ -	9.91	\$ 2,056,083	Y	N	N

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

2) Subsidiaries are numbered starting from 1.

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

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

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

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

Note 5: According to the Company's Guideline for Endorsements and Guarantees, the maximum amount of the endorsements/guarantees is based on the Company's net assets as stated in its latest audited (reviewed) financial statements. In December 2023, the Company announced that the Company's maximum amount of the endorsements/guarantees to a single enterprise is \$1,921,276 thousand and the maximum amount of the endorsements/guarantees is \$1,960,485 thousand. Because the 2023 annual financial statements have not been audited, these amounts were based on the financial statements for the nine months ended September 30, 2023. Thus, there is a difference between them.

**TABLE 3**

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

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance (Note 1 and 3)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
The Company	Taiwan Steel Resources Co., Ltd.	(Note 2)	\$ 120,114	-	\$ -	Repayment will depend on the operating status of the company	\$ -	\$ -

Note 1: Including other receivables.

Note 2: Investees which the Corporation directly or indirectly holds more than 50% of the voting shares.

TABLE 4

TAIWAN STEEL UNION CO., LTD.

INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2023			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2023	December 31, 2022	Number of Shares(In thousands)	%	Carrying Amount			
The Company	Taiwan Steel Resources Co., Ltd.	Changhua	Waste reuse services	\$ 2,300,000	\$ 2,300,000	149,000	100	\$ 2,148,078	\$ 42,811	\$ 40,545	Subsidiary

**TABLE 5****TAIWAN STEEL UNION CO., LTD.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Feng Hsin Steel Co., Ltd.	26,666,587	23.96
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	
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**STATEMENT 1**

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

**STATEMENT OF CASH**

**DECEMBER 31, 2023**

**(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	\$ 75
Cash in banks	
Demand deposits	459,584
Foreign currency deposits (Note 1)	<u>17,577</u>
	<u>\$ 477,236</u>

Note1: Including USD 570 thousand (USD 1 = NTD 30.71), EUR 2 thousand (EUR 1 = NTD33.98), and CNY 1 thousand (CNY 1 = NTD4.33).

**STATEMENT 2****TAIWAN STEEL UNION CO., LTD.****STATEMENT OF TRADE RECEIVABLES  
DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Related parties	
Others (Note)	\$ <u>16,282</u>
Non-related parties	
Client A.	66,416
Client B.	13,377
Client C.	12,935
Client D.	12,476
Client E.	12,333
Client F.	7,757
Others (Note)	<u>19,605</u>
	<u>144,899</u>
	<u>161,181</u>
Less: Allowance for impairment loss	( <u>159</u> )
	\$ <u>161,022</u>

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, 2023  
(In Thousands of New Taiwan Dollars)**

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Item	Amount	
	Cost	Net Realizable Value
Raw materials	\$ 128,968	\$ 90,044
Finishes goods	<u>54,456</u>	<u>109,199</u>
	183,424	<u>\$ 199,243</u>
Less: Write-down of inventories	( <u>38,924</u> )	
	<u>\$ 144,500</u>	

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

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

**STATEMENT OF CHANGES IN INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance at January 1,2023			Increase in Investment		Share of Gain of Subsidiary	Balance at December 31,2023			Net Assets Value
	Shares	Ownership (%)	Amount	Shares	Amount		Shares	Ownership(%)	Amount	
Taiwan Steel Resources Co., Ltd.	149,000,000	100	<u>\$ 2,107,533</u>	-	<u>\$ -</u>	<u>\$ 40,545</u>	149,000,000	100	<u>\$ 2,148,078</u>	<u>\$ 2,148,078</u>

**STATEMENT 5**

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

**STATEMENT OF TRADE PAYABLES  
DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)**

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<b>Vendor Name</b>	<b>Amount</b>
Related parties	
Others (Note)	\$ <u>4</u>
Non-related parties	
Company A	15,858
Company B	8,134
Company C	5,069
Company D	2,205
Company E	2,122
Company F	1,997
Others (Note)	<u>7,603</u>
	<u>42,988</u>
	\$ <u>42,992</u>

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, 2023  
(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	50,475	\$ 1,275,243
Revenue from waste disposal		364,346
Other operating revenue		<u>410</u>
		<u>\$ 1,639,999</u>

**STATEMENT 7****TAIWAN STEEL UNION CO., LTD.****STATEMENT OF OPERATING COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>
Raw materials, beginning of year	\$ 116,825
Raw materials purchased	431,583
Adjustments for the current year	( 2 )
Consumables transferred to manufacturing expenses	( 40,366 )
Consumables transferred to R&D expenses	( 1,960 )
Materials transferred to service costs	( 71,797 )
Less: raw material, end of year	( <u>128,968</u> )
Raw material used	305,315
Direct labor	34,768
Manufacturing expenses	331,950
Finished goods, beginning of year	56,193
Less: finished goods, end of year	( <u>54,456</u> )
Costs of goods sold	673,770
Service costs	205,909
Inventory write-downs	4,958
Revenue from sale of scraps	( <u>172</u> )
Operating Costs	<u>\$ 884,465</u>

**TAIWAN STEEL UNION CO., LTD.****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023  
(In Thousands of New Taiwan Dollars)**

<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administration Expenses</b>	<b>Research and Development Expenses</b>	<b>Total</b>
Salaries	\$ 4,394	\$ 42,739	\$ 3,960	\$ 51,093
Shipping expenses	41,416	-	-	41,416
Donation expenses	-	19,309	-	19,309
Export expenses	9,347	-	-	9,347
Others (Note)	<u>12,377</u>	<u>24,909</u>	<u>1,961</u>	<u>39,247</u>
	<u>\$ 67,534</u>	<u>\$ 86,957</u>	<u>\$ 5,921</u>	<u>\$ 160,412</u>

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