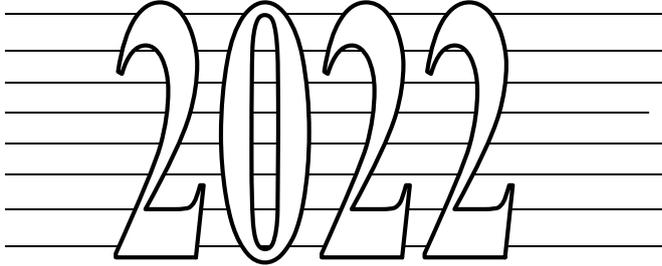


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**中鴻銹鐵股份有限公司**  
**CHUNG HUNG STEEL CORPORATION**

A large, stylized graphic of the year '2022' in a white, outlined font, set against a background of horizontal lines.

Stock Code: 2014

The Company's website: <http://www.chsteel.com.tw>

TWSE Market Observation Post System website:

<http://mops.twse.com.tw/mops/web/index>

# **Chung Hung Steel Corporation**

## **2022 General Shareholders' Meeting**

# **Meeting Manual**

Time: 09:30 a.m. June 24, 2022 (Friday)

Venue: No. 2, Hongyi 1st Rd., Nanzi Dist., Kaohsiung City, Taiwan

CPC Corporation Hongnan Training Classroom (exit of R17 World Games MRT station)

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## **A. Agenda of the Annual Meeting of Shareholders**

Form of meeting:Physical AGM

Time: 9:30 a.m., June 24, 2022 (Friday)

Venue: No. 2, Ln. 12, Hongyi 1st Rd., Nanzi Dist., Kaohsiung  
City,Taiwan

CPC Corporation Hongnan Training Classroom(exit of R17  
World Games MRT station)

- Agenda:
- I. Call Meeting to Order
  - II. Chairperson's Speech
  - III. Reports
  - IV. Ratifications
  - V. Matters for Discussion
  - VI. Extempore Motions
  - VII. Meeting Adjourned

## **B. Reports**

### **I. The Company's 2021 Business Report**

**(Reported by President Kuei-Sung Tseng)**

## **II. The Audit Committee's review report on statements for 2021.**

Chung Hung Steel Corporation  
Audit Committee's Audit Report

Hereby approved

The Company's 2021 Individual Financial Report and Consolidated Financial Report (audited and certified by CPAs Yu-Hsiang Liu and Chia-Ling Chiang of Deloitte, Taiwan), Business Report, and Earnings Distribution Proposal prepared by the Board of Directors were audited by the Audit Committee, who found them to be compliant with regulations. The Audit Report is therefore provided in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Please review and assess the preceding items.

Respectfully submitted to

The Company's 2022 Annual Shareholders Meeting

Audit Committee, Chung Hung Steel Corporation

Convener: Juh-Shan Chiou

February 24, 2022

### **III. Report on the 2021 distribution of remuneration to employees and Directors.**

**Proposed by the Board of Directors**

Explanation:

- I. Processed in accordance with Article 28 of the Company's Articles of Incorporation and Jing-Shang-Zi No. 10402436190 Letter of the Ministry of Economic Affairs dated January 4, 2016.
- II. According to Article 28 of the Articles of Incorporation, the Company's remuneration for employees and Directors shall be no lower than 1‰ and under 1% of the earnings before tax of the year before deducting remuneration for employees and Directors.
- III. Profitability shall, according Jing-Shang No. 10402436190 Letter of the Ministry of Economic Affairs Letter dated January 4, 2016, refer to profit before tax before deducting remuneration for employees and Directors.
- IV. The account value of 2021 employees' remuneration of 5% after tax amounted to NT\$307,803,807, which is equivalent to 4.17 % of pre-tax profit excluding employee and director remuneration; the account value of directors' remuneration amounted to NT\$61,560,761, which was equivalent to 0.83% of pre-tax profit excluding employee and Director remuneration. The items specified above meet requirements in Article 28 of the Company's Articles of Incorporation and all remuneration shall be distributed in cash.

## **IV. Report on amendment of the Company's "Corporate Social Responsibility Best Practice Principles."**

**Proposed by the Board of Directors**

Explanation:

- I. The amendment is implemented in accordance with the amendment of the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies" promulgated in Tai-Zheng-Zhi-Li-Zi No. 11000241731 Announcement of Taiwan Stock Exchange dated December 7, 2021.
- II. Amendment of the title, amendment of Article 1.2, Article 1.3, Article 2.3, Article 2.4, Article 2.5, Article 3, Article 3.1.2, Article 3.1.3, Article 3.1.4, Article 3.1.5, Article 3.2.2, Article 3.2.7, Article 3.3.4, Article 3.3.8, Article 3.3.10, Article 3.4, Article 3.4.1, Article 3.4.2, and Article 3.5, and addition of Article 2.2.
- III. The comparison table for revised clauses is provided in the Attachment.

Attachment



**Comparison Table of Revision of Rules**

Name of Rules: Social Responsibility Best Practice Principles of the Chung Hung Steel Corporation

Clause after Revision	Existing Clauses	Description
<p><u>Sustainable Development</u> Best Practice Principles of the Chung Hung Steel Corporation</p>	<p><u>Corporate Social Responsibility</u> Best Practice Principles of the Chung Hung Steel Corporation</p>	<p>In order to strengthen the promotion of sustainable development at TWSE/TPEX listed companies and enhance the quality of sustainable development information disclosure, the Taiwan Stock Exchange has revised the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies" as the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," the name of these Principles has been correspondingly amended.</p>
<p>1.2 These Principles have been drafted on the basis of the <u>Sustainable Development</u> Best Practice Principles for TWSE/TPEX Listed Companies determined by the Taiwan Stock Exchange Corporation and the Taipei Exchange.</p>	<p>1.2 The Principles are based on the "<u>Corporate Social Responsibility</u> Best Practice Principles for TWSE/GTSM-Listed Companies" determined by the Taiwan Stock Exchange Corporation (hereinafter referred to as TWSE) and Taipei Exchange.</p>	<p>In accordance with the international development trends and title change, the amendent of corporate social responsibility expand to sustainable development.</p>
<p>1.3 The Principles applies to the Company and the scope includes all business operations of the Company. The Company actively implements <u>sustainable development</u> while conducting corporate operations in compliance with international development trends. As a responsible corporate citizen,</p>	<p>1.3 The Principles applies to the Company and the scope includes all business operations of the Company. In keeping international development trends, the Company actively fulfills its corporate <u>social responsibilities</u> while conducting corporate operations. As a responsible corporate citizen, the Company</p>	<p>Same as explanation 1.2 provided for the amendment.</p>

## Comparison Table of Revision of Rules

Name of Rules: Social Responsibility Best Practice Principles of the Chung Hung Steel Corporation

Clause after Revision	Existing Clauses	Description
the Company contributes to the national economy by improving the quality of life for its employees, surrounding communities, and society as a whole, and strives to promote its competitive advantages based on <u>sustainable development</u> .	contributes to the national economy by improving the quality of life for its employees, surrounding communities, and society as a whole, which has helped to build a competitive advantage based on <u>CSR</u> .	
<u>2.2 The company assess the environmental, social, and corporate governance risks related to its operations based on the principle of materiality, and drafted risk management policies or strategies.</u>	This clause is newly added.	This clause has been added in accordance with Article 3, Paragraph 2 of the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies."
<u>2.3</u> The Company's vision is to "maintain ethical business operations and strive to become a sustainable, reliable, and approachable steel company," and it drafts and actively implements corporate operating strategies on an annual basis.	<u>2.2</u> The Company <u>complies with laws and regulations, its Articles of Incorporation, contracts signed with TWSE, and related regulations. It also pays attention to domestic and foreign CSR development trends, and the overall business activities of the Company and its group enterprises.</u> While adhering to its vision of "maintaining ethical business operations and striving to become a sustainable, reliable, and approachable steel company," <u>the Company</u> establishes business strategies each year and actively implements them.	1. Revised numbering of clauses. 2. Since the content of some clauses of the original 2.2 are identical with those in 2.5, in order to simplify content, 2.3 has been amended.
<u>2.4</u> The Company realizes <u>sustainable development</u> in accordance with the following principles: (1) Implementation of corporate governance.	<u>2.3</u> The Company implements corporate <u>social responsibilities</u> in accordance with the following principles: (1) Implementation of corporate governance.	1. Revised numbering of clauses. 2. Same as explanation 1.2 provided for the amendment.

## Comparison Table of Revision of Rules

Name of Rules: Social Responsibility Best Practice Principles of the Chung Hung Steel Corporation

Clause after Revision	Existing Clauses	Description
<p>(2) Fostering a sustainable environment.</p> <p>(3) Maintaining social welfare.</p> <p>(4) <a href="#">Strengthening sustainable development information disclosure.</a></p>	<p>(2) Fostering a sustainable environment.</p> <p>(3) Maintaining social welfare.</p> <p>(4) Strengthening <b>CSR</b> information disclosure.</p>	
<p>2.5 The Company complies with laws and regulations, its Articles of Incorporation, contracts signed with TWSE, and related regulations. It also pays attention to domestic and foreign <a href="#">sustainability</a> development trends, and the overall business activities of the Company and its group enterprises. <a href="#">It relies</a> on its business philosophy of “capabilities, integrity, and services” to advance sustainability on the <a href="#">corporate governance</a>, social, and environmental levels, and has drafted the following <a href="#">sustainable development</a> policy:</p> <p>(1) Continue to improve competitiveness and ensure the Company’s sustainable development.</p> <p>(2) Maintain ethical business operations and strengthen corporate governance</p> <p>(3) Develop refined customer services to create win-win for both the customers and the Company.</p> <p>(4) Uphold human-centric ideals and take good care of employees.</p> <p>(5) Respect and provide care for life and the environment by improving environmental</p>	<p>2.4 The Company follows laws and regulations, its Articles of Incorporation, contracts signed with TWSE, and related regulations. It also pays attention to domestic and foreign <b>CSR</b> development trends, and the overall business activities of the Company and its group enterprises. It relies on its business philosophy of “capabilities, integrity, and services” to advance sustainability on the <b>economic</b>, social, and environmental levels, and has drafted the following <b>corporate social responsibilities</b> policy:</p> <p>(1) Continue to improve competitiveness and ensure the Company’s sustainable development.</p> <p>(2) Maintain ethical business operations and strengthen corporate governance</p> <p>(3) Develop refined customer services to create win-win for both the customers and the Company.</p> <p>(4) Uphold human-centric ideals and take good care of employees.</p> <p>(5) Respect and provide care for life and the environment by improving environmental</p>	<p>1. Revised numbering of clauses.</p> <p>2. Same as explanation 1.2 provided for the amendment.</p> <p>3. Amended to ensure that the Company's sustainable development implementation directors are better aligned with ESG (Environmental, Social, and Governance) aspects.</p>

## Comparison Table of Revision of Rules

Name of Rules: Social Responsibility Best Practice Principles of the Chung Hung Steel Corporation

Clause after Revision	Existing Clauses	Description
<p>protection and occupational safety performance.</p> <p>(6) Give back to communities and participate in social and charity events.</p>	<p>protection and occupational safety performance.</p> <p>(6) Give back to communities and participate in social and charity events.</p>	
<p>3. Implementation <u>sequence</u></p>	<p>3. Implementation <u>procedures</u></p>	Revised wording.
<p>3.1.2 The Directors of the Company shall exercise due administrative diligence in supervising the implementation of <u>sustainable development</u>, and shall continue to review the effectiveness of implementation and make improvements to ensure the realization of its <u>sustainable development</u> policies.</p> <p>When the Company's Board of Directors performs its <u>sustainable development goals</u>, it should fully consider the interests of stakeholders, including the following matters:</p> <p>(1) Propose <u>sustainable development</u> missions or visions, and determine <u>sustainable development</u> policies, systems, and related management directives.</p> <p>(2) Include <u>sustainable development</u> in the Company's operating activities and developmental directions.</p> <p>(3) Ensure the promptness and accuracy of <u>sustainable</u></p>	<p>3.1.2 The Company's Directors shall exercise due administrative diligence to fulfill the Company's <u>social responsibilities</u>, and shall continue to review the results of implementation and make continuing improvements to ensure thorough implementation of its <u>CSR</u> policies.</p> <p>When the Company's Board of Directors performs its <u>corporate social responsibilities</u>, it shall fully consider the interests of stakeholders, including the following matters:</p> <p>(1) Propose <u>CSR</u> missions or visions, establish <u>CSR</u> policies, systems, and related management directives.</p> <p>(2) Incorporate <u>CSR</u> in the Company's business activities and developmental directions.</p> <p>(3) Ensure the promptness and accuracy of the</p>	<p>Same as explanation of the amendment provided in 1.2.</p>

## Comparison Table of Revision of Rules

Name of Rules: Social Responsibility Best Practice Principles of the Chung Hung Steel Corporation

Clause after Revision	Existing Clauses	Description
<p><u>development</u> information disclosure.</p> <p>The economic, environmental, and social issues derived from the Company's operating activities shall be handled by high-level management based on authorization granted by the Board of Directors, and handling status shall be reported to the Board of Directors. The operating procedures and related persons in charge shall be specific and clear.</p>	<p>disclosure of relevant <u>CSR</u> information.</p> <p>The economic, environmental, and social issues derived from the Company's operating activities shall be handled by high-level management based on authorization granted by the Board of Directors, and handling status shall be reported to the Board of Directors. The operating procedures and related persons in charge shall be specific and clear.</p>	
<p>3.1.3 The Company shall assign personnel to participate in relevant <u>sustainable development</u> education and training courses (including energy conservation and environmental protection) from time to time.</p>	<p>3.1.3 The Company shall assign personnel to participate in related <u>CSR</u> education and training courses (including energy conservation and environmental protection) from time to time.</p>	<p>Same as explanation 1.2 provided for the amendment.</p>
<p>3.1.4 The management of the Company's <u>sustainable development</u> shall be assigned to business units or personnel in each department in accordance with the nature of the action, and such personnel shall be supervised by the vice president of the department.</p>	<p>3.1.4 The management of the Company's <u>CSR</u> implementation shall be assigned to business units or personnel in each department in accordance with the nature of the action, and such personnel shall be supervised by the vice president of the department.</p>	<p>Same as explanation of the amendment provided in 1.2.</p>
<p>3.1.5 Based on respect for stakeholders' interests, the Company has identified its stakeholders, and has also established a stakeholders' section on the Company's website. The Company further</p>	<p>3.1.5 Based on respect for stakeholders' interests, the Company has identified its stakeholders, and has also established a stakeholders' section on the Company's website. The Company further</p>	<p>Same as explanation of the amendment provided in 1.2.</p>

## Comparison Table of Revision of Rules

Name of Rules: Social Responsibility Best Practice Principles of the Chung Hung Steel Corporation

Clause after Revision	Existing Clauses	Description
relies on appropriate communication methods to understand stakeholders' reasonable needs and expectations, and responds appropriately to major <u>sustainability</u> issues of concern to stakeholders.	relies on appropriate communication methods to understand stakeholders' reasonable needs and expectations, and responds appropriately to major <u>CSR</u> issues of concern to stakeholders.	
3.2.2 The Company is committed to improving <u>energy use efficiency and</u> using recycled materials with low impact on the environment to ensure sustainability of the Earth's resources.	3.2.2 The Company is committed to improving <u>the efficiency of resource use and</u> is using recycled materials with a low environmental burden to ensure sustainability of the Earth's resources.	This amendment is motivated by the Company's focus on the use of energy and need to reduce greenhouse gas emissions.
3.2.7 <u>The Company assess the current and future potential risks and opportunities that climate change may present to enterprises and to adopt climate related measures.</u> The Company has adopted standards or guidelines generally accepted in Taiwan and abroad in the implementation of corporate greenhouse gas inventories and information disclosure. The scope of information disclosure includes: (1) Direct greenhouse gas emissions: Sources of greenhouse gas emissions under the Company's ownership or control. (2) Indirect greenhouse gas emissions: Greenhouse gases generated from externally purchased <u>or acquired</u> electrical power, heat, steam, and other forms of energy.	3.2.7 The Company has adopted standards or guidelines generally accepted in Taiwan and abroad to enforce corporate greenhouse gas inventory and to disclose information. The scope of information disclosure includes:  (1) Direct greenhouse gas emissions: Sources of greenhouse gas emissions under the Company's ownership or control. (2) Indirect greenhouse gas emissions: Greenhouse gases generated from externally <u>purchased</u> electrical power, heat, steam, and other forms of energy.	In order to strengthen the Company's ability to respond to the risks posed by climate change and disclose relevant information, 3.2.7 has been amended in accordance with Article 17 of "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies."

## Comparison Table of Revision of Rules

Name of Rules: Social Responsibility Best Practice Principles of the Chung Hung Steel Corporation

Clause after Revision	Existing Clauses	Description
<p>The Company pays attention to the impact of climate change on its operating activities. <u>It formulates energy conservation and carbon reduction measures, as well as greenhouse gas cutback strategies,</u> based on its business situation and the results of greenhouse gas inventories. The Company has also drafted <u>water usage reduction and other waste management policies,</u> and has also included the acquisition of carbon rights in the Company's carbon emissions reduction strategy, which will reduce the impact of the Company's operating activities on climate change.</p>	<p>The Company pays attention to the impact of climate change on operating activities, and has drafted energy conservation <u>and carbon reduction measures,</u> as well as greenhouse gas cutback strategies, based on its operating situation and results of greenhouse gas inventories. It has also included the acquisition of carbon rights among its carbon emissions reduction strategies, which will reduce the impact of the Company's operating activities on climate change.</p>	
<p>3.3.4 The Company has created a favorable environment for employees' career development, established effective professional skill development training plans, <u>drafted and implemented reasonable employee welfare measures (including remuneration, leave, and other welfare aspects),</u> and reflects the enterprise's business results and performance appropriately <u>in</u> its employee remuneration policy, which ensures the effective recruiting, retention, and encouragement of human resources, and helps advance the goal of sustainability.</p>	<p>3.3.4 The Company has created a favorable environment for employees' career development, and established effective professional skill development training plans. The Company also ensures that the business performance or achievements of the Company are appropriately reflected <u>in</u> the employee remuneration policy, which ensures the effective recruitment, retention, and motivation of human resources and achieves the objective of sustainable operations.</p>	<p>3.3.4 has been amended in accordance with Article 21, Paragraph 2 of "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies."</p>

## Comparison Table of Revision of Rules

Name of Rules: Social Responsibility Best Practice Principles of the Chung Hung Steel Corporation

Clause after Revision	Existing Clauses	Description
<p>3.3.8 The Company abides by regulations of the government and related regulations of the industry to ensure the quality of products and services. To ensure the <a href="#">health and safety of product and service customers</a>, product and service marketing and labeling meet relevant regulations and international standards; the Company does not permit any activities involving deceptive or misleading behavior, fraud, or other actions which may diminish the trust of consumers or damage consumer rights and interests. The Company also provides transparent and effective consumer complaint response procedures to handle consumer complaints in a fair and prompt manner. The Company also abides by related regulations in the Personal Information Protection Act and other applicable laws to fully respect consumer privacy and protect personal information provided by consumers.</p>	<p>3.3.8 The Company abides by regulations of the government and related regulations of the industry to ensure the quality of products and services. Product and service marketing and labeling meet related regulations and international standards and the Company does not permit any activities involving deceptive or misleading behaviors, frauds, or other actions which may diminish the trust of consumers or damage consumer interest. The Company also provides transparent and effective consumer complaint procedures to process consumer complaints in a fair and prompt manner. The Company also abides by related regulations in the Personal Information Protection Act to fully respect consumer privacy and protect personal information provided by consumers.</p>	<p>Article 3.3.8 has been amended in accordance with Article 24, Paragraph 2 of the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>3.3.10 The Company evaluates the environmental and social impact of its procurement and outsourcing activities on the source communities based on the degree of impact. It also works with suppliers to jointly <a href="#">realize sustainable development goals</a>.</p>	<p>3.3.10 The Company evaluates the environmental and social impact of its procurement and outsourcing activities on the source communities based on the degree of impact. It also works with suppliers to jointly <a href="#">fulfill corporate social responsibilities</a>.</p>	<p>Same as explanation of the amendment provided in 1.2.</p>

## Comparison Table of Revision of Rules

Name of Rules: Social Responsibility Best Practice Principles of the Chung Hung Steel Corporation

Clause after Revision	Existing Clauses	Description
<p>3.4 Strengthening of <a href="#">sustainable development</a> information disclosure</p> <p>3.4.1 The Company implements information disclosure in accordance with relevant statute and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. It also fully discloses relevant and reliable <a href="#">sustainable development</a> information in an effort to improve information transparency. The company discloses the following <a href="#">sustainable development</a> information:</p> <p>(1) Systems, related management policies, and specific advancement plans passed in resolutions of the Board of Directors.</p> <p>(2) Risks and impact of the implementation of corporate governance, development of a sustainable environment, and maintenance of social welfare on the Company's operations and financial status.</p> <p>(3) Targets, measures, and <a href="#">implementation</a> performance standards formulated by the Company to <a href="#">achieve sustainable development</a>.</p> <p>(4) Other <a href="#">sustainable</a></p>	<p>3.4 Strengthening corporate <a href="#">social responsibility</a> information disclosure</p> <p>3.4.1 The Company implements information disclosure in accordance with relevant statute and the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies. It also fully discloses relevant and reliable <a href="#">corporate social responsibility</a> information in an effort to improve information transparency. The company discloses the following <a href="#">CSR</a> information:</p> <p>(1) Systems, related management policies, and specific advancement plans passed in resolutions of the Board of Directors.</p> <p>(2) Risks and impact of the implementation of corporate governance, development of a sustainable environment, and maintenance of social welfare on the Company's operations and financial status.</p> <p>(3) Targets, measures, and <a href="#">implementation</a> performance standards formulated by the Company as means of <a href="#">fulfilling its corporate social responsibilities</a>.</p> <p>(4) Other <a href="#">corporate social</a></p>	<p>Same as explanation of the amendment provided in 1.2.</p>

## Comparison Table of Revision of Rules

Name of Rules: Social Responsibility Best Practice Principles of the Chung Hung Steel Corporation

Clause after Revision	Existing Clauses	Description
<p><u>development</u> information.</p> <p>3.4.2 The Company compiles <u>sustainability</u> reports and adopts standards and guidelines widely accepted internationally in disclosure of the status of its implementation of <u>sustainable development</u>. The contents include:</p> <p>(1) Implementation of <u>sustainable development</u> policies, systems, related management policies, and specific promotion plans.</p> <p>(2) Main stakeholders and their issues of concern.</p> <p>(3) The performance and review of the Company's implementation of corporate governance, development of a sustainable environment, maintenance of social welfare, and advancement of economic development.</p> <p>(4) Future improvement plans and goals.</p>	<p><u>responsibility-related</u> information.</p> <p>3.4.2 The Company compiles <u>corporate social responsibility</u> reports and adopts standards and guidelines widely accepted internationally in disclosing the state of its <u>corporate social responsibility</u> implementation. The contents include:</p> <p>(1) Implementation of <u>CSR</u> policies, systems, related management policies, and specific advancement plans.</p> <p>(2) Main stakeholders and their issues of concern.</p> <p>(3) The performance and review of the Company's implementation of corporate governance, development of a sustainable environment, maintenance of social welfare, and advancement of economic development.</p> <p>(4) Future improvement plans and goals.</p>	
<p>3.5 The Company pays close attention to the development of domestic and foreign <u>sustainable development</u> standards and</p>	<p>3.5 The Company pays close attention to the development of domestic and foreign <u>CSR</u> standards and changes in the</p>	<p>Same as explanation of the amendment provided in 1.2.</p>

## Comparison Table of Revision of Rules

Name of Rules: Social Responsibility Best Practice Principles of the Chung Hung Steel Corporation

Clause after Revision	Existing Clauses	Description
changes in the corporate environment, which provides a basis for the review and improvement of the <a href="#">sustainable development</a> system established by the Company and the improvement of the performance of <a href="#">sustainability</a> implementation.	corporate environment, which provides a basis for the review and improvement of the <a href="#">CSR</a> system established by the Company and the improvement of the performance of <a href="#">CSR</a> implementation.	

## **C. Ratifications**

**Agenda item #1**

**Proposed by the Board of Directors**

Agenda: Ratification of the Company's 2021 Business Report and financial statements.

Explanation: The Company's 2021 Individual Financial Report and Consolidated Financial Report have been audited and certified by CPAs Yu-Hsiang Liu and Chia-Ling Chiang of Deloitte, Taiwan. The Audit Committee submitted the Audit Report which found them to be compliant with regulations.

Resolution:

## **2021 Business Report**

### **I. Business Strategy**

Vision: Chung Hung maintains ethical business operations and strives to become a sustainable, reliable, and approachable steel company.

Philosophy: Flexibility in response to changes, streamlined efficiency, development of niches, and value creation

Tangible actions: ◎ Making full use of the Group's resources, striving for an optimal production-marketing combination.

◎ Flexibly engaging in production and marketing activities, smoothly implementing production, storage, transportation, and marketing procedures

◎ Lean production management, continuing promotion of smart production and marketing

◎ Cultivating successor personnel, pursuing the transmission and utilization of knowledge

◎ Strongly promoting environmental protection, safety, and health capabilities, fulfilling corporate social responsibilities

### **II. Implementation Overview**

1. Agile production and marketing operations, setting new revenue and profit records: While staying fully abreast of market trends and enhancing production-marketing coordination, the Company is also strengthening service relationships with customers, and agilely adjusting its export/domestic sale ratio in accordance with market conditions. As a result, the Company generated historic record revenue of NT\$53.74 billion and profit of NT\$6.35 billion.
2. Lean production management, record-setting qualified order rate: The rate of qualified orders for the products of the Company's Hot Rolling Department, Cold Rolling Department, and Lukang Steel Pipe Plant and for the galvanized products of the Pickling and Galvanizing Department both set historic new records.
3. Implemented occupational health and safety management system operation, and

received the following honors:

- (1) In November 2021, the Hot Rolling Department and Cold Rolling Department passed the Ministry of Labor's occupational health and safety management system audit; the 3-year duration of audit results will extend from June 29, 2021 to June 28, 2024.
  - (2) The Dafa Steel Pipe Plant was recognized as an "Outstanding Unit in the Advancement of Occupational Safety and Health" by Kaohsiung City in November 2021" and received the "2021 Outstanding Occupational Safety and Health Unit—Five Star Award" from the Ministry of Labor, Executive Yuan.
  - (3) In December 2021, the Hot Rolling Department and Cold Rolling Department received the "Gold Safety Award" for safety and health performance in 2020 from Taiwan Steel & Iron Industries Association, and the Dafa Steel Pipe Plant and Lukang Steel Pipe Plant received the "Special Honors Award."
4. Strengthening environmental and energy management and energy conservation/waste reduction, effectively fulfilling corporate social responsibilities: On January 10, 2022, the Company received recognition for outstanding reduction of greenhouse gas emissions for 2020-2021 under an inter-department greenhouse gas reduction and cooperation program from the Environmental Protection Bureau of Kaohsiung City Government. On January 4, 2022, the Hot Rolling Department's Project for the Replacement of Heavy Oil with Natural Gas as the Heating Furnace Fuel passed external third party verification of its fourth/fifth-year reduction amount, and received a verification statement (reduction of 98,584 tons of CO<sub>2</sub>e).
5. Continuing quality improvement, passing various certifications:
- (1) Passed 13 items in the 2021 Product System Verification Certification with full marks; certification items: Including API, VN, JIS MARK, MS, ISO/IEC 17025, CE MARK, ISO 9001, Singapore's FPC, IATF 16949, and New Zealand's FPC.
  - (2) The Pickling and Galvanizing Department passed ISO 14001: 2015 Management System certification.
  - (3) The Pickling and Galvanizing Department passed ISO 50001: 2018 Management System certification.

- (4) The Pickling and Galvanizing Department laboratory passed certification for ISO/IEC 17025:2017 General requirements for the competence of testing and calibration laboratories, and became a TAF-certified laboratory.
6. The Company received the following awards for its numerous outstanding achievements:
- (1) The Company was rated among the top 6% to 20% of companies for 2020 in the 7th Corporate Governance Evaluation of the Securities and Futures Market Development Foundation in April 2021.
  - (2) The Company received recognition as an Excellent Invoice Issuer from the Ministry of Finance for 2021 in May 2021..
  - (3) Received the Outstanding Green Procurement Enterprise Award in Kaohsiung city from the Environmental Protection Bureau of Kaohsiung City Government in September 2021.
  - (4) Received certificate of top 500 ranking among outstanding import and export companies in 2020 from the Bureau of Foreign Trade, Ministry of Economic Affairs in October 2021.
  - (5) Received a 2021 Taiwan Corporate Sustainability Award in November 2021 (Silver Award for Corporate Sustainability Reports).

### **III. Business Plan Implementation Results**

1. Production plan implementation status;

The Company had an iron and steel product output of 2.376 million tons (not including miscellaneous grade products) in 2021, which represented a reduction of 160,000 tons compared with the 2.536 million tons(decrease of 6.3%) output in 2020.

2. Sales plan implementation status:

The Company had iron and steel product sales of 2.12 million tons in 2021, which represented a reduction of 310,000 tons compared with the 2.43 million tons(decrease of 12.8%) sold in 2020.

### **IV. Analysis of operating income/expenses and profitability**

After-tax net profit was NT\$6.35 billion in 2021. Operating revenue/expenses and profitability were as follows:

1. Revenue:

Consolidated operating revenue in 2021 was NT\$53.74 billion, which was an increase of NT\$16.95 billion (46.1%) from the operating revenue of NT\$36.79 billion in 2020.

2. Expenditures:

Consolidated operating costs and consolidated operating expenses totaled NT\$47.22 billion in 2021 which was an increase of NT\$10.77 billion (29.5%) from the NT\$36.45 billion in 2020.

3. Profitability:

The increase in the sales price of steel products in 2021 was greater than the increase in costs, the pre-tax profit increased by NT\$6.485 billion compared with 2020.

## **V. Research and Development**

The Company continues to upgrade equipment, refine processes, and seeks to develop high added-value products with steel slab suppliers to improve product grade and the Company's overall competitiveness. The Company's material R&D and quality improvement in 2021 were as follows:

1. Product development

- (1) Cold-rolling - Streamlined process steel coil development.
- (2) Steel pipes - API oil well pipe K55 grade product development.
- (3) Steel pipes – high thickness API oil well pipe heat treatable upgrade product development.
- (4) Steel pipes – 16" and above large diameter API oil transport pipe X70M grade product development.

2. Product quality improvements

Upgrading of process technology quality for including 400kg strength grade hot-rolled hard thin sheet and fully hardened cold-rolled medium carbon steel thick sheet.

3. Process research

Establishment of hot rolling S55C low-temperature rolled fineblanking technology and slab temperature control technology for precision reheating furnaces.

#### 4. Equipment technology establishment

- (1) Addition of automatic surface defect inspection systems to the Hot Rolling Department's quenching and tempering line and the Pickling and Galvanizing Department's pickling line.
- (2) Addition of predictive ability to the steel pipe forming model and roller grinding, and addition of a smart monitoring system to inner bead cutter.

Chairperson:  
Min-Hsiung Liu

Managerial Officer:  
Kuei-Sung Tseng

Chief Accounting Officer:  
Wen-ping Huang

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and the shareholders  
Chung Hung Steel Corporation

### Opinion

We have audited the accompanying standalone financial statements of Chung Hung Steel Corporation (the "Corporation"), which comprise the standalone balance sheets as of December 31, 2021 and 2020, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies (collectively referred to as the "standalone financial statements").

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

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Corporation 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 standalone financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Corporation's standalone financial statements for the year ended December 31, 2021 are stated as follows:

#### The Existence of Revenue from Sale of Goods on Specific Customers

The domestic sales revenue among the Corporation's top ten customers for the year ended December 31, 2021 was NT\$19,952,276 thousand, which represented 38% of the sales revenue. Because the sales revenue from the above-mentioned specific customers has grown significantly compared to the sales revenue from the previous year, we considered the existence of sales revenue from the above-mentioned specific customers as a key audit matter. Refer to Notes 4 and 24 to standalone financial statements for the related accounting policies and disclosures on sales revenue.

The audit procedures we performed included the following:

1. We obtained an understanding of the design and implementation of the internal controls and tested the operating effectiveness of controls related to the existence of sales revenue.
2. We tested the sales details of specific customers by selecting samples, including sales orders, shipping documents and cash collections, and we confirmed that the collections of counterparties were consistent with the record of transactions and the accuracy of revenue recognized.
3. We obtained subsequent details of sales returns and allowances of the specific customers and tested whether there is any unusual sales returns and allowances by selecting samples and confirmed that sales revenue existed before the balance sheet date.

### **Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

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

In preparing the standalone financial statements, management is responsible for assessing the Corporation'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 Corporation 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 Corporation's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the standalone 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 Corporation'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 Corporation'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 standalone 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 Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone 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 Corporation to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the corporation 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 standalone financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the

adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yu-Hsiang Liu and Jia-Ling, Jiang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 24, 2022

Notice to Readers

*The accompanying standalone financial statements are intended only to present the standalone 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 standalone financial statements are those generally applied in the Republic of China.*

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

# CHUNG HUNG STEEL CORPORATION

## STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Notes 4 and 6)	\$ 507,465	1	\$ 285,899	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	242,410	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	1,170,412	3	819,454	3
Accounts receivable (Notes 4, 9 and 24)	930,578	2	830,087	3
Accounts receivable from related parties (Notes 4, 9, 24 and 30)	47,355	-	117,238	-
Other receivables (Note 9)	9,051	-	19,321	-
Other receivables from related parties (Notes 9 and 30)	211,007	1	26,523	-
Current tax assets (Note 26)	-	-	202	-
Inventories (Notes 4, 5 and 10)	12,717,439	34	4,236,420	16
Prepayments (Note 11)	443,116	1	150,961	1
Other financial assets - current (Notes 12 and 31)	1,000,000	3	300,000	1
Other current assets	2,597	-	3,961	-
Total current assets	<u>17,039,020</u>	<u>45</u>	<u>7,032,476</u>	<u>26</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	62,040	-	43,345	-
Investments accounted for using equity method (Notes 4 and 13)	4,089,098	11	2,698,045	10
Property, plant and equipment (Notes 4, 14, 30 and 32)	10,164,924	28	11,162,643	41
Right-of-use assets (Notes 4 and 15)	62,920	-	78,330	-
Investment properties (Notes 4 and 16)	5,982,297	16	5,983,185	22
Prepayments for equipment (Note 32)	70,290	-	95,659	1
Refundable deposits	5,651	-	6,220	-
Total noncurrent assets	<u>20,437,220</u>	<u>55</u>	<u>20,067,427</u>	<u>74</u>
<b>TOTAL</b>	<u>\$ 37,476,240</u>	<u>100</u>	<u>\$ 27,099,903</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 31)	\$ 4,562,252	12	\$ 404,630	2
Short-term bills payable (Note 17)	999,641	3	3,599,577	13
Contract liabilities - current (Note 24)	95,155	-	57,283	-
Accounts payable (Note 19)	1,360,732	4	27,500	-
Accounts payable to related parties (Notes 19 and 30)	469,577	1	313,224	1
Other payables (Notes 20 and 30)	1,174,438	3	580,115	2
Current tax liabilities (Notes 4 and 26)	652,941	2	-	-
Provisions - current (Notes 4 and 21)	206,850	1	-	-
Lease liabilities - current (Notes 4 and 15)	15,408	-	15,230	-
Refund liabilities	265,047	1	153,756	1
Other current liabilities	23,317	-	15,764	-
Total current liabilities	<u>9,825,358</u>	<u>27</u>	<u>5,167,079</u>	<u>19</u>
<b>NONCURRENT LIABILITIES</b>				
Bonds payable (Note 18)	2,996,174	8	2,995,039	11
Long-term bank borrowings (Note 17)	1,200,000	3	2,000,000	8
Long-term bills payable (Note 17)	239,792	1	1,109,674	4
Deferred tax liabilities (Notes 4 and 26)	182,222	-	182,222	1
Lease liabilities - noncurrent (Notes 4 and 15)	48,519	-	63,898	-
Net defined benefit liabilities (Notes 4, 5, and 22)	387,777	1	313,717	1
Guarantee deposits received (Note 16)	35,000	-	35,000	-
Total noncurrent liabilities	<u>5,089,484</u>	<u>13</u>	<u>6,699,550</u>	<u>25</u>
Total liabilities	<u>14,914,842</u>	<u>40</u>	<u>11,866,629</u>	<u>44</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)</b>				
Ordinary shares	14,355,444	38	14,355,444	53
Capital surplus	903	-	903	-
Retained earnings				
Legal reserve	144,632	-	90,568	-
Special reserve	425,839	1	549,578	2
Unappropriated earnings	6,503,369	18	662,620	3
Total retained earnings	<u>7,073,840</u>	<u>19</u>	<u>1,302,766</u>	<u>5</u>
Other equity	1,131,211	3	(425,839)	(2)
Total equity	<u>22,561,398</u>	<u>60</u>	<u>15,233,274</u>	<u>56</u>
<b>TOTAL</b>	<u>\$ 37,476,240</u>	<u>100</u>	<u>\$ 27,099,903</u>	<u>100</u>

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

# CHUNG HUNG STEEL CORPORATION

## STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 30)				
Sales	\$ 53,019,056	99	\$ 36,406,042	99
Service revenue	624,450	1	324,620	1
Other operating revenue	<u>89,708</u>	<u>-</u>	<u>58,856</u>	<u>-</u>
Total operating revenue	53,733,214	100	36,789,518	100
OPERATING COSTS (Notes 10, 14, 25 and 30)	<u>46,197,610</u>	<u>86</u>	<u>35,335,654</u>	<u>96</u>
GROSS PROFIT	<u>7,535,604</u>	<u>14</u>	<u>1,453,864</u>	<u>4</u>
OPERATING EXPENSES (Note 25)				
Selling and marketing expenses	577,505	1	794,236	2
General and administrative expenses	<u>443,925</u>	<u>1</u>	<u>321,827</u>	<u>1</u>
Total operating expenses	<u>1,021,430</u>	<u>2</u>	<u>1,116,063</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>6,514,174</u>	<u>12</u>	<u>337,801</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 25 and 30)				
Interest income	803	-	950	-
Other income	131,463	-	224,750	1
Other gains and losses	370,938	1	1,488	-
Finance costs	(45,715)	-	(86,219)	-
Share of the profit of associates	<u>39,589</u>	<u>-</u>	<u>49,490</u>	<u>-</u>
Total non-operating income and expenses	<u>497,078</u>	<u>1</u>	<u>190,459</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	7,011,252	13	528,260	2
INCOME TAX (Notes 4, 5 and 26)	<u>660,841</u>	<u>1</u>	<u>-</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>6,350,411</u>	<u>12</u>	<u>528,260</u>	<u>2</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22 and 23)				
Items that will not be reclassified subsequently to profit or loss:				

(Continued)

# CHUNG HUNG STEEL CORPORATION

## STANDALONE STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
Remeasurement of defined benefit plans	\$ (157,217)	-	\$ 12,378	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	369,653	1	28,579	-
Share of the other comprehensive income of associates	1,196,082	2	95,160	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income of subsidiaries and associates	<u>(142)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>1,408,376</u>	<u>3</u>	<u>136,117</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 7,758,787</u>	<u>15</u>	<u>\$ 664,377</u>	<u>2</u>
<b>EARNINGS PER SHARE (Note 27)</b>				
Basic	<u>\$ 4.42</u>		<u>\$ 0.37</u>	
Diluted	<u>\$ 4.40</u>		<u>\$ 0.37</u>	

The accompanying notes are an integral part of the standalone financial statements. (Concluded)

# CHUNG HUNG STEEL CORPORATION

## STANDALONE STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Issued and Outstanding Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2020	\$ 14,355,444	\$ 903	\$ 90,450	\$ 497,607	\$ 174,071	\$ -	(\$ 549,578)	\$ 14,568,897
Appropriation of 2019 earnings (Note 23)								
Legal reserve	-	-	118	-	(118)	-	-	-
Special reserve	-	-	-	51,971	(51,971)	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	528,260	-	-	528,260
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	12,378	-	123,739	136,117
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	540,638	-	123,739	664,377
BALANCE AT DECEMBER 31, 2020	\$ 14,355,444	\$ 903	\$ 90,568	\$ 549,578	\$ 662,620	\$ -	(\$ 425,839)	\$ 15,233,274
Appropriation of 2020 earnings (Note 23)								
Legal reserve	-	-	54,064	-	(54,064)	-	-	-
Cash dividends	-	-	-	-	(430,663)	-	-	(430,663)
Reversal of special reserve	-	-	-	(123,739)	123,739	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	6,350,411	-	-	6,350,411
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(157,217)	(142)	1,565,735	1,408,376
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	6,193,194	(142)	1,565,735	7,758,787
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	8,543	-	(8,543)	-
BALANCE AT DECEMBER 31, 2021	\$ 14,355,444	\$ 903	\$ 144,632	\$ 425,839	\$ 6,503,369	(\$ 142)	\$ 1,131,353	\$ 22,561,398

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

**CHUNG HUNG STEEL CORPORATION**  
**STANDALONE STATEMENTS OF CASH FLOWS**  
(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 7,011,252	\$ 528,260
Adjustments for:		
Depreciation expense	753,729	1,162,246
Net gain on financial assets at fair value through profit or loss	(318,331)	(78,903)
Finance costs	45,715	86,219
Interest income	(803)	(950)
Dividend income	(10,383)	(31,821)
Share of profit of associates	(39,589)	(49,490)
Loss on disposal of property, plant and equipment	-	9,371
Write-downs (reversal) of inventories	4,859	(304,435)
Recognition of impairment loss	646,025	576,317
Recognition of provisions	206,850	-
Others	1,097	692
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	560,741	17,844
Accounts receivable	(100,491)	(364,070)
Accounts receivable from related parties	69,883	(71,505)
Other receivables	10,297	(13,290)
Other receivables from related parties	(184,484)	513,416
Inventories	(8,485,878)	2,645,652
Prepayments	(295,155)	77,570
Other current assets	1,364	(2,271)
Contract liabilities	37,872	(227,769)
Accounts payable	1,333,232	(2,172)
Accounts payable to related parties	156,353	247,627
Other payables	588,691	71,195
Other current liabilities	7,553	(670)
Net defined benefit liabilities	(83,157)	(47,765)
Refund liabilities	111,291	144
Cash generated from operations	2,031,533	4,741,442
Income taxes refund (paid)	(7,698)	147
Net cash generated from operating activities	<u>2,023,835</u>	<u>4,741,589</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	-	1,934
Acquisition of investments accounted for using the equity method	(200,000)	-
Acquisition of property, plant and equipment	(353,847)	(397,582)
Decrease (Increase) in refundable deposits	569	(588)
Increase in other financial assets	(700,000)	-

(Continued)

# CHUNG HUNG STEEL CORPORATION

## STANDALONE STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest received	\$ 776	\$ 950
Dividends received from others	<u>54,859</u>	<u>31,821</u>
Net cash used in investing activities	<u>(1,197,643)</u>	<u>(363,465)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	117,158,161	99,915,564
Repayments of short-term borrowings	(113,000,539)	(104,665,801)
Increase in short-term bills payable	8,200,064	10,900,027
Decrease in short-term bills payable	(10,800,000)	(9,100,000)
Proceeds from issuance of bonds	-	2,994,328
Proceeds from long-term borrowings	300,000	3,150,000
Repayments of long-term borrowings	(1,100,000)	(5,760,000)
Proceeds from long-term bills payable	240,118	200,536
Repayments of long-term bills payable	(1,110,000)	(1,700,000)
Repayments of principal of lease liabilities	(15,232)	(15,074)
Dividends paid to owner of the corporation	(430,663)	-
Interest paid	<u>(46,535)</u>	<u>(77,942)</u>
Net cash used in financing activities	<u>(604,626)</u>	<u>(4,158,362)</u>
NET INCREASE IN CASH	221,566	219,762
CASH AT THE BEGINNING OF THE YEAR	<u>285,899</u>	<u>66,137</u>
CASH AT THE END OF THE YEAR	<u>\$ 507,465</u>	<u>\$ 285,899</u>

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

(Concluded)

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

The entities that are required to be included in the combined financial statements of Chung Hung Steel Corporation as of and for the year ended December 31, 2021, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements of affiliates is included in the consolidated financial statements of parent and subsidiary companies. Consequently, Chung Hung Steel Corporation and its subsidiaries do not prepare a separate set of combined financial statements of affiliates.

Very truly yours,

Chung Hung Steel Corporation

By

---

Min-Hsiung Liu  
Chairman

February 24, 2022

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the shareholders  
Chung Hung Steel Corporation

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

#### **The Existence of Revenue from Sale of Goods on Specific Customers**

The domestic sales revenue among the Group's top ten customers for the year ended December 31, 2021 was NT\$19,952,276 thousand, which represented 38% of the sales revenue. Because the sales revenue from the above-mentioned specific customers has grown significantly compared to the sales revenue from the previous year, we considered the existence of sales revenue from the above-mentioned specific customers as a key audit matter. Refer to Notes 4, 24 and 35 to consolidated financial statements for the related accounting policies and disclosures on sales revenue.

The audit procedures we performed included the following:

1. We obtained an understanding of the design and implementation of the internal controls and tested the operating effectiveness of controls related to the existence of sales revenue.
2. We tested the sales details of specific customers by selecting samples, including sales orders, shipping documents and cash collections, and we confirmed that the collections of counterparties were consistent with the record of transactions and the accuracy of revenue recognized.
3. We obtained subsequent details of sales returns and allowances of the specific customers and tested whether there is any unusual sales returns and allowances by selecting samples and confirmed that sales revenue existed before the balance sheet date.

### **Other Matter**

We have also audited the standalone financial statements of the Corporation as of and for the years ended December 31, 2021 and 2020 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the FSC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Yu-Hsiang Liu and Jia-Ling, Jiang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 24, 2022

#### Notice to Readers

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

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

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash (Notes 4 and 6)	\$ 508,123	1	\$ 287,373	1
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	-	-	242,410	1
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	1,170,412	3	819,454	3
Accounts receivable (Notes 4, 9 and 24)	930,578	2	830,087	3
Accounts receivable from related parties (Notes 4, 9, 24 and 30)	47,355	-	117,238	-
Other receivables (Note 9)	9,051	-	19,321	-
Other receivables from related parties (Notes 9 and 30)	221,461	1	26,672	-
Current tax assets (Note 26)	-	-	514	-
Inventories (Notes 4, 5 and 10)	12,717,439	34	4,236,420	16
Prepayments (Note 11)	443,128	1	150,961	1
Other financial assets - current (Notes 12 and 31)	1,002,800	3	301,700	1
Other current assets	2,597	-	3,961	-
Total current assets	17,052,944	45	7,036,111	26
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 8)	97,530	-	68,193	-
Investments accounted for using equity method (Notes 4 and 13)	4,042,778	11	2,669,716	10
Property, plant and equipment (Notes 4, 14, 30 and 32)	10,164,924	28	11,162,643	41
Right-of-use assets (Notes 4 and 15)	62,920	-	78,330	-
Investment properties (Notes 4 and 16)	5,982,297	16	5,983,185	22
Prepayments for equipment (Note 32)	70,290	-	95,659	1
Refundable deposits	5,651	-	6,220	-
Total noncurrent assets	20,426,390	55	20,063,946	74
<b>TOTAL</b>	<b>\$ 37,479,334</b>	<b>100</b>	<b>\$ 27,100,057</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 31)	\$ 4,562,252	12	\$ 404,630	2
Short-term bills payable (Note 17)	999,641	3	3,599,577	13
Contract liabilities - current (Note 24)	95,155	-	57,283	-
Accounts payable (Note 19)	1,360,732	3	27,500	-
Accounts payable to related parties (Notes 19 and 30)	469,577	1	313,224	1
Other payables (Notes 20 and 30)	1,175,704	3	580,264	2
Current tax liabilities (Notes 4 and 26)	654,769	2	5	-
Provisions - current (Notes 4 and 21)	206,850	1	-	-
Lease liabilities - current (Notes 4 and 15)	15,408	-	15,230	-
Refund liabilities	265,047	1	153,756	1
Other current liabilities	23,317	-	15,764	-
Total current liabilities	9,828,452	26	5,167,233	19
<b>NONCURRENT LIABILITIES</b>				
Bonds payable (Note 18)	2,996,174	8	2,995,039	11
Long-term bank borrowings (Note 17)	1,200,000	3	2,000,000	8
Long-term bills payable (Note 17)	239,792	1	1,109,674	4
Deferred tax liabilities (Notes 4 and 26)	182,222	1	182,222	1
Lease liabilities - noncurrent (Notes 4 and 15)	48,519	-	63,898	-
Net defined benefit liabilities (Notes 4, 5 and 22)	387,777	1	313,717	1
Guarantee deposits received (Note 16)	35,000	-	35,000	-
Total noncurrent liabilities	5,089,484	14	6,699,550	25
Total liabilities	14,917,936	40	11,866,783	44
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 23)</b>				
Ordinary shares	14,355,444	38	14,355,444	53
Capital surplus	903	-	903	-
Retained earnings				
Legal reserve	144,632	-	90,568	-
Special reserve	425,839	1	549,578	2
Unappropriated earnings	6,503,369	18	662,620	3
Total retained earnings	7,073,840	19	1,302,766	5
Other equity	1,131,211	3	(425,839)	(2)
Total equity	22,561,398	60	15,233,274	56
<b>TOTAL</b>	<b>\$ 37,479,334</b>	<b>100</b>	<b>\$ 27,100,057</b>	<b>100</b>

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

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 30)				
Sales	\$ 53,019,056	99	\$ 36,406,042	99
Investment revenue	301	-	502	-
Service revenue	634,947	1	324,754	1
Other operating revenue	<u>89,708</u>	<u>-</u>	<u>58,856</u>	<u>-</u>
Total operating revenue	53,744,012	100	36,790,154	100
OPERATING COSTS (Notes 10, 14, 25 and 30)	<u>46,197,610</u>	<u>86</u>	<u>35,335,654</u>	<u>96</u>
GROSS PROFIT	<u>7,546,402</u>	<u>14</u>	<u>1,454,500</u>	<u>4</u>
OPERATING EXPENSES (Note 25)				
Selling and marketing expenses	577,505	1	794,236	2
General and administrative expenses	<u>445,247</u>	<u>1</u>	<u>322,052</u>	<u>1</u>
Total operating expenses	<u>1,022,752</u>	<u>2</u>	<u>1,116,288</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>6,523,650</u>	<u>12</u>	<u>338,212</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 25 and 30)				
Interest income	825	-	966	-
Other income	131,343	-	224,631	1
Other gains and losses	370,938	1	1,488	-
Finance costs	(45,715)	-	(86,219)	-
Share of profit of associates	<u>32,035</u>	<u>-</u>	<u>49,187</u>	<u>-</u>
Total non-operating income and expenses	<u>489,426</u>	<u>1</u>	<u>190,053</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	7,013,076	13	528,265	2
INCOME TAX (Notes 4, 5 and 26)	<u>662,665</u>	<u>1</u>	<u>5</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>6,350,411</u>	<u>12</u>	<u>528,260</u>	<u>2</u>

(Continued)

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2021		2020	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22 and 23)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (157,217)	-	\$ 12,378	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	380,295	1	29,432	-
Share of the other comprehensive income of associates	1,185,440	2	94,307	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive loss of associates	<u>(142)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>1,408,376</u>	<u>3</u>	<u>136,117</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 7,758,787</u>	<u>15</u>	<u>\$ 664,377</u>	<u>2</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 6,350,411</u>	<u>12</u>	<u>\$ 528,260</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 7,758,787</u>	<u>15</u>	<u>\$ 664,377</u>	<u>2</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 4.42</u>		<u>\$ 0.37</u>	
Diluted	<u>\$ 4.40</u>		<u>\$ 0.37</u>	

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

## CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Issued and Outstanding Ordinary Shares	Capital Surplus	Retained Earnings			Other Equity		Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	
BALANCE AT JANUARY 1, 2020	\$ 14,355,444	\$ 903	\$ 90,450	\$ 497,607	\$ 174,071	\$ -	\$ (549,578)	\$ 14,568,897
Appropriation of 2019 earning (Note 23)								
Legal reserve	-	-	118	-	(118)	-	-	-
Special reserve	-	-	-	51,971	(51,971)	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	528,260	-	-	528,260
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	12,378	-	123,739	136,117
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	540,638	-	123,739	664,377
BALANCE AT DECEMBER 31, 2020	14,355,444	903	90,568	549,578	662,620	-	(425,839)	15,233,274
Appropriation of 2020 earning (Note 23)								
Legal reserve	-	-	54,064	-	(54,064)	-	-	-
Cash dividends	-	-	-	-	(430,663)	-	-	(430,663)
Reversal of special reserve	-	-	-	(123,739)	123,739	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	6,350,411	-	-	6,350,411
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(157,217)	(142)	1,565,735	1,408,376
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	6,193,194	(142)	1,565,735	7,758,787
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	8,543	-	(8,543)	-
BALANCE AT DECEMBER 31, 2021	\$ 14,355,444	\$ 903	\$ 144,632	\$ 425,839	\$ 6,503,369	\$ (142)	\$ 1,131,353	\$ 22,561,398

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

**CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 7,013,076	\$ 528,265
Adjustments for:		
Depreciation expense	753,729	1,162,246
Net gain on financial assets at fair value through profit or loss	(318,331)	(78,903)
Finance costs	45,715	86,219
Interest income	(825)	(966)
Dividend income	(10,684)	(32,323)
Share of profit of associates	(32,035)	(49,187)
Loss on disposal of property, plant and equipment	-	9,371
Recognition of impairment loss	646,025	576,317
Write-downs (reversal) of inventories	4,859	(304,435)
Recognition of provisions	206,850	-
Others	1,097	692
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	560,741	17,844
Accounts receivable	(100,491)	(364,070)
Accounts receivable from related parties	69,883	(71,505)
Other receivables	10,297	(13,290)
Other receivables from related parties	(194,789)	514,742
Inventories	(8,485,878)	2,645,652
Prepayments	(292,167)	77,570
Other current assets	1,364	(2,271)
Contract liabilities	37,872	(227,769)
Accounts payable	1,333,232	(2,172)
Accounts payable to related parties	156,353	247,627
Other payables	589,808	70,144
Other current liabilities	7,553	(670)
Net defined benefit liabilities	(83,157)	(47,765)
Refund liabilities	111,291	144
Cash generated from operations	2,031,388	4,741,507
Income taxes refund (paid)	(7,387)	147
Net cash generated from operating activities	<u>2,024,001</u>	<u>4,741,654</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	-	1,934
Acquisition of investments accounted for using the equity method	(200,000)	-
Acquisition of property, plant and equipment	(353,847)	(397,582)
Decrease (increase) in refundable deposits	569	(588)
Increase in other financial assets	(701,100)	-

(Continued)

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest received	\$ 798	\$ 966
Dividends received from others	<u>54,955</u>	<u>32,323</u>
Net cash used in investing activities	<u>(1,198,625)</u>	<u>(362,947)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	117,158,161	99,915,564
Repayments of short-term borrowings	(113,000,539)	(104,665,801)
Increase in short-term bills payable	8,200,064	10,900,027
Decrease in short-term bills payable	(10,800,000)	(9,100,000)
Proceeds from issuance of bonds	-	2,994,328
Proceeds from long-term borrowings	300,000	3,150,000
Repayments of long-term borrowings	(1,100,000)	(5,760,000)
Proceeds from long-term bills payable	240,118	200,536
Repayments of long-term bills payable	(1,110,000)	(1,700,000)
Repayments of principal of lease liabilities	(15,232)	(15,074)
Dividends paid to owner of the Corporation	(430,663)	-
Interest paid	<u>(46,535)</u>	<u>(77,942)</u>
Net cash used in financing activities	<u>(604,626)</u>	<u>(4,158,362)</u>
NET INCREASE IN CASH	220,750	220,345
CASH AT THE BEGINNING OF THE YEAR	<u>287,373</u>	<u>67,028</u>
CASH AT THE END OF THE YEAR	<u>\$ 508,123</u>	<u>\$ 287,373</u>

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

To help shareholders learn more and download the contents of the full financial report,

please visit Chung Hung Steel's website

(website: [http : //www.chsteel.com.tw](http://www.chsteel.com.tw) )

and inquire in “Financial Information” under “Stockholder Services”

**Agenda item #2****Proposed by the Board of Directors**

Agenda: Ratifications of the Company's 2021 earnings distribution proposal.

Explanation:

- I. The earnings distribution is processed in accordance with Article 228 of the Company Act and Article 28-1 of the Company's Articles of Incorporation.
- II. The Company plans to distribute shareholder bonuses in common stock at NT\$2.8 per share.
- III. The Company plans to authorize the Chairperson to determine the ex-dividend date for the cash dividends after the shareholder's meeting passes the earnings distribution proposal. Cash dividends shall be issued to the "NTD" to each shareholder. The decimals shall be rounded up to the nearest NTD and the difference shall be listed as company expenses.
- IV. The Company has drafted the earnings distribution statement for 2021 as follows:

Earnings Distribution Statement

2021

Unit: NT\$

Item	Amount
Balance of undistributed earnings at the beginning of the year	301,632,130
Remeasurement of defined benefit plan converted into retained earnings	(157,217,051)
Changes due to impact of long-term equity investments	8,542,821
Balance of undistributed earnings after adjustment	152,957,900
After-tax net profit of 2021	6,350,411,089
Minus: Statutory surplus reserves	(620,173,686)
Plus: Reversal of special surplus reserve	425,838,746
Distributable earnings	6,309,034,049
Common stock bonus available for distribution - 1,435,544,446 shares of common stocks at NT\$2.8 per share (cash NT\$2.8)	(4,019,524,449)
Undistributed earnings at the end of the period	2,289,509,600

Chairperson:  
Min-Hsiung Liu

Managerial Officer:  
Kuei-Sung Tseng

Chief Accounting Officer:  
Wen-ping Huang

Resolution:

## **D. Matters for Discussion**

### **Agenda item #1**

### **Proposed by the Board of Directors**

Agenda: The amendment of the Company's "Procedures for the Acquisition or Disposal of Assets" is submitted for approval.

Explanation:

- I. The Procedures are amended in accordance with the amendment of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" promulgated by Jin-Guan-Zheng-Fa-Zi No. 1110380465 Announcement of the Financial Supervisory Commission dated January 28, 2022.
- II. Amendment of Article 5, Paragraph 2; Article 8, Paragraph 1, Subparagraph 4, Item (3), Subparagraph 5, and Subparagraph 6; and Article 10, Paragraph 1, Subparagraph 2.
- III. The comparison table for revised clauses is provided in the Attachment.

Resolution:



## Comparison Table of Revision of Rules

### Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p>Article 5 When the Company obtains appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions, the professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters involved shall meet the following requirements:</p> <p>I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended</p>	<p>Article 5 When the Company obtains appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions, the professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters involved shall meet the following requirements:</p> <p>I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act of The Republic of China, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon</p>	<p>In accordance with the amendment to Article 5 of the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" (hereinafter referred to as the Regulations) promulgated by the Financial Supervisory Commission:</p> <p>1. Paragraph 2 of this article has been amended because in order to clearly regulate the appraisal reports or opinions issued by external experts, apart from undertaking the procedures in the various subparagraphs of Paragraph 2 of this article, such experts must also comply with the self-discipline regulations of their</p>

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p>sentence, or since a pardon was received.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>The aforementioned personnel shall comply with <a href="#">the self-discipline standards of their respective professional association</a> and meet the following criteria when submitting an appraisal report or opinion:</p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When <a href="#">conducting</a> a case, they shall appropriately plan and execute appropriate working procedures in order to reach a conclusion, and use that conclusion as the basis for issuing the report or opinion; they shall also</p>	<p>was received.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>The aforementioned personnel shall meet the following criteria when submitting an appraisal report or opinion:</p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When <a href="#">auditing</a> a case, they shall appropriately plan and execute appropriate working procedures in order to reach a conclusion, and use that conclusion as the basis for issuing the report or opinion; they shall also record</p>	<p>respective professional associations.</p> <p>2. Because external experts will accept and implement cases involving the issuance of appraisal reports or reasonable opinions in accordance with handling guidelines, and this does not refer to the audit of financial statements, the text "audit" cases has been amended to "conduct" cases in Subparagraph 2 of Paragraph 2 of this article.</p> <p>3. In consideration of the actual assessment of the data sources, parameters, and information, used by external experts, subparagraphs 3 and 4 of Paragraph 2 of this article have been</p>

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p>record collected materials and conclusions reached during the course of working procedures in detail in the case working papers.</p> <p>III. They shall undertake an item-by-item evaluation of the <u>appropriateness</u> and reasonableness of the sources of data used, the parameters, and the information that will be used as the basis for issuance of the appraisal report or opinion.</p> <p>IV. Statements shall include a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, that they have evaluated and found that the information used is <u>appropriate and</u> reasonable, and that they have complied with applicable laws and regulations.</p>	<p>collected materials and conclusions reached during the course of working procedures in detail in the case working papers.</p> <p>III. They shall undertake an item-by-item evaluation of the <u>comprehensiveness, accuracy,</u> and reasonableness of the data sources, parameters, and information used, which will comprise the basis for issuance of the appraisal report or the opinion.</p> <p>IV. Statements shall include a statement attesting attesting to the professional competence and independence of the personnel who prepared the report or opinion, that they have evaluated and found that the information used is reasonable <u>and accurate,</u> and have complied with applicable laws and regulations.</p>	<p>amended in reference to text concerning the appropriateness and reasonableness of relevant information sources and parameters in Article 9, Paragraph 4, Subparagraph 4, Item 3-5 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and Article 27 of the Appraisal Guidelines Bulletin No. 8.</p>
<p>Article 8 Procedures for acquisition and disposal of assets</p> <p>IV. Where the Company acquires or disposes of real estate, equipment, or right-of-use assets thereof and the transaction amount reaches 20% or more of</p>	<p>Article 8 Procedures for acquisition and disposal of assets</p> <p>IV. When the Company acquires or disposes of real estate, equipment, or right-of-use assets thereof and the transaction amount reaches 20% or more of paid-in</p>	<p>Due to the addition of the requirement in Article 5, Paragraph 2 of these Procedures</p>

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p>paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, engaging others to build on its own land or on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, the Company shall obtain an appraisal report (items that must be specified in the appraisal report are detailed in Attachment 1) prior to the date of occurrence of the event from a professional appraiser and shall comply with the following regulations:</p> <p>(1) When due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and likewise when transaction terms are subsequently changed.</p> <p>(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more</p>	<p>capital or NT\$300 million or more, except in transactions with a domestic government agency, engaging others to build on its own land or on rented land, or acquiring or disposing of equipment or right-of-use assets thereof for business use, the Company shall obtain an appraisal report (items that must be specified in the appraisal report are detailed in Attachment 1) prior to the date of occurrence of the event from a professional appraiser and shall comply with the following regulations:</p> <p>(1) When due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and likewise when transaction terms are subsequently changed.</p> <p>(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional</p>	<p>that the opinions requested from external experts must comply with the self-discipline regulations of the experts' respective professional associations, and the fact that the certified public accountants have been notified by mail that they must implement these procedures when issuing opinions, text requiring certified public accountants to comply with the requirements of the Statement of Auditing Standards No. 20 issued by ARDF has been deleted from Paragraph 1, Subparagraph 4, Item (3), Paragraph 1, Subparagraph 5, and Paragraph 1, Subparagraph 6 of this article.</p>

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p>professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p>	<p>appraisers shall be obtained.</p> <p>(III) When any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to <u>perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF)</u> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>(1) The discrepancy between the appraisal result and the transaction amount is 20% or more of the transaction amount.</p>	

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>(IV) No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. However, if either of the appraisals complies with the current assessed value and the appraisal is dated less than six months ago, the original professional appraiser may issue a statement of opinion.</p> <p>(V) When the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be used as a substitute for the appraisal report or CPA opinion. However, if either of the appraisals complies with the current assessed value and the appraisal is dated less than six</p>	<p>(2) The discrepancy between the appraisal results of two or more professional appraisers is 10% or more of the transaction amount.</p> <p>(IV) No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date. However, if either of the appraisals complies with the current assessed value and the appraisal is dated less than six months ago, the original professional appraiser may issue a statement of opinion.</p> <p>(V) When the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be used as a substitute for the appraisal report or CPA opinion. However, if either of the appraisals complies with the current assessed value and the appraisal is dated less than six</p>	

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p>months ago, the original professional appraiser may issue a statement of opinion.</p> <p>V. When the Company acquires or disposes of securities, it shall prior to the date on which the acquisition or disposition occurs obtain the financial statements of the target company for the most recent period, which shall be certified or reviewed by a certified public accountant, as reference for the appraisal of the transaction price. When the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. This requirement does not apply, however, to securities with publicly quoted prices from an active market, or if it has been otherwise provided by the regulations of the Financial Supervisory Commission.</p>	<p>months ago, the original professional appraiser may issue a statement of opinion.</p> <p>V. When the Company acquires or disposes of securities, it shall prior to the date the acquisition or disposition occurs obtain the financial statements of the issuing company for the most recent period, which shall be certified or reviewed by a certified public accountant, as a reference for the appraisal of the transaction price. When the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price. <u>Where the CPA requires the use of expert reports, it shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u> This requirement does not apply, however, to securities with publicly quoted prices from an active market, or if it has been otherwise provided by the regulations of the Financial Supervisory</p>	

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p>VI. When the Company acquires or disposes of intangible assets, right-of-use assets thereof, or memberships and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price.</p>	<p>Commission.</p> <p>VI. When the Company acquires or disposes of intangible assets, right-of-use assets thereof, or memberships, and the transaction amount reaches 20% or more of paid-in capital or NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a certified public accountant prior to the date of occurrence of the event to render an opinion on the reasonableness of the transaction price; <u>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u></p>	
<p>10 Related party transaction handling procedures</p> <p>II. Evaluation and operating procedures</p> <p><u>(1)</u> When the Company intends to acquire or dispose of real estate or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real estate or right-of-use assets thereof from or to a related party and the</p>	<p>10 Related party transaction handling procedures</p> <p>II. Evaluation and operating procedures</p> <p>When the Company intends to acquire or dispose of real estate or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real estate or right-of-use assets thereof from or to a related party and the transaction amount reaches 20% or more of paid-in capital, 10% or more</p>	<p>Paragraph 1, Subparagraph 2 of this Article is revised in accordance with Article 15 of the Regulations.</p> <p>1. In order to more unequivocally mark the various clauses of Paragraph 1, Subparagraph 2 of this Article, the numbering of the items and clauses below the level of</p>

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p>transaction amount reaches 20% or more of paid-in capital, 10% or more of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to and approved by the Audit Committee and the Board of Directors:</p> <p><u>(1)</u> The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p><u>(2)</u> The reason for choosing the related party as a transaction counterparty.</p> <p><u>(3)</u> With respect to the acquisition of real estate or</p>	<p>of the Company's total assets, or NT\$300 million or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been submitted to and approved by the Audit Committee and the Board of Directors:</p> <p><u>(I)</u> The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p><u>(II)</u> The reason for choosing the related party as a transaction counterparty.</p> <p><u>(III)</u> With respect to the acquisition of real estate or right-of-use assets</p>	<p>item in this subparagraph have been adjusted.</p> <p>2. The original sections 3-5 of Paragraph 1, Subparagraph 2 have been moved to Items (2)-(4) of the amended version, and the text of Item (4) has been revised.</p> <p>3. Addition of Item (5) to Paragraph 1, Subparagraph 2:</p> <p>(1) In order to strengthen management of related party transactions, and maintain the right of minority shareholders of publicly listed companies to express their opinion concerning related party transactions.</p> <p>(2) In view of the overall business planning needs of publicly listed companies and their parent</p>

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p>right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Subparagraph 3, Items (1) to (5) of this Article.</p> <p><u>(4)</u> The date and price at which the related party originally acquired the assets, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p><u>(5)</u> Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p><u>(6)</u> An appraisal report from a professional appraiser or a CPA's</p>	<p>thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Subparagraph 3, Items (1) to (5) of this Article.</p> <p><u>(IV)</u> The date and price at which the related party originally acquired the assets, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p><u>(V)</u> Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p><u>(VI)</u> An appraisal report from a professional appraiser or a CPA's</p>	<p>companies, subsidiaries, or between their subsidiaries, the scope of transactions between such companies not requiring a shareholders meeting dicussion.</p> <p>4. The original Section 2 of Paragraph 1, Subparagraph 2 has been moved to Item (6), and transactions requiring submission of transaction amount calculations to the shareholders meeting have been revised in parallel with the addition of Item (5).</p>

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p>opinion obtained in compliance with the Subparagraph 1 of this Article.</p> <p><u>(7)</u> Restrictive covenants and other important stipulations associated with the transaction.</p> <p><u>(II)</u> Each transaction listed below between the Company and its parent or subsidiary company that amounts to NT\$200 million shall be reported to the Board of Directors for approval. If a transaction amount does not exceed NT\$200 million, the Chairperson shall be authorized to first</p>	<p>opinion obtained in compliance with the Subparagraph 1 of this Article.</p> <p><u>(VII)</u> Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The calculation of the transaction amounts referred to in <u>this subparagraph</u> shall be made in accordance with Article 17, Paragraph 1, Subparagraph 1, Item (8) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors need not be counted toward the transaction amount.</p> <p>Each transaction listed below between the Company and its parent or subsidiary company that amounts to NT\$200 million shall be reported to the Board of Directors for approval. If a transaction amount does not exceed NT\$200 million, the Chairperson shall be authorized to first handle such transaction and report to the next Board meeting for</p>	

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p>handle such transaction and report to the next Board meeting for ratification.</p> <p><u>(1)</u> Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p><u>(2)</u> Acquisition or disposal of real property right-of-use assets held for business use.</p> <p><u>(III)</u> When proposed for discussion by the Board of Directors in accordance with this Subparagraph, Independent Directors' opinions must also be fully taken into consideration. Any objections or qualified opinions made by independent directors must be detailed in board meeting minutes.</p> <p><u>(IV)</u> <u>In Item (1) of this Subparagraph</u>, if the approval of a majority of all members of the Audit Committee is not obtained, these Procedures may be implemented if approved by more than</p>	<p>ratification.</p> <p><u>(I)</u> Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p><u>(II)</u> Acquisition or disposal of real property right-of-use assets held for business use.</p> <p>When proposed for discussion by the Board of Directors in accordance with this Subparagraph, Independent Directors' opinions must also be fully taken into consideration. Any objections or qualified opinions made by independent directors must be detailed in board meeting minutes.</p> <p>If the approval of a majority of all members of the Audit Committee is not obtained in the <u>foregoing paragraph</u>, these Procedures may be implemented if approved by more than two-thirds of all Directors, and the resolution of the Audit Committee shall</p>	

## Comparison Table of Revision of Rules

Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p>two-thirds of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the Board of Directors meeting.</p> <p><u>(V) If the Company or a subsidiary thereof that is not a domestic public company will have a transaction set out listed in Item (1) of this Subparagraph and the transaction amount will reach 10 % or more of the public company's total assets, the public company shall submit the materials listed in Item (1) of this Subparagraph to the shareholders meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the public company and its parent company or subsidiaries or between its subsidiaries.</u></p> <p>(6) The calculation of the transaction amounts referred to <u>in Item (1) and (5) of this</u></p>	<p>be recorded in the minutes of the Board of Directors meeting.</p>	

## Comparison Table of Revision of Rules

Name of Rules: Procedures for the Acquisition or Disposal of Assets

Clause after Revision	Existing Clauses	Description
<p><a href="#">Subparagraph</a> shall be made in accordance with Article 17, Paragraph 1, Subparagraph 1, Item (8) herein, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by <a href="#">the shareholders meeting</a> or board of directors need not be counted toward the transaction amount.</p> <p>Items below are not amended.</p>	<p>Items below are not amended.</p>	

**Agenda item #2**

**Proposed by the Board of Directors**

Agenda: The amendment of the Company's "Procedures for Extending Loans to Others" is submitted for approval.

Explanation:

- I. This amendment has been made to add new regulatory content and practical measures to address the problem of disguised financing in conjunction with Topic 37 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" updated by the Financial Supervisory Commission.
- II. Ament of articles 2.3, 2.4.3(1), 2.4.6(1), 2.4.8, and 2.10, and new Article 2.9 has been added.
- III. The comparison table for revised clauses is provided in the Attachment.

Resolution:

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for Extending Loans to Others

Clause after Revision	Existing Clauses	Description
2.3 The total of lending may not exceed 40% of the net value on the Company's most recent financial statement; the amount lent to any one enterprise may not exceed the <u>10%</u> of the net value on the Company's most recent financial statement.	2.3 The total of lending may not exceed 40% of the net value on the Company's most recent financial statement; loans to any one enterprise may not exceed the <u>20%</u> of the net value on the Company's most recent financial statement.	Amended to maintain consistency with 2.4.2.
2.4.3 Procedures for application for, assessment, reporting, and approval of loans to others are as follows:  (1) When a borrower applies to <u>the Company for a loan</u> , it must fill out a loan application, <u>including detailed loan amount, term, use, and collateral status; when necessary, this Company may request other supplementary information.</u>  (2) The Finance Department shall check whether the case complies with the requirements in articles 2.1, 2.2, and 2.3, and shall carefully assess the matters listed in Subparagraph (3) below. When a loan is planned, criteria including the loan amount, term, and interest rate shall be determined, and whether the prospective borrower must provide security, and the assessed or appraised value of collateral, shall be assessed on the basis of the borrower's financial situation and whether the	2.4.3 Procedures for application for, assessment, reporting, and approval of loans to others are as follows:  (1) The borrower shall fill out a loan application, <u>which shall be submitted to the Company's Finance Department together with the borrower's financial statement and credit information provided as specified by the Company's Finance Department after assessing the case circumstances.</u>  (2) The Finance Department shall check whether the case complies with the requirements in articles 2.1, 2.2, and 2.3, and shall carefully assess the matters listed in Subparagraph (3) below. When a loan is planned, criteria including the loan amount, term, and interest rate shall be determined, and whether the prospective borrower must provide security, and the assessed or appraised value of collateral, shall be assessed on the basis of the borrower's financial situation and whether the	Revision of information provided in a borrower's application.

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for Extending Loans to Others

Clause after Revision	Existing Clauses	Description
<p>borrower meets the requirements of Article 2.4.4. After approval by Chairperson Chen, proposed loans shall be submitted to the Board of Directors for resolution on a case-by-case basis.</p> <p>(3) Before lending to others, the matters listed below shall be assessed:</p> <p>a. The necessity and reasonableness of lending to another party.</p> <p>b. The loan recipient's credit rating and risk assessment.</p> <p>c. Impact on the Company's business operations, financial condition, and shareholders' interest.</p> <p>d. Whether collateral must be obtained and appraisal of the value thereof.</p>	<p>borrower meets the requirements of Article 2.4.4. After approval by Chairperson Chen, proposed loans shall be submitted to the Board of Directors for resolution on a case-by-case basis.</p> <p>(3) Before lending to others, the matters listed below shall be assessed:</p> <p>a. The necessity and reasonableness of lending to another party.</p> <p>b. The loan recipient's credit rating and risk assessment.</p> <p>c. Impact on the Company's business operations, financial condition, and shareholders' interest.</p> <p>d. Whether collateral must be obtained and appraisal of the value thereof.</p>	
<p>2.4.6 Disbursement and servicing:</p> <p>(1) After a proposed lending case has been passed by the Board of Directors, if the borrower must provide collateral, disbursement may be made only after the borrower has completed the setting and/or registration of a pledge, mortgage, or real estate as security for the transaction, and the prospective borrower must bear all registration expenses.</p>	<p>2.4.6 Disbursement and servicing:</p> <p>(1) After a proposed lending case has been passed by the Board of Directors, <u>if the borrower is not required to provide collateral, disbursement may be made only after the borrower has provided a signed promissory note in the same amount as the loan amount and a promissory note letter of authorization to the Company.</u> If the borrower must provide collateral, disbursement may be made only after the borrower has completed the setting and/or registration of a pledge, mortgage, or real estate as security for the transaction,</p>	<p>Amendment of regulations concerning collateral in Article 2.4.6 (1).</p>

### Name of Rules: Procedures for Extending Loans to Others

Clause after Revision	Existing Clauses	Description
<p>(2) In consideration of this Company's financial situation and the prospective borrower's need for funds, the Finance Department may perform disbursement in one or multiple installments, and the prospective borrower may similarly perform repayment in one or multiple installments.</p> <p>(3) Credit may be disbursed on a rotating basis during the loan period, but the loan balance may not exceed the loan amount approved by the Board of Directors.</p> <p>(4) The loan shall be immediately frozen if the prospective borrower has any of the following circumstances, in which case the borrower may not continue to draw funds, and all unexpired loans shall be continue to have come to term. The Finance Department shall negotiate a repayment plan with the prospective borrower, and shall take the following security measures to maintain the Company's creditors rights when necessary:</p> <p>a. Failure to pay interest and repay principal in accordance with agreement.</p> <p>b. In the case of a borrower not required to provide</p>	<p>and the prospective borrower must bear all registration expenses.</p> <p>(2) In consideration of this Company's financial situation and the prospective borrower's need for funds, the Finance Department may perform disbursement in one or multiple installments, and the prospective borrower may similarly perform repayment in one or multiple installments.</p> <p>(3) Credit may be disbursed on a rotating basis during the loan period, but the loan balance may not exceed the loan amount approved by the Board of Directors.</p> <p>(4) The loan shall be immediately frozen if the prospective borrower has any of the following circumstances, in which case the borrower may not continue to draw funds, and all unexpired loans shall be continue to have come to term. The Finance Department shall negotiate a repayment plan with the prospective borrower, and shall take the following security measures to maintain the Company's creditors rights when necessary:</p> <p>a. Failure to pay interest and repay principal in accordance with agreement.</p> <p>b. In the case of a borrower not required to provide</p>	

### Name of Rules: Procedures for Extending Loans to Others

Clause after Revision	Existing Clauses	Description
collateral, when the borrower's credit or financial situation deteriorates during the loan period, the borrower fails to provide required collateral after being notified to provide such collateral within an appropriate period of time by the Finance Department.	collateral, when the borrower's credit or financial situation deteriorates during the loan period, the borrower fails to provide required collateral after being notified to provide such collateral within an appropriate period of time by the Finance Department.	
2.4.8 Within the loan period, the Finance Department shall assess the loan situation and set aside sufficient allowance against bad debts, shall also appropriately disclose relevant information in financial statements, and provide relevant information enabling the certified public accountant to perform necessary audit procedures.	2.4.8 Within the loan period, the Finance Department shall assess the loan situation and set aside sufficient allowance against bad debts <u>in accordance with the borrower's credit risk reports compiled on a quarterly basis from the financial statements provided by the borrower</u> , shall also appropriately disclose relevant information in financial statements, and provide relevant information enabling the certified public accountant to perform necessary audit procedures.	The wording of text has been revised in accordance with the amendment of Article 2.4.3(1).
<u>2.9 If any of the Company's amounts have any of the circumstances listed below, they shall be considered to constitute loans:</u> <u>(1) Accounts receivable (with the related parties and non-related parties) that have not been payed back for 3 months after the normal credit period when the amount is material.</u> <u>(2) Other amounts apart from accounts receivable, such as</u>	This Article is newly added	1. This amendment has been made to add new regulatory content to address the problem of disguised financing in conjunction with Topic 37 of the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" updated by the Financial Supervisory Commission.

## Comparison Table of Revision of Rules

### Name of Rules: Procedures for Extending Loans to Others

Clause after Revision	Existing Clauses	Description
<p><u>"other receivables," "accounts payable," and "refundable deposits"; other material amounts or amounts of a special nature that meet one of the following conditions and have not been payed back after 3 months.</u></p> <p><u>a. A paid amount that is not connected with a contractual relationship.</u></p> <p><u>b. A paid amount that is not consistent with contractual performance duties.</u></p> <p><u>c. A paid amount when the reason for the payment has disappeared.</u></p> <p><u>With regard to the total of the amounts in the two subparagraphs of the previous paragraph, when the total amount for a single opposite party exceeds 0.3% of the Company's total operating revenue on its individual financial report for the most recent year, or the aggregate amount for all parties exceeds 1% of the operating revenue on the Company's individual financial report for the most recent year, such amounts must be submitted to the Board of Directors at least once each quarter for a resolution concerning whether the amounts constitute loaning; unless evidence definitely indicating that the amounts do not represent intention to perform lending (such as legal actions, proposal of specific, feasible control measures, etc.), the amounts shall</u></p>		<p>2. With regard to the assessment criteria for "material amounts," after discussion with auditing CPA (Deloitte Taiwan), when the total amount for a single opposite party exceeds 0.3% of the Company's total operating revenue on its individual financial report for the most recent year, or the aggregate amount for all parties exceeds 1% of the operating revenue on the Company's individual financial report for the most recent year, such amounts are still within scope of the Company's business dealings.</p>

### Name of Rules: Procedures for Extending Loans to Others

Clause after Revision	Existing Clauses	Description
<p><u>be considered to constitute loaning in nature.</u>  <u>With regard to any amounts in the foregoing paragraph that have been confirmed to constitute loans by the Board of Directors, such amounts shall be included toward the sum of loans and the lending limits to individual recipients as required in Article 2.3, and the cases shall be handled in accordance with the reporting procedures announced in Article 2.5. If the addition of any of the foregoing amounts causes the loanable funds limit to be exceeded, the case shall be handled in accordance with Article 2.4.10.</u></p>		
<p><u>2.10</u> Any matters that are not addressed in these Procedures shall be governed by relevant laws and regulations.</p>	<p><u>2.9</u> Any matters that are not addressed in these Procedures shall be governed by relevant laws and regulations.</p>	<p>Revised numbering of clauses.</p>

**Agenda item #3****Proposed by the Board of Directors**

Agenda: Approval of the non-compete clause for Mr. Min-Hsiung Liu, Mr. Kuei-Sung Tseng and Mr. Wen-Chou Li.

Explanation:

- I. The matter is processed in accordance with Article 209, Paragraph 1 of the Company Act: “A Director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the shareholders' meeting the essential contents of such an act and secure its approval”.
- II. Directors Min-Hsiung Liu, Kuei-Sung Tseng, and Wen-Chou Li hold concurrent directorship or managerial positions at other companies with identical or similar business operations as the Company, the shareholders' meeting shall be asked to agree to the removal of the non-compete clause for these directors. Please see the table below for information on other concurrent positions in other companies occupied by these Directors.

<b>Name of Legal Entity</b>	<b>Representative</b>	<b>Other related positions in other companies</b>
China Steel Corporation	Min-Hsiung Liu	Director, CSC Steel Sdn. Bhd. Director, CSC Steel Holdings Bhd.
	Kuei-Sung Tseng	Chairperson, CSC I STEEL CORPORATION INDIA PRIVATE LIMITED
	Wen-Chou Li	Assistant Vice President of Commercial Division, China Steel Corporation

Resolution:

## **E. Extempore Motions**

## F. Rules of Procedure

### Chung Hung Steel Corporation Rules of Procedure for Shareholders

#### Meetings

Amended by the Board of Directors on Tuesday, May 4, 2021

Passed by the Shareholders Meeting on Wednesday, August 25, 2021

Article 1 Unless otherwise stated by law or the Articles of Incorporation, the shareholders' meeting of the Company shall be organized according to these Rules.

Article 2 Unless otherwise specified by law, shareholders' meetings are convened by the board of directors.

Notices for general shareholders meetings or extraordinary shareholders meetings shall state the purpose of the meeting and shall be delivered to shareholders 30 days or 15 days in advance; if the shareholder agrees, such notices may be sent electronically. For shareholders holding less than one thousand shares, the meeting notices can be communicated by way of public announcement instead.

The Company shall prepare an electronic file that contains the meeting notice, a proxy form, a detailed description of various agenda items to be acknowledged or discussed during the meeting, and notes on re-election or dismissal of Directors and post it onto the Market Observation Post System (MOPS) at least 30 days before a general shareholders' meeting, or 15 days before an extraordinary shareholders' meeting.

Matters pertaining to election or discharge of Directors, alteration of the Articles of Incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger, spin-off, or any matters as set forth in Article 185, Paragraph 1 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be itemized among the subject of the meeting and their chief content shall be explained; they shall not be brought up as extempore motions.

Shareholders who own more than 1% of the company's outstanding shares are entitled to propose agenda items for discussion at general shareholders' meetings. However, they may only propose one agenda item and additional proposals shall not be included in the agenda. The Board of Directors may disregard shareholders' proposals if the proposed agenda item involve any of the circumstances listed in Article 172-1, Paragraph 4 of the Company Act.

The Company shall announce, before the book closure date prior to the shareholders meeting, the acceptance of shareholders' proposals, the written or digital format that will be accepted, and places and time of proposal acceptance; the acceptance may not be shorter than 10 days.

Proposals submitted by shareholders shall be limited to 300 characters in length. Shareholders who have made proposals shall attend the shareholders' meeting in person or through proxy attendance and participate in the discussion of the proposal in question.

The Company shall notify the proposing shareholders of the outcome of their proposed agenda items before the date the meeting notice is sent. Meanwhile, agenda items that satisfy the conditions listed in this Article shall be included as part of the meeting notice. During the shareholders' meeting, the Board of Directors shall explain the reasons why certain proposed agenda items are excluded from discussion.

Article 3 The Company shall formulate meeting manuals for the shareholders' meeting in accordance with the regulations of the competent authority of securities. Physical copies of the shareholders' meeting manual and supplementary information shall also be prepared at least 15 days before the meeting and made accessible to shareholders at any time. These documents must be placed within the company's premises and at the share administration agency appointed by the Company, and distributed on-site at the shareholders' meeting.

At least 21 days before an annual general meeting, or 15 days before an extraordinary shareholders' meeting, the Company shall upload an electronic copy of the shareholders' meeting manual and supplementary information to MOPS.

The Company shall prepare electronic versions of the Annual Report and Annual Financial Report and upload them to the MOPS at least 7 days before the date of the general shareholders' meeting or At least 21 days before the date of the general shareholders meeting if the Annual Report is used as supplementary information for the Procedures Manual of the shareholders' meeting.

The contents of the English versions of the electronic files shall be consistent with those of the Chinese version uploaded to the MOPS.

Article 4 Shareholders may appoint proxies to attend shareholders' meetings by completing the Company's proxy form and specifying the scope of delegated authority.

Each shareholder may issue one proxy form and delegate one proxy only. All proxy forms must arrive at the company at least five days before the shareholders' meeting. In the event that multiple proxy forms are issued, the proxy form that arrives first shall prevail. However, exception shall be granted if the shareholder issues a proper declaration to withdraw the previous proxy arrangement.

After a proxy letter has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company at least 2 business days before the meeting date; if notification of cancellation is received after this time, the voting rights exercised by a participating designated proxy shall take precedence.

Article 5 Shareholders' meetings shall be held at locations that are suitable and convenient for shareholders to attend. Meetings shall not begin earlier than 9 AM or later than 3 PM.

Article 6 The Company shall specify in its shareholders meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registration will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences; the attendance registration shall be clearly marked, and sufficient qualified personnel shall be assigned to conduct the meeting.

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders meetings based on attendance cards, sign-in cards, or other evidence of shareholders meeting attendance. With regard to verification documents for shareholders' attendance, the Company may not arbitrarily request shareholders to present other additional verifying documents in addition to the verification document needed for attendance; shareholders who wish to acquire a proxy letter must present proof of identity on-site for verification.

Shareholders who attend the meeting shall be given a copy of the meeting agenda handbook, annual report, attendance pass, attendance sign-in card, opinion slip, ballots, and other information relevant to the meeting; ballots shall be included when there will be a directors election.

Where the shareholder is a government agency or corporate entity, more than one representative may attend the shareholders' meetings on their behalf. Corporate entities that have been designated as proxy attendants shall only appoint one representative to attend the shareholders' meeting.

Article 7 Shareholders' meetings that are convened by the Board of Directors shall be chaired by the Chairperson. If the Chairperson is unable to perform such duties due to leave of absence or any reason, the Chairperson may appoint one of the Directors to act on the Chairperson's behalf. If the Chairperson does not appoint a delegate, one shall be elected among the Directors to act on the Chairperson's behalf.

When a Director serves as chair in accordance with the preceding paragraph, the Director shall be one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same shall apply for a representative of a corporate director that serves as chair.

For shareholders' meetings convened by any authorized party other than the Board of Directors, the convener will act as the meeting chair. If there are two or more conveners at the same time, one shall be appointed from among them to chair the meeting.

Article 8 Shareholders meetings convened by the board of Directors should be chaired by the Chairperson in person, attended by more than half of the Director and the convener of the Audit Committee in person, and attended by at least one representative member of each functional committee. In addition, a record of attendance shall be made in the shareholders' meeting minutes.

The Company may summon its lawyers, certified public accountants, and any relevant personnel to be present at the shareholders' meeting.

Article 9 The Company shall make an uninterrupted audio and video recording of the

registration procedure, the proceedings of the shareholders meeting, and the voting and vote counting procedures starting from the time it accepts shareholder attendance registrations.

The recorded materials of the preceding paragraph shall be retained for at least 1 year. However, if a shareholder makes a litigious claim against the Company according to Article 189 of the Company Act, the abovementioned documents must be retained until the end of the litigation.

Article 10 The attendance in shareholders' meetings shall be calculated based on numbers of shares. The shares in attendance shall be calculated in accordance with the number of attendance cards submitted by shareholders in attendance. Where the voting right is exercised in writing or by way of electronic transmission in accordance with Article 16-1, Paragraph 1, the number of shares that have been used to exercise voting rights in writing or in electronic format shall be used for the calculation.

Article 11 The chairperson shall announce the commencement of the meeting as soon as the appointed time arrives, and shall also announce such relevant information as the number of shares without voting rights and the number of shares in attendance. However, if those in attendance represent less than half of the company's outstanding shares, the chairperson may announce to postpone the meeting up to two times, for a period totaling no more than one hour. Except for cases processed in accordance with Paragraph 2, the chairperson shall dismiss the meeting if shareholders in attendance represent less than half of outstanding shares after two postponements.

If the shareholders in attendance represent more than one-third but less than half of outstanding shares after two postponements, the shareholders in attendance may reach a tentative resolution according to Article 175, Paragraph 1 of the Company Act. This tentative resolution shall be communicated to every shareholder and another shareholders' meeting shall be held within one month. The establishment of resolutions that involve special resolutions in accordance with the Company Act, the regulations in the Company Act shall apply.

If during the process of the meeting the number of issued shares represented by the shareholders present are sufficient to constitute the quorum, the chairperson may submit the tentative resolutions to the meeting for approval in accordance with Article 174 of the Company Act.

Article 12 If the shareholders' meeting is convened by the Board of Directors, the Board of Directors shall determine the meeting proceedings. The proceedings shall not be changed unless resolved during the shareholders' meeting.

The above rule also applies if the shareholders' meeting is convened by any authorized party other than the Board of Directors.

If discussion of the agenda items in the two foregoing paragraphs (including extempore motions) has not ended, the chairperson may not adjourn the meeting without a resolution to do so; if the chairperson violates the meeting policy by adjourning the meeting when he/she is not permitted to do so, other members of

the Board of Directors shall immediately assist the attending shareholders to elect another chair with the support of more than half of voting rights represented and continue the meeting.

After the end of the proceedings, when the chairperson has announced adjournment in accordance with the rules of procedure, the shareholders may not designate any other person as chairperson and continue the meeting in the same or another location.

Article 13 The chairperson shall be impartial and independent and he/she shall strictly abide by the rules of procedure to ensure the smooth progression of the meeting.

Shareholders in attendance are obligated to follow the Rules of Procedure, speak politely, and maintain the order of the meeting.

Article 14 Shareholders who wish to speak during the meeting must first fill out an opinion slip, which must state the topic and the shareholder's account number and name. The order of shareholders' comments shall be determined by the chairperson.

Shareholders who submit an opinion slip without actually speaking are considered to have remained silent. If the shareholder's actual comments differ from those stated on the opinion slip, only the actual comments expressed shall be recorded.

Each shareholder shall not speak more than twice, for five minutes each, on the same agenda item unless otherwise agreed by the chair. The chairperson may stop shareholders from speaking they violate the rules or speak outside the agenda item under discussion.

While a shareholder is speaking, other shareholders shall not speak simultaneously or interfere in any way unless agreed by the chair and the person speaking. Any violators shall be restrained by the chairperson.

Where a corporate shareholder has appointed two or more representatives to attend the shareholders' meeting, only one representative may speak per agenda item.

After the shareholder has finished speaking, the chairperson may answer to the shareholder's queries personally or appoint any relevant personnel to do so.

Article 15 With regard to the agenda items and any amendments or extempore motions proposed by shareholders, the chairperson may announce the end of discussion if he/she believes that the issue in question has been sufficiently discussed to proceed with voting.

Article 16 The Company's shareholders shall be entitled to one vote for each share held, except for the circumstances described in Paragraph 1, Subparagraph 3 of Article 157, Paragraph 2 of Article 179, or Article 197-1 of the Company Act where shareholders have restricted or no voting rights.

Shares that do not carry voting rights are excluded from the calculation of outstanding shares when voting for the final resolution.

Except in the exercise of voting rights for electing Directors, shareholders cannot vote, or appoint proxies to vote, on any agenda items in which they have a conflict of interest that would be detrimental to the best interests of the Company. The

number of shares held by shareholders who are not permitted to vote shall be excluded from the total voting rights represented in the meeting.

With the exception of trust enterprises and certain share administration agencies approved by the competent authority, a proxy may not represent more than 3% of total voting rights in aggregate when representing two or more shareholders during the meeting. Voting rights that exceed this threshold shall be excluded from calculation. However, they shall still be included into the number of voting rights of the shareholder in attendance.

Article 16-1 The Company shall specify in the meeting notice for the shareholders' meeting that shareholders who do not attend the meeting in person and did not issue a proxy letter to assign a proxy to attend the shareholders' meeting may exercise their voting rights using the specified written or electronic method; shareholders who exercise their voting rights using the specified written or electronic method shall be considered to have attended the shareholders meeting in person. However, they are considered to have waived their rights to participate in any special motions or amendments to the original proposals, alternative proposals, and other motions that may arise during the shareholders' meeting.

Instructions to exercise written and electronic votes must be delivered to the company at least two days before the shareholders' meeting. In the event where there are duplicate submissions, the earliest submission shall be taken into record. However, exception shall be granted if the shareholder issues a proper declaration to withdraw the previous vote.

If the shareholder decides to attend the shareholders' meeting in person after submitting a written or electronic vote, that shareholder must use the same method as used to vote to express the wish to cancel the exercise of voting rights specified in the foregoing paragraph at least 2 days prior to the shareholders meeting; when notification of cancellation is not received in time, voting rights exercised by written or electronic means shall still be valid. If the shareholder has exercised written or electronic votes, and at the same time delegated a proxy to attend the shareholders meeting, then the voting decision exercised by the proxy shall prevail.

Article 17 Unless otherwise specified in the Company Act or the Articles Incorporation of the Company, a resolution shall be adopted by a majority of the votes represented by the shareholders present at the meeting. At the time of a vote, the chairperson or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders for each proposal. The shareholder shall vote on each proposal and the results of shareholders' agreement, objection, and abstention shall be input on the Market Observation Post System.

Article 18 In cases where there are several amendments or alternative resolutions to a certain proposal, the chairperson shall determine the order in which the new and original proposals are voted on. If any resolution is passed, all other proposals shall be deemed rejected and no further voting is necessary.

Article 19 Before the voting on a proposal begins, the chairperson shall appoint a number of persons to perform the duties of ballot examiners and ballot counters; the ballot examiners shall be shareholders.

Vote counting for shareholders meeting proposals or elections shall be conducted in public at the place of the shareholders meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

Article 20 When the shareholders' meeting involves election of directors, the election must proceed according to the rules governing the election of directors determined separately by the Company, and results shall be announced on-site immediately; results shall include the names of those elected as directors and the numbers of votes with which they were elected, as well as the names of those not elected as directors and supervisors and the numbers of votes they received.

Article 21 Shareholders' meeting resolutions shall be compiled in the form of minutes, signed or sealed by the chairperson, and then distributed to each shareholder no later than 20 days after the meeting.

The meeting minutes as described in the foregoing paragraph may be produced electronically, and the distribution of the minutes may be conducted by uploading them to the Market Observation Post System.

The minutes must detail the date and venue of the meeting, the chair's name, the method of resolution, and the proceeding and results of various meeting agenda items. These minutes must be retained for as long as the company is in existence. They shall also be fully disclosed on the Company's website.

Where an election of the Directors took place, the weighted number of shares of elected Directors shall be specified.

Article 22 During the shareholders' meeting, the Company shall publish information regarding the number of shares acquired by solicitors and the number of shares represented by proxies using the prescribed format.

Article 23 The company must disclose on MOPS any shareholders' meeting resolutions that constitute material information as defined by law or the rules of the Taiwan Stock Exchange Corporation.

Article 24 Organizers of the shareholders' meeting must wear proper identification or arm badges.

The chairperson may direct the proctors or security personnel to help maintain order at the meeting place. While maintaining order in the meeting, all proctors or security staff must wear arm bands which identify their roles as "Proctors."

The chairperson may stop anyone who attempts to speak using speaker equipment not provided by the Company and use the speaker equipment he/she prepared.

The chairperson may instruct proctors or security staff to remove shareholders who continue to violate the meeting rules or other conduct other actions that disrupts order in the meeting despite being warned by the chair.

Article 25 The chairperson may call a recess to meeting at appropriate times. In the occurrence of force majeure events, the chair may temporarily suspend a meeting, and if the circumstances permit, announce a time for the continuation of the

meeting.

If the shareholders' meeting is unable to conclude all scheduled agenda items (including special motions) before the venue is due to be returned, participants may resolve to continue the meeting at an alternative location.

A resolution may be adopted at a shareholders' meeting to defer or resume the meeting within 5 days in accordance with Article 182 of the Company Act.

Article 26 These Rules shall be implemented following approval from the shareholders' meeting. The same procedure shall apply for amendments to these Rules.

# **Chung Hung Steel Corporation Articles of Incorporation**

Amended by the Board of Directors on Thursday, April 30, 2020

Passed by the Shareholders Meeting on June 24, 2020

## **Chapter 1 General provisions**

Article 1 : The Company shall be incorporated as a company limited by shares in accordance with the Company Act, and it shall be named Chung Hung Steel Corporation.

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

- I. Operations of animal husbandry business.
- II. Manufacturing, processing, and import/export of timber, agricultural products (excluding mushrooms and asparagus) and iron wire (under 12mm).
- III. Manufacturing, processing, wholesale, retail, and domestic sales/export of slotted angle iron, iron pipes, fish net, Teton fiber, plastic fiber, and iron plate.
- IV. Processing, manufacturing, domestic sales/export of steel coils, steel, steel mold, steel wire, stainless steel plate, stainless steel pipe, iron wire, galvanized iron plate and painted iron plate.
- V. Appointment of construction contractors to build public housing and commercial buildings for lease and sale and appointment of construction contractors to build general plants on industrial land for lease and sale.
- VI. Processing, manufacturing, and domestic sale/export of aluminum products and materials.
- VII. Processing, manufacturing, and domestic sale/export of steel and non-iron metal furniture.
- VIII. Processing, manufacturing, and domestic sale/export of wood and plastic furniture.
- IX. Processing, manufacturing, and domestic sale/export of silicon steel sheets.
- X. Processing, manufacturing, and domestic sale/export of sports equipment

(exercise bikes, rowing machines, golf clubs, strollers, trolleys, jogging strollers, jumpers, kick scooters, surfboards, tennis rackets, and ball equipment).

- XI. Processing, manufacturing, and domestic sale/export of transportation equipment (automobile, motorcycle, and bicycle parts) and jacks.
- XII. Design, manufacturing, processing, and domestic sale/export of mechanical bodies and machinery parts.
- XIII. Processing, manufacturing, and domestic sale/export of oxidized soft and hard iron powder, magnets, magnetic materials, metallurgy powder, and ceramic materials.
- XIV. (1) F107100 Wholesale of basic chemical raw materials.  
(2) F207100 Retail sale of basic chemical materials.  
(3) C801010 Basic chemical manufacturing industry.
- XV. All business items that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1 : When the Company becomes the shareholder of limited liability in other companies, its total amount of investment in such companies shall not be subject to restrictions regarding certain proportions of the total paid-in capital specified in the Company Act.

Article 2-2 : The Company may provide guarantees in accordance with the Procedures for Making Endorsements and Guarantees based on business requirements.

Article 3 : The Company is headquartered in Kaohsiung City. Where necessary, the Company may set up branch companies or other branch institutions at other suitable locations. Such set up or revocation shall be determined by the Board of Directors.

Article 4 : Unless otherwise stated in regulations of the competent authority of securities, the Company's announcements shall be made on newspapers, electronic newsletters, or a website set up or designated by the central competent authority.

## **Chapter 2 Shares**

Article 5 : The Company has an authorized capital of NT\$30 billion, totaling to 3 billion shares, which can be raised in multiple issues at NT\$10 per share. The Company may issue special shares.

Article 6 : The Company's stocks shall not be printed. They shall be registered, numbered, and affixed with the signatures or personal seals of the director representing the company. They shall also be duly certified or authenticated by the bank which is competent to certify shares under the laws before issuance thereof.

Stocks issued by the Company are not required to be printed. The Company, however, shall contact the centralized securities depository enterprise institution for registration of the share certificates. The shares issued shall be processed in accordance with the regulations of the institution.

Article 7 : The Company shall administer all the stock-related operations in accordance with related laws and regulations of the competent authority.

Article 8 : Transfer of title for the stocks is not permitted within sixty days prior to the annual meeting of shareholders; within thirty days prior to the special meeting of shareholders; or within five days prior to the cut-off date determined for the distribution of dividends, bonus or other benefits.

## **Chapter 3 Shareholder's meeting**

Article 9 : Unless otherwise specified by law, shareholders' meetings are convened by the board of directors.

The Company holds general and special shareholders' meetings, the general meeting shall be convened once a year within six months of the end of each fiscal year. The Board of Directors shall notify shareholders to convene the meeting thirty days in advance. Special meetings may be convened according to the law when necessary.

Article 10 : A shareholder who cannot attend shareholders' meeting may appoint a proxy to attend on his/her behalf by executing a power of attorney printed and issued by the Company, stating clearly the scope of the authorization.

Article 11 : The Chairman of the Board shall chair shareholders' meetings that are convened by the Board of Directors. Where the Chairman is absent, the Chairman shall appoint one of the Directors to act on behalf of the Chairman. For shareholders' meetings convened by any authorized party other than the Board of Directors, the convener will act as the meeting chair. If there are two or more conveners at the same time, one shall be appointed from among them to chair the meeting.

Article 12 : The Company's shareholders shall be entitled to one vote for each share held, except where shareholders are restricted or prohibited from exercising voting rights by law. Except for trust enterprises or stock agencies approved by the competent authority in charge of the securities business, when a person concurrently acts as the proxy for two or more shareholders in a shareholders' meeting, the number of voting right represented by him/her shall not exceed 3% of the total number of issued voting shares. Else, the portion of excessive voting right shall not be counted.

Article 13 : Unless otherwise regulated by the Company Act, a shareholders' meeting resolution is passed when more than 50% of all outstanding shares are represented in the meeting, and voted in favor by more than 50% of all voting rights represented at the meeting.

Article 14 : Shareholders' meeting resolutions shall be compiled into detailed minutes, and signed or sealed by the chair then disseminated to each shareholder no later than 20 days after the meeting.

The preparation and distribution of meeting minutes can be done in electronic form. The meeting minutes may be delivered by way of public announcement.

The sign-in cards and proxy authorization forms of shareholders in attendance shall be kept for at least one year. However, if a shareholder makes a litigious claim according to Article 189 of the Company Act, the abovementioned documents shall be retained until the end of the litigation.

#### **Chapter 4 Director**

Article 15 : The Company shall have seven to nine Directors. The election of Directors is held

by nomination and the shareholders shall vote on the list of candidates. They shall serve three-year terms and they may be reelected.

Among the Directors to be elected in accordance with the preceding paragraph, the number of Independent Directors shall be no less than three and they shall not represent less than one-fifth of the Directors to be elected. With respect to other requirements on Independent Directors including professional qualifications, restrictions on shareholdings and concurrent positions held, assessment of independence, method of nomination, and other compliance matters, the Company shall observe the regulations announced by the competent authority of the securities industry. The Independent Directors and non-independent Directors shall be nominated separately and elected concurrently. The seats shall be calculated separately.

Article 15-1 : The Company shall establish an Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act. The Committee shall be composed of the entire number of Independent Directors. It shall not be fewer than three persons in number, one of whom shall be the convener, and at least one of whom shall have accounting or financial expertise.

Resolutions at meetings of the Audit Committee shall be adopted with the approval of one half or more of the entire membership.

The exercise of the powers of the Audit Committee, its organization charter, and other matters for compliance shall be processed in accordance with the Securities and Exchange Act and other relevant laws or the Company's regulations.

Article 16 : If the re-election cannot be completed before the expiration of the term of office, the term of office for the Directors shall be extended until the re-elected Directors assume office. However, where the competent authority requires the Company to hold a new election within a limited period of time, the Company shall promptly hold the new election; if a new election has still been held by the designated time, the directors shall automatically be dismissed.

Article 17 : The Board of Directors consists of Directors. The Board of Directors shall appoint one Chairperson of the Board during a board meeting with more than two-thirds of Directors present, and with the approval of more than half of all attending Directors. The Chairperson shall represent the Company externally. The Board of Directors may assign one consultant to attend meetings of the Board of Directors in a non-voting capacity. The appointment and dismissal shall be approved by the Chairperson.

Article 18 : Except for the first meeting of each newly elected Board of Directors which shall be called and chaired by the Director that received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected, the Chairman shall convene meetings of the Board of Directors and serve as the chair.

The meetings of the Board of Directors shall be convened once each quarter. A meeting notice shall be delivered to each Director at least seven days in advance to provide information on the agenda, the date and venue at which the meeting is held, the proceedings and any information deemed relevant. A meeting of the Board of Directors may be called at any time in the event of an emergency.

The notice in the preceding paragraph shall be provided in print or in electronic format. Other appropriate methods may be used in the event of an emergency. Any director may waive the preceding two convening notice in writing before or after the meeting.

If the Chairman is on leave or unable to perform his duties, the Chairman shall appoint a Director to act on his behalf. If the Chairman does not appoint a Director to act on his behalf, a representative shall be elected from among the Directors.

Directors' attendance in board meetings via video conference shall be considered as attendance in person.

Article 19 : Except where otherwise specified in the Company Act, the passage of a proposal at a board meeting shall require the approval of a majority of the Directors in attendance at a board meeting attended by a majority of all Directors. If a Director

is unable to attend a meeting, he/she may appoint a proxy to attend the meeting by completing the Company's proxy form, specifying the scope of delegation. However, a Director may only be made proxy for a maximum of one other Director.

Article 20 : Discussions at board meetings shall be compiled as minutes, signed or sealed by the chairperson, and then distributed to each Director no later than 20 days after the meeting. The meeting minutes, Directors' attendance sheets, and proxy forms shall be kept by the Company.

Article 21 : (deleted)

Article 22 : The transportation allowance of Directors, remuneration of Independent Directors, and salary of the Chairperson shall be determined by the Board of Directors based on prevailing rates of the industry and listed companies. The Chairperson shall be applicable to related regulations regarding employee salary payment and provided with other allowances.

Article 22-1 : The Company may purchase liability insurance for its Directors to cover their terms of service based on the compensation liabilities associated with their business liabilities to reduce and diversify the risk of any material damages to the Company and its shareholders caused by any error or negligence of its Directors.

The Company shall report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has purchased or renewed for Directors at the next board meeting.

Article 23 : The Board of Directors shall be comprised of Directors whose functional duties are as follows:

- I. Filing proposals for capital increase or decrease;
- II. Review annual budgets and formulate financial statements at the end of each fiscal year in accordance with regulations;
- III. Clarification and amendment of material business policies;
- IV. Proposals for distribution of earnings or loss reimbursement plans;

- V. Review of important contracts;
- VI. Approval of domestic medium and long-term borrowings and foreign loans;
- VII. Approval of important charters;
- VIII. Establishment and withdrawal of branch companies or other branch institutions;
- IX. Appointment and dismissal of the President and Vice Presidents and the approval for their remuneration;
- X. Approval of employees' salary standards;
- XI. Approval of investments in other businesses;
- XII. Other exclusive powers expressly provided in the Company Act, Securities and Exchange Act, related regulations, or the Articles of Incorporation.

#### **Chapter 5 Managerial officers and other employees**

Article 24 : The Company shall appoint one President and several Vice Presidents. The appointment, dismissal and remuneration of the said parties shall be decided by a majority vote at a meeting of the Board of Directors attended by more than one half of the Directors.

Article 25 : The appointment and dismissal shall be processed in accordance with the Company's "Duties Division Table of the Board of Directors, Chairperson, and President".

Article 26 : The President shall be in charge of the Company's business operations. The President 's scope of duties shall include all powers except for the exclusive powers of the shareholders' meeting and the Board of Directors that are specified in the Company Act, Securities and Exchange Act, related regulations, and the Articles of Incorporation.

#### **Chapter 6 Financial Report**

Article 27 : The Company's fiscal year begins on January 1 and ends on December 31. At the end of each fiscal year, the Board of Directors shall formulate the following documents and submit them to the general shareholders' meeting for ratification.

- I. Business Report;
- II. Financial statements;
- III. Proposal of earnings distribution or loss reimbursement plans.

Article 28 : If the Company has profit for the year, it shall allocate no less than 0.1% of the profit as remuneration for employees and no more than 1% as remuneration for Directors. A sum shall be set aside to make up for any outstanding cumulative losses of the Company.

The remuneration for employees and Directors specified in the preceding paragraph shall be distributed in cash. It shall be implemented based on a resolution adopted by the Board of Directors in accordance with laws and presented to the shareholders' meeting.

Article 28-1 : In the event of surplus earnings after closing of annual accounts, after taxes are paid in accordance with the law, and losses incurred in previous years shall be compensated. Upon completion of the preceding actions, the remainder surplus shall be allocated as statutory reserve. However, in the event that the accumulated statutory reserve is equivalent to or exceeds the Company's total paid-in capital, such allocation may be exempted. The remainder may be set aside or reversed as special surplus reserve in accordance with laws and regulations. The remaining profit, if any, shall be included in the accumulated undistributed earnings for the previous year, and the shareholder's meeting shall determine whether to distribute dividends or retain the earnings.

The Company shall allocate no less than 30% of the distributable earnings for the distribution of shareholder dividends and bonuses each year. However, dividends may be canceled if the accumulated earnings available for distribution are less than 3% of the paid-up capital.

The development of the Company's industry has matured. Therefore, the distribution of the shareholder dividends specified above shall be distributed with appropriate ratios of cash dividends and stock dividends. Cash dividends shall be no lower than 50%.

## **Chapter 7 Supplementary provisions**

Article 29 : Where an individual or his/her ancestor who has or has not established a will currently serves or had previously served as the Company's Director or employee or performs duties for Directors or employees of any other company based on the Company's invitation and becomes a party to any litigation or legal proceedings, the Company may provide compensation for all actual and necessary fees, including attorneys' expenses, for the litigation or legal procedures that involve such individuals or for any appeals made. However, such Directors or employees shall be held liable for negligence or violation of duties. The compensation and rights awarded to Directors and employees shall not preclude any other due rights and interests.

Article 30 : Matters not addressed in this Article shall be processed in accordance with the Company Act and other relevant regulations.

Article 31 : The Articles of Incorporation were established on January 24, 1983. The 1st amendment was on April 21, 1983. The 2nd amendment was on June 25, 1983. The 3rd amendment was on January 18, 1984. The 4th amendment was on May 23, 1984. The 5th amendment was on July 20, 1985. The 6th amendment was on September 20, 1985. The 7th amendment was on December 10, 1985. The 8th amendment was on February 28, 1986. The 9th amendment was on May 15, 1986. The 10th amendment was on November 3, 1987. The 11th amendment was on March 13, 1988. The 12th amendment was on March 25, 1988. The 13th amendment was on March 4, 1989. The 14th amendment was on May 20, 1989. The 15th amendment was on October 3, 1989. The 16th amendment was on November 6, 1989. The 17th amendment was on February 24, 1990. The 18th amendment was on March 23, 1990. The 19th amendment was on May 10, 1991. The 20th amendment was on May 27, 1991. The 21st amendment was on January 27, 1992. The 22nd amendment was on June 18, 1993. The 23rd amendment was on June 2, 1994. The 24th amendment was on June 4, 1995. The 25th amendment

was on May 17, 1996. The 26th amendment was on June 29, 1999. The 27th amendment was on February 2, 2000. The 28th amendment was on June 20, 2000. The 29th amendment was on June 28, 2002. The 30th amendment was on May 27, 2003. The 31st amendment was on June 24, 2004. The 32nd amendment was on June 28, 2005. The 33rd amendment was on June 29, 2006. The 34th amendment was on June 26, 2007. The 35th amendment was on June 26, 2008. The 36th amendment was on June 30, 2009. The 37th amendment was on June 24, 2010. The 38th amendment was on June 10, 2011. The 39th amendment was on June 14, 2012. The 40th amendment was on June 19, 2013. The 41st amendment was on June 23, 2014. The 42nd amendment was on June 26, 2015. The 43rd amendment was on June 24, 2016. The 44th amendment was on June 24, 2020.

## G. Additional Descriptions

### I. Directors' shareholdings

- (I) According to Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies:

The minimum combined shareholding of all Directors by law is 34,453,066 shares. (It may not be lower than 2.4% of the total number of shares)

Note: The Company has issued 1,435,544,446 common shares.

- (II) The shareholdings of all Directors as recorded in the shareholder register up until the book closure date of the current shareholders' meeting:

April 26, 2022

Title	Name		Number of Shares Held
Chairperson of the Board	Min-Hsiung Liu	Representative of China Steel Corporation	582,673,153 shares
Director	Chao-Tung Wong		
Director	Kuei-Sung Tseng		
Director	Wen-Chou Li		
Independent Director	Juh-Shan Chiou		0 shares
Independent Director	Hsien-Tang Tsai		0 shares
Independent Director	Lin-Lin Lee		0 shares
Shareholdings of all directors			582,673,153 shares

The number of shares held by all Directors of the Company meet the legally required percentage.

## **II. The effect of the stock dividends on the Company's business performance, earnings per share and shareholder ROI**

According to the requirements specified in the Ministry of Finance's official letter No. 00371 dated February 1, 2000, disclosure of such information is not required because the Company did not distribute shares or compile and announce its 2022 financial forecast.



Head Office/Cold Rolling Department:

No. 317, Yuliao Road, Ciaotou Dist., Kaohsiung City



Hot Rolling Department:

No. 576, Xinglong St., Gangshan Dist., Kaohsiung City



Pickling and Galvanizing Department:

No. 24, Yanhai 3rd Rd., Xiaogang Dist., Kaohsiung City



Steel Pipe Plant (Dafa Plant): No. 18, Huazhong Rd., Dafa

Industrial Park, Daliao Dist., Kaohsiung City



Steel Pipe Plant (Lukang Plant):

No. 42, Lugong Rd., Lukang Township, Changhua County