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

2024

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**

## **2024 Annual Shareholders' Meeting**

# **Meeting Manual**

Time: 09:30 a.m. June 26, 2024 (Wednesday)

Venue: Municipal Qiaotou Junior High School Student Activity Center(No. 70, Xinxing Rd.,  
Qiaotou Dist., Kaohsiung City)

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Note : This English translation is for reference purposes only. In the event of any discrepancy between the Chinese original and this English translation, the Chinese original shall prevail.

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

Method: Physical Shareholders' meeting

Time: 9:30 a.m., June 26, 2024 (Wednesday)

Venue: Kaohsiung Municipal Qiaotou Junior High School Activity  
Center (No. 70, Xinxing Rd., Qiaotou Dist., Kaohsiung City)

- Agenda:
- I. Call Meeting to Order
  - II. Chairperson's Speech
  - III. Reports
  - IV. Ratifications
  - V. Elections
  - VI. Other Proposals
  - VII. Extempore Motions
  - VIII. Meeting Adjourned

## **B. Reports**

### **I. The Company's 2023 Business Report**

**(Report by President Min Chu)**

## **II. The Audit Committee's review report on statements for 2023**

Chung Hung Steel Corporation

Audit Committee's Audit Report

Hereby approves

The Company's 2023 Standalone Financial Report and Consolidated Financial Report (audited and certified by CPAs Li-Yuan Kuo 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 and filed for approval.

Please review and assess the preceding items.

Respectfully submitted to

The Company's 2024 Annual Shareholders Meeting

Audit Committee, Chung Hung Steel Corporation

Convener: Juh-Shan Chiou

February 27, 2024

### **III. Report on the 2023 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 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. The profitability shall, according to Jing-Shang No. 10402436190 Letter of the Ministry of Economic Affairs dated January 4, 2016, refer to the earnings before tax before deducting remuneration for employees and Directors.
- IV. The 2023 employees' remuneration of 5% on the account after tax amounted to NT\$4,007,745, which is equivalent to 2.40% of the pre-tax profit excluding employee and director remuneration. The director remuneration on the account amounted to NT\$801,549, which is equivalent to 0.48% of the earnings before tax 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.

## **C.Ratifications**

### **Agenda item #1**

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

Agenda: Ratification of the Company's 2023 Business Report and financial statements.

Explanation: The Company's 2023 Individual Financial Report and Consolidated Financial Report have been audited and certified by CPAs Li-Yuan Kuo and Chia-Ling Chiang of Deloitte, Taiwan. The Audit Committee submitted the Audit Report which found them to be compliant with regulations.

Resolution:

## **2023 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:

- ◎Leverage group resources to strengthen company operations
- ◎Fast and flexible production and sales to create mutual prosperity for customers and the company
- ◎Exploit equipment synergies and lean production management
- ◎Enrich digital management and revitalize human resources legacy
- ◎Fully implement safety and health policies and carbon reduction and fulfilling social responsibilities

### **II. Implementation Overview**

1. In 2023, rising inflation, tightening of monetary policies, downturn in the Chinese real estate market, and liquidity risks in European and American banks, led to weaker-than-expected global economic recovery. The general environment led to weak demand in the steel market but Chung Hung adopted an agile strategy that took advantage of every opportunity to improve our business performance. The entire company worked closely together as a team to achieve 101.8% of our annual sales target.
2. Lean production management, record-setting qualified order rate: Hot Rolling Department set a new record in product through yield for the second consecutive year; the product through yields at the Cold Rolling Department and Pickling & Galvanizing Department were also just below the second highest rate on record achieved in 2022.
3. Enhanced digital management and proactive deployment of computer systems such as mobile apps.
4. 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 Lukang Steel Pipe Plant was awarded the "Excellent Unit for Promoting Occupational Safety and Health in 2023" by the Changhua County Government in August 2023.
  - (3) Recognized as Outstanding Enterprise in the 2023 "Voluntary Evaluation on Disclosure of Occupational Health and Safety Indicators in Corporate Sustainability Reports" by the Occupational Safety and Health Administration of the Ministry of Labor in November 2023.
  - (4) The Cold Rolling Department received the "Gold Safety Award in the Rolling Category" in the 2022 Industrial Safety and Health Performance Assessment hosted by the Taiwan Steel & Iron Industries Association in November 2023. Dafa Steel Pipe Plant and Lukang Steel Pipe Plant also won the "Gold Safety Award - Other Category." The Pickling & Galvanizing Department won the "Excellence Award - Other Category".
  - (5) The Pickling & Galvanizing Department received the "2023 Excellent Unit Award for Promoting Occupational Safety and Health" from the Ministry of Labor and Kaohsiung City Government in December 2023.
5. Strengthening environmental and energy management, energy conservation and waste reduction to put sustainability into practice
- (1) Completion of product carbon footprint inventory and verification, and establishment of a greenhouse gas inventory and carbon rights management and registration platform.
  - (2) The Climate-related Financial Disclosure Proposal (TCFD) framework was used to assess the risks and opportunities faced by the Company brought by climate change and disclose them in a dedicated chapter of the Company's Sustainability Report.
  - (3) Received a certificate of "appreciation for inter-department greenhouse gas reduction and cooperation program in 2023" from the Environmental Protection Bureau of Kaohsiung City Government in December 2023.

#### 6. Continuing quality improvement, passing various certifications

Passed 12 items in the 2023 Product System Verification Certification with full marks; certification items: API, MS, CNS Mark, CE MARK & UKCA, ISO 9001, JIS Mark, Singapore's FPC, IATF 16949, and New Zealand's FPC.

#### 7. The Company received the following awards for its numerous outstanding achievements:

(1) Received the Outstanding Green Procurement Enterprise Award in Kaohsiung city from the Environmental Protection Bureau of Kaohsiung City Government in April 2023.

(2) Received certificate of top 500 ranking among outstanding import and export companies in 2022 from the International Trade Administration, Ministry of Economic Affairs in October 2023.

(3) In October 2023, the Company received a 2023 Taiwan Corporate Sustainability Award (Golden Award for Corporate Sustainability Reports).

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

#### 1. Production plan implementation status

The production volume of steel products (excluding miscellaneous grade products) in 2023 amounted to 1.989 million tons, which was a decrease of 37,000 tons from 2.026 million tons in 2022, a reduction of 2%.

#### 2. Sales plan implementation status

The sales volume of steel products in 2023 amounted to 1.853 million tons, which was an increase of 36,000 tons from 1.817 million tons in 2022, a rise of 2%.

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

The net profit was NT\$160 million in 2023. The operating revenue/expenses and profitability are as follows:

#### 1. Revenue

Consolidated operating revenue amounted to NT\$37.76 billion in 2023, a decline of NT\$6.74 billion of 15.1% compared to NT\$44.5 billion in 2022

#### 2. Expenditures

Consolidated operating costs and consolidated operating expenses totaled NT\$37.79 billion in 2023 which was a decrease of NT\$8.47 billion, approximately 18.3%, from NT\$46.26 billion in 2022.

#### 3. Profitability

Since the decrease in steel product costs was greater than the decrease in steel product revenue, the pre-tax net profit of NT\$160 million represented an increase of NT\$1.35 billion compared with 2022.

## **V. Research and Development**

The Company is continuing focus on process improvements, equipment upgrades, smart manufacturing and working with steel slab suppliers to develop high added-value products in order to improve our product grade and overall competitiveness. The Company's material R&D and quality improvement in 2023 were as follows:

### **1. Product development**

Development of PO EDD11 5ft sheet 6.0mm thickness product.

### **2. Product quality improvements**

Improvement of rinsing marks for cold-rolled products.

### **3. Process research**

(1) Establishment of steel band displacement measurement and tail-board auto-leveling control technologies for finishing rolling.

(2) Establishment of manufacturing technology for hot-rolled S1018M hard sheets (width  $\leq 3.5$  feet, thickness  $\leq 2.0$  mm).

(3) Streamlining and optimization of the pre-annealing process for cold-rolled medium carbon steel (S35C~S55C).

### **4. Equipment technology establishment**

(1) Completed the replacement of the F1 and F4 main motor for Hot Rolling Department.

(2) Completion of No.3 grinder revamping project in Hot Rolling Department.

(3) Completion of Down Coiler width meter replacement in Hot Rolling Department.

(4) Completion of entry/exit width gauge replacement in Hot Rolling Department.

### **5. Establishment of intelligent manufacturing technology**

(1) Completion of intelligent monitoring system for the No. 4 pipe milling and cutting machine at Lukang Steel Pipe Plant.

(2) Completion of power demand prediction model for Hot Rolling Department.

Chairperson:  
Kuei-Sung Tseng

Managerial Officer:  
Min Chu

Chief Accounting Officer:  
Wen-Ping Huang

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and 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, 2023 and 2022, 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 material accounting policy (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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, 2023. 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, 2023 are stated as follows:

#### Inventory Valuation

As of December 31, 2023, the carrying amount of inventories held by the Corporation was NT\$8,572,083 thousand, which accounted for 26% of the standalone total assets. Due to the fluctuations in the prices of raw materials and finished goods in the steel industry, inventory valuation, which involves material accounting estimates, is deemed to be a key audit matter.

For the accounting policies on inventories and material accounting estimates and judgments on inventories, refer to Notes 4, 5 and 10 to the standalone financial statements, respectively.

The audit procedures we performed included the following:

1. We performed year-end inventory counts and assessed the condition of inventory through inquiry and observation to evaluate the obsolescence of inventory and the appropriateness of inventory valuation.
2. We obtained the year-end inventory aging report, tested the accuracy of the aging report and examined whether the management performed the disposal of inventory in accordance with its policy.
3. We evaluated the appropriateness of inventory valuation.
4. We obtained the year-end detail of the inventory report and examined it by sampling the valuation supporting document of the underlying assumption and the market price to recalculate the appropriateness of the inventory valuation.

#### The Cut-off of Revenue from Export Sales

The export sales revenue for the year ended December 31, 2023 was NT\$14,042,296 thousand, which represented 37% of the sales revenue. The recognition of export revenue involved checking the external documents, and the export revenue was considered to have a significant effect on the financial statements. Thus, we considered the cut-off of sales revenue from export sales as a key audit matter. Refer to Notes 4 and 24 to the 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 cut-off of sales revenue.
2. We obtained the export sales details for a specific period before year end and tested the export sales details on a sample basis to confirm the timing of revenue recognition by examining the shipping documents, customs declarations and shipping bills of lading.

#### **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 for such internal control as management determines is necessary to enable the preparation of Corporation's 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Lee-Yuan Kuo and Jia-Ling, Jiang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 27, 2024

Notice to Readers

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

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

# CHUNG HUNG STEEL CORPORATION

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

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,865,739	6	\$ 3,265,526	9
Financial assets at fair value through other comprehensive income - current (Notes 4 and 7)	927,699	3	986,655	3
Financial assets for hedging - current (Notes 4 and 8)	140,442	-	700,188	2
Accounts receivable (Notes 4, 9 and 24)	638,335	2	231,840	-
Accounts receivable from related parties (Notes 4, 9, 24 and 30)	106,208	-	57,510	-
Other receivables (Note 9)	17,171	-	11,156	-
Other receivables from related parties (Notes 9 and 30)	210,314	1	341,528	1
Current tax assets (Notes 4 and 26)	4,167	-	-	-
Inventories (Notes 4, 5 and 10)	8,572,083	26	9,761,983	27
Prepayments (Note 11)	182,107	1	255,755	1
Other financial assets - current (Notes 12 and 31)	800,000	2	1,100,000	3
Other current assets	164	-	45	-
Total current assets	<u>13,464,429</u>	<u>41</u>	<u>16,712,186</u>	<u>46</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	45,588	-	41,163	-
Investments accounted for using equity method (Notes 4 and 13)	3,493,962	11	3,738,144	10
Property, plant and equipment (Notes 4, 14, 30 and 32)	9,409,727	29	9,801,656	27
Right-of-use assets (Notes 4 and 15)	68,543	-	48,092	-
Investment properties (Notes 4 and 16)	5,993,610	18	5,981,409	16
Deferred tax assets (Notes 4, 5 and 26)	344,829	1	373,292	1
Prepayments for equipment (Note 32)	161,861	-	56,285	-
Refundable deposits	9,781	-	9,337	-
Net defined benefit assets (Notes 4, 5 and 22)	-	-	2,060	-
Total noncurrent assets	<u>19,527,901</u>	<u>59</u>	<u>20,051,438</u>	<u>54</u>
<b>TOTAL</b>	<u>\$ 32,992,330</u>	<u>100</u>	<u>\$ 36,763,624</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 31)	\$ 4,784,715	14	\$ 7,561,516	21
Short-term bills payable (Note 17)	2,495,674	8	-	-
Financial liabilities for hedging - current (Notes 4 and 8)	-	-	2,166	-
Contract liabilities - current (Note 24)	40,310	-	102,146	-
Accounts payable (Note 19)	68,322	-	534,403	2
Accounts payable to related parties (Notes 19 and 30)	578,527	2	289,098	1
Other payables (Notes 20 and 30)	614,131	2	541,337	2
Current tax liabilities (Notes 4 and 26)	-	-	89,378	-
Provisions - current (Notes 4 and 21)	137,900	-	133,700	-
Lease liabilities - current (Notes 4 and 15)	13,626	-	12,877	-
Current portion of long-term borrowings (Note 17)	-	-	2,340,000	6
Refund liabilities	171,619	1	57,815	-
Other current liabilities	17,483	-	16,244	-
Total current liabilities	<u>8,922,307</u>	<u>27</u>	<u>11,680,680</u>	<u>32</u>
<b>NONCURRENT LIABILITIES</b>				
Bonds payable (Note 18)	2,998,444	9	2,997,309	8
Long-term bank borrowings (Note 17)	2,600,000	8	2,260,000	6
Long-term bills payable (Note 17)	1,899,364	6	2,498,441	7
Deferred tax liabilities (Notes 4 and 26)	183,607	1	193,481	1
Lease liabilities - noncurrent (Notes 4 and 15)	56,092	-	36,276	-
Net defined benefit liabilities (Notes 4, 5, and 22)	38,535	-	-	-
Guarantee deposits received (Note 16)	35,000	-	35,000	-
Total noncurrent liabilities	<u>7,811,042</u>	<u>24</u>	<u>8,020,507</u>	<u>22</u>
Total liabilities	<u>16,733,349</u>	<u>51</u>	<u>19,701,187</u>	<u>54</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23)</b>				
Ordinary shares	14,355,444	44	14,355,444	39
Capital surplus	903	-	903	-
Retained earnings				
Legal reserve	764,806	2	764,806	2
Unappropriated earnings	1,210,742	3	1,651,062	4
Total retained earnings	1,975,548	5	2,415,868	6
Other equity	(72,914)	-	290,222	1
Total equity	<u>16,258,981</u>	<u>49</u>	<u>17,062,437</u>	<u>46</u>
<b>TOTAL</b>	<u>\$ 32,992,330</u>	<u>100</u>	<u>\$ 36,763,624</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			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 30)	\$ 37,762,916	100	\$ 44,497,278	100
OPERATING COSTS (Notes 10, 25 and 30)	<u>37,251,898</u>	<u>99</u>	<u>45,629,434</u>	<u>103</u>
GROSS PROFIT (LOSS)	<u>511,018</u>	<u>1</u>	<u>(1,132,156)</u>	<u>(3)</u>
OPERATING EXPENSES (Notes 25 and 30)				
Selling and marketing expenses	307,028	1	376,864	1
General and administrative expenses	<u>234,085</u>	<u>-</u>	<u>254,326</u>	<u>-</u>
Total operating expenses	<u>541,113</u>	<u>1</u>	<u>631,190</u>	<u>1</u>
LOSS FROM OPERATIONS	<u>(30,095)</u>	<u>-</u>	<u>(1,763,346)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 25 and 30)				
Interest income	40,762	-	47,609	-
Other income	171,299	-	283,378	-
Other gains and losses	63,515	-	29,000	-
Finance costs	(203,979)	-	(130,575)	-
Share of the profit of associates	<u>120,853</u>	<u>-</u>	<u>349,161</u>	<u>1</u>
Total non-operating income and expenses	<u>192,450</u>	<u>-</u>	<u>578,573</u>	<u>1</u>
PROFIT (LOSS) BEFORE INCOME TAX	162,355	-	(1,184,773)	(3)
INCOME TAX EXPENSE (BENEFIT) (Notes 4, 5 and 26)	<u>3,074</u>	<u>-</u>	<u>(194,844)</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>159,281</u>	<u>-</u>	<u>(989,929)</u>	<u>(3)</u>

(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			
	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22 , 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (96,696)	-	\$ 294,407	1
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(86,071)	-	(196,066)	-
Gains and losses on hedging instruments	15,059	-	(11,068)	-
Share of the other comprehensive income (loss) of associates	(276,813)	(1)	(636,823)	(1)
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	16,327	-	80,176	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of subsidiaries and associates	<u>(69)</u>	<u>-</u>	<u>528</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(428,263)</u>	<u>(1)</u>	<u>(468,846)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (268,982)</u>	<u>(1)</u>	<u>\$ (1,458,775)</u>	<u>(3)</u>
EARNINGS (LOSS) PER SHARE (Note 27)				
Basic	<u>\$ 0.11</u>		<u>\$ (0.69)</u>	
Diluted	<u>\$ 0.11</u>		<u>\$ (0.69)</u>	

(Concluded)

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

# 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			Exchange Differences on Translating Foreign Operations	Other Equity		Gains and Losses on Hedging Instruments	Total Other Equity	Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2022	\$ 14,355,444	\$ 903	\$ 144,632	\$ 425,839	\$ 6,503,369	\$ (142)	\$ 1,131,353	\$ -	\$ 1,131,211	\$ 22,561,398	
Appropriation of 2021 earning (Note 23)											
Legal reserve	-	-	620,174	-	(620,174)	-	-	-	-	-	
Reversal of special reserve	-	-	-	(425,839)	425,839	-	-	-	-	-	
Cash dividends	-	-	-	-	(4,019,524)	-	-	-	-	(4,019,524)	
Net loss for the year ended December 31, 2022	-	-	-	-	(989,929)	-	-	-	-	(989,929)	
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	372,362	528	(832,882)	(8,854)	(841,208)	(468,846)	
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	(617,567)	528	(832,882)	(8,854)	(841,208)	(1,458,775)	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(219)	-	219	-	219	-	
Adjustment from changes in equity of associates	-	-	-	-	(20,662)	-	-	-	-	(20,662)	
BALANCE AT DECEMBER 31, 2022	14,355,444	903	764,806	-	1,651,062	386	298,690	(8,854)	290,222	17,062,437	
Appropriation of 2022 earning (Note 23)											
Cash dividends	-	-	-	-	(502,411)	-	-	-	-	(502,411)	
Net profit for the year ended December 31, 2023	-	-	-	-	159,281	-	-	-	-	159,281	
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	(77,343)	(69)	(362,898)	12,047	(350,920)	(428,263)	
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	81,938	(69)	(362,898)	12,047	(350,920)	(268,982)	
Changes in equity of associates accounted for using the equity method (Notes 13 and 23)	-	-	-	-	(26,528)	-	(5,505)	-	(5,505)	(32,033)	
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	6,711	-	(6,711)	-	(6,711)	-	
BALANCE AT DECEMBER 31, 2023	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 1,210,742	\$ 317	\$ (76,424)	\$ 3,193	\$ (72,914)	\$ 16,258,981	

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>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	\$ 162,355	\$ (1,184,773)
Adjustments for:		
Depreciation expense	695,919	717,892
Net gain on financial assets at fair value through profit or loss	-	(2,774)
Finance costs	203,979	130,575
Interest income	(40,762)	(47,609)
Dividend income	(35,151)	(104,930)
Share of profit of associates	(120,853)	(349,161)
Net gain on disposal of property, plant and equipment	(37,010)	-
Write-downs (reversal) of inventories	(1,212,121)	1,466,930
Recognition (reversal) of provisions	4,200	(73,150)
Others	1,094	1,135
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	2,774
Financial assets for hedging	462,011	(462,011)
Accounts receivable	(406,495)	698,738
Accounts receivable from related parties	(48,698)	(10,155)
Other receivables	(7,592)	1,777
Other receivables from related parties	(168,786)	169,479
Inventories	2,402,021	1,488,526
Prepayments	73,648	187,361
Other current assets	(119)	2,552
Contract liabilities	(61,836)	6,991
Accounts payable	(466,081)	(826,329)
Accounts payable to related parties	289,429	(180,479)
Other payables	73,356	(649,691)
Other current liabilities	1,239	(7,073)
Net defined benefit liabilities	(56,100)	(95,429)
Refund liabilities	113,804	(207,232)
Cash generated from operations	1,821,451	673,934
Income taxes paid	(61,758)	(650,576)
Net cash generated from operating activities	<u>1,759,693</u>	<u>23,358</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(31,540)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	325
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	-	8,242
Purchase of financial assets for hedging	(5,469)	(247,079)
Proceeds from disposal of financial assets for hedging	116,097	-

(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>2023</b>	<b>2022</b>
Acquisition of property, plant and equipment	\$ (392,786)	\$ (322,740)
Proceeds from disposal of property, plant and equipment	37,010	-
Increase in refundable deposits	(444)	(3,686)
Decrease (increase) in other receivables from related parties	300,000	(300,000)
Decrease (increase) in other financial assets	300,000	(100,000)
Interest received	42,392	43,727
Dividends received from others	91,270	148,088
	<u>456,530</u>	<u>(773,123)</u>
Net cash generated from (used in) investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	97,671,254	120,211,254
Repayments of short-term borrowings	(100,237,355)	(117,525,770)
Increase in short-term bills payable	10,945,674	4,900,359
Decrease in short-term bills payable	(8,450,000)	(5,900,000)
Proceeds from long-term borrowings	4,200,000	3,900,000
Repayments of long-term borrowings	(6,200,000)	(500,000)
Proceeds from long-term bills payable	-	2,498,649
Repayments of long-term bills payable	(599,077)	(240,000)
Repayments of principal of lease liabilities	(15,877)	(15,489)
Dividends paid to owner of the corporation	(502,441)	(4,019,524)
Interest paid	(217,488)	(115,433)
	<u>(3,405,310)</u>	<u>3,194,046</u>
Net cash generated from (used in) financing activities		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,189,087)	2,444,281
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,285,355</u>	<u>(158,926)</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 1,096,268</u>	<u>\$ 2,285,355</u>

Reconciliation of the amounts in the standalone statements of cash flows with the equivalent items reported in the standalone balance sheets as of December 31, 2023 and 2022:

Cash and cash equivalents in the standalone balance sheets	\$ 1,865,739	\$ 3,265,526
Bank overdraft	<u>(769,471)</u>	<u>(980,171)</u>
Cash and cash equivalents in the standalone statements of cash flows	<u>\$ 1,096,268</u>	<u>\$ 2,285,355</u>

(Concluded)

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

**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, 2023, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with 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

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Kuei-Sung Tseng  
Chairman

February 27, 2024

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and 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, 2023 and 2022, 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 material accounting policy information (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters of the Group's consolidated financial statements for the year ended December 31, 2023 are stated as follows:

#### Inventory Valuation

As of December 31, 2023, the carrying amount of inventories held by the Group was NT\$8,572,083 thousand, which accounted for 26% of the consolidated total assets. Due to the fluctuations in the prices of raw materials and finished goods in the steel industry, inventory valuation, which involves material accounting estimates, is deemed to be a key audit matter.

For the accounting policies on inventories and material accounting estimates and judgments on inventories, refer to Notes 4, 5 and 10 to the consolidated financial statements, respectively.

The audit procedures we performed included the following:

1. We performed year-end inventory counts and assessed the condition of inventory through inquiry and observation to evaluate the obsolescence of inventory and the appropriateness of inventory valuation.
2. We obtained the year-end inventory aging report, tested the accuracy of the aging report and examined whether the management performed the disposal of inventory in accordance with its policy.
3. We evaluated the appropriateness of inventory valuation.
4. We obtained the year-end detail of the inventory report and examined it by sampling the valuation supporting document of the underlying assumption and the market price to recalculate the appropriateness of the inventory valuation.

#### The Cut-off of Revenue from Export Sales

The export sales revenue for the year ended December 31, 2023 was NT\$14,042,296 thousand, which represented 37% of the sales revenue. The recognition of export revenue involved checking the external documents, and the export revenue was considered to have a significant effect on the financial statements. Thus, we considered the cut-off of sales revenue from export sales as a key audit matter. Refer to Notes 4 and 24 to the 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 cut-off of sales revenue.
2. We obtained the export sales details for a specific period before year end and tested the export sales details on a sample basis to confirm the timing of revenue recognition by examining the shipping documents, customs declarations and shipping bills of lading.

#### **Other Matter**

We have also audited the standalone financial statements of the Corporation as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Lee-Yuan Kuo and Jia-Ling, Jiang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 27, 2024

Notice to Readers

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

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

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

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

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,866,832	6	\$ 3,268,386	9
Financial assets at fair value through other comprehensive income - current (Notes 4 and 7)	927,699	3	986,655	3
Financial assets for hedging - current (Notes 4 and 8)	140,442	-	700,188	2
Accounts receivable (Notes 4, 9 and 24)	638,335	2	231,840	-
Accounts receivable from related parties (Notes 4, 9, 24 and 30)	106,208	-	57,510	-
Other receivables (Note 9)	17,171	-	11,156	-
Other receivables from related parties (Notes 9 and 30)	210,586	1	344,478	1
Current tax assets (Notes 4 and 26)	4,907	-	657	-
Inventories (Notes 4, 5 and 10)	8,572,083	26	9,761,983	26
Prepayments (Note 11)	182,119	1	255,767	1
Other financial assets - current (Notes 12 and 31)	803,300	2	1,101,100	3
Other current assets	164	-	45	-
Total current assets	<u>13,469,846</u>	<u>41</u>	<u>16,719,765</u>	<u>45</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4 and 7)	72,696	-	71,082	-
Investments accounted for using the equity method (Notes 4 and 13)	3,461,769	11	3,701,899	10
Property, plant and equipment (Notes 4, 14, 30 and 32)	9,409,727	29	9,801,656	27
Right-of-use assets (Notes 4 and 15)	68,543	-	48,092	-
Investment properties (Notes 4 and 16)	5,993,610	18	5,981,409	17
Deferred tax assets (Notes 4, 5 and 26)	344,829	1	373,292	1
Prepayments for equipment (Note 32)	161,861	-	56,285	-
Refundable deposits	9,781	-	9,337	-
Net defined benefit assets (Notes 4, 5 and 22)	-	-	2,060	-
Total noncurrent assets	<u>19,522,816</u>	<u>59</u>	<u>20,045,112</u>	<u>55</u>
<b>TOTAL</b>	<u>\$ 32,992,662</u>	<u>100</u>	<u>\$ 36,764,877</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 31)	\$ 4,784,715	14	\$ 7,561,516	21
Short-term bills payable (Note 17)	2,495,674	8	-	-
Financial liabilities for hedging - current (Notes 4 and 8)	-	-	2,166	-
Contract liabilities - current (Note 24)	40,310	-	102,146	-
Accounts payable (Note 19)	68,322	-	534,403	2
Accounts payable to related parties (Notes 19 and 30)	578,527	2	289,098	1
Other payables (Notes 20 and 30)	614,463	2	542,590	2
Current tax liabilities (Notes 4 and 26)	-	-	89,378	-
Provisions - current (Notes 4 and 21)	137,900	-	133,700	-
Lease liabilities - current (Notes 4 and 15)	13,626	-	12,877	-
Current portion of long-term borrowings (Note 17)	-	-	2,340,000	6
Refund liabilities	171,619	1	57,815	-
Other current liabilities	17,483	-	16,244	-
Total current liabilities	<u>8,922,639</u>	<u>27</u>	<u>11,681,933</u>	<u>32</u>
<b>NONCURRENT LIABILITIES</b>				
Bonds payable (Note 18)	2,998,444	9	2,997,309	8
Long-term bank borrowings (Note 17)	2,600,000	8	2,260,000	6
Long-term bills payable (Note 17)	1,899,364	6	2,498,441	7
Deferred tax liabilities (Notes 4 and 26)	183,607	1	193,481	1
Lease liabilities - noncurrent (Notes 4 and 15)	56,092	-	36,276	-
Net defined benefit liabilities (Notes 4, 5 and 22)	38,535	-	-	-
Guarantee deposits received (Note 16)	35,000	-	35,000	-
Total noncurrent liabilities	<u>7,811,042</u>	<u>24</u>	<u>8,020,507</u>	<u>22</u>
Total liabilities	<u>16,733,681</u>	<u>51</u>	<u>19,702,440</u>	<u>54</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23)</b>				
Ordinary shares	<u>14,355,444</u>	<u>43</u>	<u>14,355,444</u>	<u>39</u>
Capital surplus	<u>903</u>	<u>-</u>	<u>903</u>	<u>-</u>
Retained earnings				
Legal reserve	764,806	2	764,806	2
Unappropriated earnings	1,210,742	4	1,651,062	4
Total retained earnings	<u>1,975,548</u>	<u>6</u>	<u>2,415,868</u>	<u>6</u>
Other equity	<u>(72,914)</u>	<u>-</u>	<u>290,222</u>	<u>1</u>
Total equity	<u>16,258,981</u>	<u>49</u>	<u>17,062,437</u>	<u>46</u>
<b>TOTAL</b>	<u>\$ 32,992,662</u>	<u>100</u>	<u>\$ 36,764,877</u>	<u>100</u>

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 (Loss) Per Share)

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 30)	\$ 37,764,208	100	\$ 44,503,494	100
OPERATING COSTS (Notes 10, 25 and 30)	<u>37,251,898</u>	<u>99</u>	<u>45,629,434</u>	<u>103</u>
GROSS PROFIT (LOSS)	<u>512,310</u>	<u>1</u>	<u>(1,125,940)</u>	<u>(3)</u>
OPERATING EXPENSES (Notes 25 and 30)				
Selling and marketing expenses	307,028	1	376,864	1
General and administrative expenses	<u>234,438</u>	<u>-</u>	<u>257,893</u>	<u>-</u>
Total operating expenses	<u>541,466</u>	<u>1</u>	<u>634,757</u>	<u>1</u>
LOSS FROM OPERATIONS	<u>(29,156)</u>	<u>-</u>	<u>(1,760,697)</u>	<u>(4)</u>
NON-OPERATING INCOME AND EXPENSES (Notes 13, 16, 25 and 30)				
Interest income	40,812	-	47,626	-
Other income	171,179	-	283,258	-
Other gains and losses	63,515	-	29,000	-
Finance costs	(203,979)	-	(130,575)	-
Share of profit of associates	<u>120,027</u>	<u>-</u>	<u>346,865</u>	<u>1</u>
Total non-operating income and expenses	<u>191,554</u>	<u>-</u>	<u>576,174</u>	<u>1</u>
PROFIT (LOSS) BEFORE INCOME TAX	162,398	-	(1,184,523)	(3)
INCOME TAX EXPENSE (BENEFIT) (Notes 4, 5 and 26)	<u>3,117</u>	<u>-</u>	<u>(194,594)</u>	<u>(1)</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>159,281</u>	<u>-</u>	<u>(989,929)</u>	<u>(2)</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(96,696)	-	294,407	1
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(88,882)	-	(201,638)	(1)
Gains and losses on hedging instruments	15,059	-	(11,068)	-

(Continued)

# CHUNG HUNG STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Year Ended December 31			
	2023		2022	
	Amount	%	Amount	%
Share of the other comprehensive income of associates	\$ (274,002)	(1)	\$ (631,251)	(1)
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	16,327	-	80,176	-
Items that may be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of associates	<u>(69)</u>	<u>-</u>	<u>528</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>(428,263)</u>	<u>(1)</u>	<u>(468,846)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (268,982)</u>	<u>(1)</u>	<u>\$ (1,458,775)</u>	<u>(3)</u>
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ 159,281</u>	<u>-</u>	<u>\$ (989,929)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owners of the Corporation	<u>\$ (268,982)</u>	<u>(1)</u>	<u>\$ (1,458,775)</u>	<u>(3)</u>
EARNINGS (LOSS) PER SHARE (Note 27)				
Basic	<u>\$ 0.11</u>		<u>\$ (0.69)</u>	
Diluted	<u>\$ 0.11</u>		<u>\$ (0.69)</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			Exchange Differences on Translating Foreign Operations	Other Equity			Total Equity
			Legal Reserve	Special Reserve	Unappropriated Earnings		Unrealized Valuation Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Gains and Losses on Hedging Instruments	Total Other Equity	
BALANCE AT JANUARY 1, 2022	\$ 14,355,444	\$ 903	\$ 144,632	\$ 425,839	\$ 6,503,369	\$ (142)	\$ 1,131,353	\$ -	\$ 1,131,211	\$ 22,561,398
Appropriation of 2021 earning (Note 23)										
Legal reserve	-	-	620,174	-	(620,174)	-	-	-	-	-
Reversal of special reserve	-	-	-	(425,839)	425,839	-	-	-	-	-
Cash dividends	-	-	-	-	(4,019,524)	-	-	-	-	(4,019,524)
Net loss for the year ended December 31, 2022	-	-	-	-	(989,929)	-	-	-	-	(989,929)
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	372,362	528	(832,882)	(8,854)	(841,208)	(468,846)
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	(617,567)	528	(832,882)	(8,854)	(841,208)	(1,458,775)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	(219)	-	219	-	219	-
Adjustment from changes in equity of associates	-	-	-	-	(20,662)	-	-	-	-	(20,662)
BALANCE AT DECEMBER 31, 2022	14,355,444	903	764,806	-	1,651,062	386	298,690	(8,854)	290,222	17,062,437
Appropriation of 2022 earning (Note 23)										
Cash dividends	-	-	-	-	(502,441)	-	-	-	-	(502,441)
Net profit for the year ended December 31, 2023	-	-	-	-	159,281	-	-	-	-	159,281
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	(77,343)	(69)	(362,898)	12,047	(350,920)	(428,263)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	81,938	(69)	(362,898)	12,047	(350,920)	(268,982)
Changes in equity of associates accounted for using the equity method (Notes 13 and 23)	-	-	-	-	(26,528)	-	(5,505)	-	(5,505)	(32,033)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	6,711	-	(6,711)	-	(6,711)	-
BALANCE AT DECEMBER 31, 2023	\$ 14,355,444	\$ 903	\$ 764,806	\$ -	\$ 1,210,742	\$ 317	\$ (76,424)	\$ 3,193	\$ (72,914)	\$ 16,258,981

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>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit (loss) before income tax	\$ 162,398	\$ (1,184,523)
Adjustments for:		
Depreciation expense	695,919	717,892
Net gain on financial assets at fair value through profit or loss	-	(2,774)
Finance costs	203,979	130,575
Interest income	(40,812)	(47,626)
Dividend income	(36,155)	(108,042)
Share of profit of associates	(120,027)	(346,865)
Gain on disposal of property, plant and equipment	(37,010)	-
Write-downs (reversal) of inventories	(1,212,121)	1,466,930
Recognition (reversal) of provisions	4,200	(73,150)
Others	1,094	1,135
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	-	2,774
Financial assets for hedging	462,011	(462,011)
Accounts receivable	(406,495)	698,738
Accounts receivable from related parties	(48,698)	(10,155)
Other receivables	(7,592)	1,777
Other receivables from related parties	(166,108)	176,983
Inventories	2,402,021	1,488,526
Prepayments	73,648	187,361
Other current assets	(119)	2,552
Contract liabilities	(61,836)	6,991
Accounts payable	(466,081)	(826,329)
Accounts payable to related parties	289,429	(180,479)
Other payables	72,435	(649,706)
Other current liabilities	1,239	(7,073)
Net defined benefit liabilities	(56,100)	(95,429)
Refund liabilities	113,804	(207,232)
Cash generated from operations	1,823,023	680,840
Income taxes paid	(61,885)	(653,311)
Net cash generated from operating activities	<u>1,761,138</u>	<u>27,529</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(31,540)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	325
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	-	8,242

(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>2023</b>	<b>2022</b>
Purchase of financial assets for hedging	\$ (5,469)	\$ (247,079)
Proceeds from disposal of financial assets for hedging	116,097	-
Acquisition of property, plant and equipment	(392,786)	(322,740)
Proceeds from disposal of property, plant and equipment	37,010	-
Increase in refundable deposits	(444)	(3,686)
Decrease (increase) in other receivables from related parties	300,000	(300,000)
Decrease (increase) in other financial assets	297,800	(98,300)
Interest received	42,443	43,744
Dividends received from others	90,207	144,402
	<u>453,318</u>	<u>(775,092)</u>
Net cash generated from (used in) investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	97,671,254	120,211,254
Repayments of short-term borrowings	(100,237,355)	(117,525,770)
Increase in short-term bills payable	10,945,674	4,900,359
Decrease in short-term bills payable	(8,450,000)	(5,900,000)
Proceeds from long-term borrowings	4,200,000	3,900,000
Repayments of long-term borrowings	(6,200,000)	(500,000)
Proceeds from long-term bills payable	-	2,498,649
Repayments of long-term bills payable	(599,077)	(240,000)
Repayments of principal of lease liabilities	(15,877)	(15,489)
Dividends paid to owner of the Corporation	(502,441)	(4,019,524)
Interest paid	(217,488)	(115,433)
	<u>(3,405,310)</u>	<u>3,194,046</u>
Net cash generated from (used in) financing activities		
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,190,854)</b>	<b>2,446,483</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>2,288,215</u></b>	<b><u>(158,268)</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 1,097,361</u></b>	<b><u>\$ 2,288,215</u></b>

### **Reconciliation of year-end cash and cash equivalents**

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents in the consolidated balance sheets	\$ 1,866,832	\$ 3,268,386
Bank overdraft	<u>(769,471)</u>	<u>(980,171)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 1,097,361</u>	<u>\$ 2,288,215</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: The Company's 2023 earnings distribution proposal is submitted for ratification.

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 cash dividend of NT\$0.1 per common stock after taking the financial requirements for sustainable development in the future.
- 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 2023 as follows:

**Earnings Distribution Statement**

**2023**

Unit: NT\$

Item	Amount
Undistributed earnings at the beginning of the period	1,148,621,923
After-tax income for the year	159,280,703
Remeasurement of defined benefit plan converted into retained earnings	(77,356,771)
Changes in long-term investments	(19,804,090)
The net profit after tax of this period plus items other than net income of this period are included in the undistributed earnings of the current year	62,119,842
Appropriation for statutory surplus reserves	(6,211,984)
Appropriation for special surplus reserve	(72,913,824)
Distributable earnings	1,131,615,957
Common stock bonus available for distribution - 1,435,544,446 common stocks at NT\$0.1 per share (NT\$0.1 in cash)	(143,554,445)
Undistributed earnings at the end of the period	988,061,512

Chairperson: Kuei-Sung Tseng

Managerial Officer: Min Chu  
Chief

Accounting Officer: Wen-Ping  
Huang

Resolution:

# **D.Elections**

## **Agenda item #1**

**Proposed by the Board of Directors**

Agenda: Election of 7 Members of 16th-term Directors (including 3 Independent Directors).

### Explanation:

- I. The terms of the 7 current (15th) term Directors (including 3 Independent Directors) shall expire on August 24, 2024. The meeting calls for the election of 7 members of the 16th-term Directors (including 3 Independent Directors) with a term of 3 years from June 26, 2024 to June 25, 2027.
- II. The latest election of the Board of Directors shall be based on the candidates nomination system. The list of candidates is specified below. Shareholders are requested to vote for candidates on the list.

### Resolution:

## Candidate Directors for the 16th Board

No.	Name	Education	Experience	Job Title	Name of Corporate Shareholder Represented
1	Shyi-Chin Wang	Ph.D. in Materials Science, National Sun-yat Sen University	Executive Vice President, China Steel Corporation	President of China Steel Corporation	China Steel Corporation
2	Kuei-Sung Tseng	Systems and Naval Mechatronic Engineering, National Cheng Kung University	Assistant Vice President, Production Division, China Steel Corporation	Chairperson of the Board, Chung Hung Steel Corporation	China Steel Corporation
3	Chia-Cheng Lee	Department of Power Mechanical, National Tsing Hua University	Director of Marketing Department, China Steel Corporation	China Steel Corporation Assistant Vice President, Commercial Division	China Steel Corporation
4	Kun-Pin Huang	Master of Industrial Engineering and Management, Yuan Ze University	Director of Production Planning Department, China Steel Corporation	Assistant President, Production Division, China Steel Corporation	China Steel Corporation

## Candidate Independent Directors for the 16th Board

No.	Name	Education	Experience	Job Title	Has the candidate served three consecutive terms as an Independent Director?/Reason
5	Lin-Lin Lee	Master of Law, National Taiwan University.	Taiwan Bar Association Vice President	Presiding Attorney, Ling Yun Attorneys-at-Law	Yes/Has legal expertise and provide specific advice on company legal compliance and internal control
6	Ming-te Sun	Ph.D.in Business Administration, National Taipei University	Researche Fellow of Taiwan Institute of Economic Research	Director of Macroeconomic Forecasting Center, Taiwan Institute of Economic Research	No
7	Wei-che Tsai	PhD in Finance, National Taiwan University	Association Professor of Finance, National Sun Yat-sen University	Professor and Head of Department of Finance, National Sun Yat-sen University	No

## **E. Other Proposals**

### **Agenda item #1**

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

Agenda: The removal of the non-compete clause for the 16th-term Directors of the Company for approval.

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 meeting of shareholders the essential contents of such an act and secure its approval”.
- II. As the Company’s newly-elected 16th-term Directors (where a corporate shareholder is elected as a Director, it shall include the corporate shareholder and its designated representative) may have investments in, manage, and serve as directors or managerial officers in 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 the Company’s newly-elected 16th-term Directors (where a corporate shareholder is elected as a Director, it shall include the corporate shareholder and its designated representative) if such conditions apply. Please see the attachment for information on other concurrent positions in other companies occupied by the elected candidates for Directors.

Resolution:

Attachment

Name of Legal Entity	Representative	Other related positions in other companies
China Steel Corporation	Shyi-Chin Wang	President of China Steel Corporation Director of Dragon Steel Corporation Director of China Ecotek Corporation
	Kuei-Sung Tseng	Supervisor of Pacific Harbor Stevedoring Corporation
	Chia-Cheng Lee	Assistant Vice President of Commercial Division, China Steel Corporation Director of Dragon Steel Corporation Chairman of China Steel and Nippon Steel Vietnam Joint Stock Company Director of CSC Steel Sdn. Bhd. Director of Fukuta Electric & Machinery Co., Ltd. Director, Wabo Global Trading Corporation
	Kun-Pin Huang	Assistant Vice President, Production Division Chairman of China Steel Corporation India Pvt. Ltd.

## **F. Extempore Motions**

# G. Rules of Procedure

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

Amended by the Board of Directors on May 4, 2021  
Passed by the Shareholders Meeting on 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. Each Company shareholder has one vote per share but according to Article XXX of the Company Act

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 Subparagraph 3, Paragraph 1 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 Rules Governing the Election of Directors**

Amended by the Board of Directors on May 2, 2019

Approved by the shareholders' meeting on June 26, 2019

Article 1: Unless elsewhere regulated by law or the Articles of Incorporation, the election of the Company's Directors shall be governed by these Rules.

Article 2: The Company's director elections shall proceed during shareholders' meetings.

The overall composition of the Board of Directors shall be taken into consideration in the selection of the Company's Directors. The composition of the Board of Directors shall be determined by taking diversity into consideration. Furthermore, an adequate diversification policy shall be developed based on the operations, mode of operation, and development requirements of the Board. This policy should include, but not be limited to, the following two categories of standards:

1. Basic qualifications and value: Gender, age, nationality and culture.
2. Professional knowledge and skills: Professional background (e.g. legal, accounting, business sector, finance, marketing, or technology), professional skills or industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:

1. Ability to make sound business judgments.
2. Ability to conduct accounting and financial analysis.
3. Ability to manage a business.
4. Ability to respond to a crisis.
5. Industry knowledge.
6. An understanding of international markets.
7. Leadership ability.
8. Decisioning abilities.

More than half of the Directors of the Company shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other Director.

Article 3: The Company adopts the candidate nomination system for the election of Directors. It shall carefully review the qualifications of the nominees and whether any of them exhibit circumstances as prescribed in Article 30 of the Company Act. The process shall be completed in accordance with Article 192-1 of the Company Act. Independent Directors and non-independent Directors shall be nominated separately and shareholders shall choose from the two candidate lists.

The Company's Independent Directors and non-independent Directors shall be elected concurrently and the seats shall be calculated separately.

Where special provisions in Articles 5 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies apply to the nomination of the Company's Independent Directors, such provisions shall apply. With regard to Independent Director candidates nominated pursuant to the preceding paragraph that have served as Independent Director for more than three consecutive terms, the Company shall announce the reason of continuous nomination at the time review results are published and state the aforementioned reason(s) to shareholders when elections are held at shareholders' meetings.

The qualifications for the Independent Directors of the Company shall be pursuant to Articles 2, 3, and 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies."

When the number of Directors falls below the number of Directors elected in accordance with the Articles of Incorporation due to the dismissal of a Director for any reason, the Company shall hold a by-election to fill the vacancy at its next shareholders meeting. However, once the vacancies on the board reach one-third of the number of seats as established in the Company's regulations, the Company shall convene an extraordinary shareholders' meeting to elect replacements within sixty days of the occurrence of the vacancies.

When the number of Independent Directors of the Company falls below that required under the proviso of Article 14-2, Paragraph 1 of the Securities and Exchange Act, the Company shall hold a by-election to fill the vacancy at its next shareholders meeting. When the

Independent Directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

Article 4: The Company shall elect Directors by single-name cumulative voting. The shares of voters shall be based on the number of shares registered in the Company's shareholder register. Each share with voting right shall be entitled to the voting rights equivalent to the number of Directors to be elected. The voting rights may be concentrated to one candidate or be distributed to several candidates.

Article 5: The Board of Directors shall prepare ballots for Directors in numbers corresponding to the Directors to be elected and the serial number on attendance cards shall also be printed and filled with the number of voting rights, which shall then be distributed to shareholders attending the shareholders meeting.

The name of a voter may be replaced by the attendance card serial number printed on the ballot.

No ballots shall be produced for shareholders who exercised their voting rights electronically.

Article 6: Directors of the Company shall be elected in accordance with the number of seats specified in the Company's Articles of Incorporation and the candidates with the most votes shall be elected in sequence. If two or more candidates receive the same number of votes and the total number of Directors elected exceeds the stipulated number of appointed Directors, the winner shall be determined through lot-drawing. The lot may be drawn by the chair on behalf of the absentees.

Article 7: (Deleted)

Article 8: Before the election begins, the chair shall appoint several ballot examiners and ballot counters to perform duties relating to the election. Ballot examiners must be shareholders. The ballot box, produced by the Board of Directors, must be inspected by the ballot examiners in public before voting commences.

Article 9: The missions of the ballot examiners are as follows:

1. Inspection of the ballot box publicly prior to voting.
2. Immediately open the seal and retrieve ballots after voting is completed and deliver the ballots to the ballot counter for counting.

3. Inspection or determination of invalid ballots.
4. Verify the number of ballots and number of voting rights compiled by the ballot counter.
5. Assist the chair in maintaining order in voting and vote counting.

Article 10: The voter shall specify information from the list of Independent Directors or non-independent Directors on the “Candidate” column of the ballot and place the ballot into the ballot box. When a candidate is a shareholder, the voter shall indicate the account name and number of the candidate in the candidate column of the ballot. If the candidate is not a shareholder, the voter shall enter the candidate's full name and identity card number. If the candidate is the government or a corporate shareholder, the name of the government or corporate shareholder shall be provided in the candidate's column on the ballot; voter may also specify the name of the government or corporate shareholder along with that of its representative. When there are multiple representatives, the names of each respective representative shall be entered.

Article 11: Ballots are considered void in any of the following circumstances:

1. The voter fails to complete registration procedures.
2. The voter does not use ballots prepared by the Board of Directors.
3. Blank ballot cast into the ballot box.
4. Ballots with unrecognizable writing.
5. Contaminated ballots on which the voted candidate cannot be identified.
6. Ballots that are torn and incomplete.
7. Ballots that contain writings other than the candidate's account name (name), shareholder I (identity card number) and the number of voting rights allotted.
8. The selected number of candidates exceeds the number of candidates that should be elected.
9. The selected candidate is not in the list of candidates for Independent Directors or non-Independent Directors.
10. The candidate's name written on the ballot coincides with other shareholders, but no information such as shareholder ID or ID card number has been provided for identification.
11. The candidate whose name is entered in the ballot is a shareholder, but the candidate's

account name and shareholder account number do not conform with those specified in the shareholder register; or the specified candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name and identity card number do not match.

Article 12: The ballots should be counted onsite after voting. The ballot examiners shall determine whether the ballots are invalid. In the event of a dispute, it shall be determined by a vote of all ballot examiners. Where the numbers of votes for and against the validity of the ballot are the same, the ballot shall be deemed as invalid.

After the ballots are counted, the ballot examiners shall verify the total number of valid ballots and invalid ballots and enter the number allocated to valid votes and invalid votes and the voting rights into the records which shall be delivered to the chair to announce the list of elected Directors and the number of voting rights they received.

The ballot examiners shall seal the valid and invalid votes separately and jointly sign on the seal. They shall also specify envelopes containing invalid ballots as “invalid” and deliver them to the Company for custody. The ballots shall be kept for at least one year. However, if a shareholder makes a litigious claim regarding the election of Directors against the Company according to Article 189 of the Company Act, the abovementioned documents shall be retained until the end of the litigation.

The Board of Directors shall issue notifications to the persons elected as Directors.

Article 13: These Rules shall come into force after the Implementation of the shareholders' meeting; the same applies to revisions.

# Chung Hung Steel Corporation Articles of Incorporation

Amended by the Board of Directors on April 30, 2020

Passed by the Shareholders Meeting on June 24, 2020

## Chapter I. 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, Tetoron 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 II. 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 III. 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: If a shareholders meeting is convened by the Board of Directors, the Chairperson shall serve as the meeting chair. If the Chairperson is absent, the Chairperson shall appoint one director to take the Chairperson's place. If a meeting is convened by a party with convening rights other than the Board of Directors, the convener will act as the meeting chair. If there are two or more conveners, one shall be nominated 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 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 in the form of an 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 IV. 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 convened and chaired by the Director who received votes representing the largest portion of voting rights at the shareholders meeting in which the directors were elected, the Chairperson shall convene meetings of the Board of Directors and serve as the Chairperson.

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 meeting notices in the foregoing paragraph may be sent as written or electronic documents; other appropriate methods may be used in the event of an emergency. Any director may express a waiver of the regulations in writing.

If the Chairperson is on leave or unable to perform his duties, the Chairperson shall appoint a Director to act on his behalf. If the Chairperson 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 V. 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 VI. 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 a profit after the closing of annual accounts, taxes shall be paid, cumulative losses incurred in previous years shall be compensated, and a statutory reserve shall be set aside in accordance with the law. However, in the event that the accumulated statutory reserve is equivalent to or exceeds the Company's total paid-in capital, no further reserve set aside is required. The remainder may be set aside or converted to a special surplus reserve in accordance with law. If there is still a balance remaining, it shall be combined with the undistributed earnings for the year to serve as distributable earnings, which shall be retained or distributed as dividends in accordance with a resolution of the shareholders meeting.

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. When the dividend distribution proposal is being formulated by the Board of Directors, the dividends for ordinary shares should be at least 30% of the aforementioned distributable earnings except when there is a need for capital, and cash dividends shall be no lower than 50%.

#### **Chapter VII. 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. The 45th amendment was on June 28, 2023.

## H. 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 28, 2024

Title	Name		Number of Shares Held
Chairperson of the Board	Kuei-Sung Tseng	Representative of China Steel Corporation	582,673,153 shares
Director	Chao-Tung Wong		
Director	Chia-Cheng Lee		
Director	Kun-Pin Huang		
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.



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