

Stock code: 2008



# **Kao Hsing Chang Iron & Steel Corp.**

2022 Annual General  
Shareholders' Meeting

# Meeting Agenda

Time: June 23rd, 2022 (Thursday) 9:00 AM

Location: No. 318, Zhonghua 1st Rd., Gushan Dist.,  
Kaohsiung City (The Company)

Type: physical shareholders' meeting

Tel.: (07) 555--6111 (Representative)



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# **Kao Hsing Chang Iron & Steel Corp.**

## **Procedures for 2022 general shareholders' meeting**

- I. Call Meeting to Order
- II. Chairman's Remarks
- III. Report Items
- IV. Proposed Resolutions and discussions
- V. Extraordinary motions
- VI. Meeting Adjourned

# Kao Hsing Chang Iron & Steel Corp.

## 2022 general shareholders' meeting agenda

- I. Time: 9: 00 a.m., June 23rd (Thu), 2022  
Venue: No. 318, Zhonghua 1st Rd., Kaohsiung City (The Company)  
Type: physical shareholders' meeting  
Attendees: All shareholders and their proxy holders
- II. Chair: Tai-rong Lu, chair of the board of directors  
Chair's Address
- III. Report Items:
  1. 2021 business report of the Company .....3
  2. Audit Committee Audit Report .....8
  3. 2021 employees' and directors' compensation report .....9
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- IV. Proposed Resolutions and discussions:
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  - Proposal 3: To discuss amending the "Procedures for the acquisition or disposal of assets" .....24
  - Proposal 4: To discuss amending the "Procedures for Endorsements/guarantees" .....44
- V. Extraordinary motions
- VI. Meeting Adjourned

### III. Report Items

#### Report Items 1.:

#### **2021 Business Report**

Due to the increase in vaccination rates within the country in 2021, the pandemic has become stabilized. Along with the price of steel continuing to rise, the expansion project of the electronics factory continued to release, and thus the demand for steel increased. With the global trend of green energy, advanced steel materials are needed. Wind power, solar energy, electrical automobile, even to expand the productivity of semiconductor factories, they all need steel to be the component raw material. The increase for demand, green energy, and materials are the three main factors supporting the fundamental demand of the steel.

In terms of steel pipe sales, the market condition in 2021 grew more than the market in 2020. Regarding API oil pipe export, because the international oil price was sluggish in the first half of the year, and the preferential tariff competition against Korea, steel pipe export was almost stagnant in the first half of 2021. The oil price continued to rise in the second half of the year, reaching over USD 80 per barrel. The number of oil wells was 467 in November 2021; compared to the same period in 2020, there were only 310 oil wells, which was an increase of 50.64%. The amount and the price of the orders for OCTG exports rose in the fourth quarter. There were over 6,000MT orders for exporting oil wells and pipes since November 2021. It is expected that the order will continue to thrive in the future. Regarding the domestic market, due to the infrastructure and the factory established by the returning capital brought back by the overseas Taiwanese business, the order for electronics factory expansion released, the order for the galvanized sheet pipes, which was one of the main products, increased. Compared to 2020, the sales increased by 16%.

#### **One. The business report of the Company in 2021 is as follows,**

##### I. Result of implementation of the business plan:

The production in 2021 was 33,691 metric tons, an increase of 9% over 30,840 metric tons in 2019. The sales in 2021 were 43,779 metric tons, an increase of 30% over 33,609 metric tons in 2020.

The operating income in 2021 was NT\$1,550,624 thousand, an increase of 61% over NT\$962,510 thousand in 2019. Net income after

tax was NT\$42,117 thousand, earnings per share was NT\$0.21. Details are as follows:

1. The quantity and value of the production for the last 2 years:

Quantity of the production: metric tons  
Value of the production: NTD thousands

Year Volume Value of the products	The year 2021		The year 2020	
	Production volume	Production value	Production volume	Production value
Steel pipe	33,234	1,017,910	30,496	771,921
Others	457	27,293	344	15,826
Total	33,691	1,045,203	30,840	787,746

2. The quantity and value of the production for the last 2 years:

Quantity of the production: metric tons  
Value of the production: NTD thousands

Year Volume Value of the products	The year 2021		The year 2020	
	Sales volume	Sales value	Sales volume	Sales value
Steel pipe	35,418	1,299,149	29,343	876,016
Circulating steel products	7,914	192,278	3,928	62,979
Others	447	59,197	338	23,515
Total	43,779	1,550,624	33,609	962,510

II. Analysis of financial receipts, expenditures, and profitability:

1. Comprehensive income statements for the last 2 years:

Unit: Thousand New Taiwan dollars

Item	The year 2021	%	The year 2020	%
Operating revenue	1,550,624	100	962,510	100
Operating costs	1,356,051	87	940,489	98
Operating margin (loss)	194,573	12	22,021	2
Marketing fees	33,868	2	25,679	3
Management expenses	63,743	4	64,964	7
Net operating loss	96,962	6	(68,622)	(8)
Non-operating revenue and expenses	(34,393)	(2)	37,537	5

Item	The year 2021	%	The year 2020	%
Profit (loss) before tax	62,569	4	(31,085)	(3)
Income tax expense	20,452		1,709	—
Net profit (loss) for the period	42,117	4	(32,794)	(3)

2. The main reason for the operating gross profit increasing in the year of 2021 was the foreign and domestic steel price increased.
3. Non-operating revenue and expenses: mainly because
  - (1) Financial support by the government in the year of 2020 was NT\$20,906 thousand.
  - (2) Income from the dividend in the year of 2021 was NT\$30,934 thousand, a decrease of NT\$25,375 thousand compared with NT\$56,669 thousand in the year of 2020.
  - (3) Financial cost in the year of 2021 was NT\$56,353 thousand, an increase of NT\$15,613 thousand compared with NT\$41,190 thousand in the year of 2020.
4. Net income in the year of 2021 was NT\$42,117 thousand. Earnings per share was NT\$0.21.

### III. Examine research and development work:

The Company is constantly committed to the renewal of steel pipe equipment, focusing on improving production efficiency, saving energy, preventing pollution, and strengthening work safety to improve product quality. Replacing the old galvanizing furnace facility and smoke tube boiler with new ones, and renovating the pipe car facility and bridge crane trail in the year of 2021.

### IV. The impact brought by the external competitive environment, regulatory environment, and overall operation environment:

1. The new variant virus omicron is still spreading fast in the world. The whole world is facing a new challenge against the pandemic. The shortage of labor force, instability of the supply chain, and the rising pressure of inflation are continuing to affect the global economic performance. However, with the improvement of virus testing capacity and the rise of vaccine coverage, the number of severe infected cases and deaths has dropped sharply. Therefore, major countries would not restart to implement strict pandemic prevention measures. The global economy is expected to maintain the pace of recovery.

2. In response to the green energy issue, China, which was the country that had the greatest impact on global steel prices in the past, has set new targets in March 2011, for peak carbon dioxide emissions in 2030, and carbon neutrality in 2060, which will significantly reduce steel production capacity, resulting in global steel supply being more critical. The situation that China used to destroy the market with cheap steel material should be gone.
3. Since July 1st, 2021, the EU has extended the defense measures implementation on the current 26 imported steel products for three years. In addition, in order to ensure achieving the goals of production reduction and environmental protection, China will reduce the production for modulation strictly. With the promotion of a series of production restrictions and trade protection measures, which would result in global steel supply being more critical, the bull position pattern of the steel market could be expected to continue.
4. With the ease of the COVID-19 pandemic and the sharp rise of the natural gas price, crude oil has become a relatively cheap material to generate electric power. Therefore, the demand for crude oil has increased, but the supply was unable to meet the demand, and the price continued to rise. Regarding the API pipeline for exporting shale oil to the United States, despite the low-price competition from South Korea, due to the continuous rise in oil prices, the orders continued to boom.
5. In terms of future uncertainties, looking forward to 2022, following the rapid rebound in 2021, the global economy will face a new challenge in the post-pandemic era, such as the resurgence of variant viruses, rising pressure brought by the international inflation, the normalization of monetary policies of the central banks of major countries, the economy in China is facing downward pressure, and the impact of Russia–Ukraine war. These challenges would also affect the global economy through trade and financial channels.

## **Two. A summary of the business plan for the year 2022:**

The International Monetary Fund (IMF) revised down its prediction for the global economic growth to 3.6% from the previous 4.4% in April 2022. Also, IMF revised the global economic growth in 2023 down to 3.6%. Looking forward to Taiwan's economy in 2022, semiconductor manufacturers continue to invest in advanced manufacturing processes. In addition, Taiwanese companies affected by the US–China trade war, and the companies investing more in Taiwan are accelerating their investment in Taiwan. These companies will drive domestic demand. The General



Accounting Office of the Executive Yuan predicted that the annual economic growth rate would be 4.42%.

In terms of steel, the World Steel Association predicted that in 2022, the global steel demand is expected to grow by 2.2%, which equals 1.9 billion tons. At the current stage, the export market for the steel industry was still facing the high tariff barriers of Section 232 of the Trade Expansion Act of 1962 from the US, and the defensive measures to control the volume from Europe. Competing with South Korea's low price has resulted in fierce competition in the steel market. Regarding the steel pipe for export - API petroleum pipeline, there was an influx of requests for orders. The orders in the export market were thriving, because the oil price was over USD 80. It was beneficial for shale oil exploration. Regarding the sales of steel pipes in the domestic market, it was beneficial from the promotion of the government's "massive infrastructure plan," the infrastructure propelled by the government in the right time, and the efficacy of Taiwanese business reflow due to China-US trade war was still expanding. It was expected to drive up the demand for fire protection for civil construction and A53B pressure piping, and would result in an increase in the sales of the main product – galvanized steel pipes.

Looking forward to 2022, major projects have been launched successively, such as TSMC plant in Nanzi, Kaohsiung, the construction of Special Trade 3/Special Trade 6, and the fourth type business district in Asia New Bay Area, Kaohsiung, and the construction and development of Circular Line in New Taipei City. The demand for galvanized sheet pipes continued to increase. In terms of exports, due to the continuous rise of international oil prices, foreign orders are thriving more than before. In the first half of 2022, the orders received for export have met the production capacity of the factory. The situation in the second half of the year is promising, and growth can be expected.

Generally speaking, we are cautiously optimistic about this year's operation.

Chairman:



Manager:



Accounting Supervisor:



## Report Items 2.:

### **Audit Report of the Audit Committee**

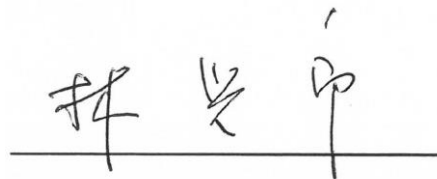
The board of directors has prepared the Company's 2021 business report, financial statements and earnings distribution proposal, etc. The financial statement was audited by KPMG Taiwan, and an audit report has been issued.

The above-mentioned business report, financial statement and earnings distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee of the Company. According to relevant requirements of the Securities and Exchange Act and the Company Act, we hereby submit this report.

As above

The 2022 general shareholders' meeting of the Company

Kao Hsing Chang Iron & Steel Corp.  
Convener of Audit Committee:

A handwritten signature in black ink, consisting of three stylized Chinese characters: 林, 興, 昌. The signature is written above a horizontal line.

March 10th, 2022

### Report Items 3.:

#### To report 2021 employees' and directors' compensation

- I. In accordance with the letter Jin-Shan-Zhi no. 10402427800 issued by the Ministry of Economics dated October 15th, 2015  
For listed companies with remuneration committees, the remuneration methods for employees, directors shall be suggested by the remuneration committee and send the suggestion to the board of directors for resolution.
- II. Article 26 of the Articles of Incorporation of the Company:  
The Company's development is mature. Based on the needs of the Company's operation and the consideration of maximizing shareholders' equity, the Company shall adopt a residual dividend policy for dividend distribution. If the Company has a profit in the year, the Company shall set aside no less than 0.5% as employee remuneration, and no more than 5% as director's remuneration. However, if the Company still has accumulated losses, it shall deduct the accumulated losses in advance, and then calculate the employees' and director's remuneration based on the balance.
- III. As approved by the 3rd meeting of the 5th Remuneration Committee and the 4th meeting of the 21st Board of Directors of the Company, the Company may distribute NT\$328,000 dollars for employees' remuneration and NT\$0 dollars for director's remuneration in the year 2021. The distribution may be paid in cash.
- IV. Employees' remuneration is NT\$328,000 dollars, accounting for 0.52% of the net profit before tax before deducting the employees' and the directors' remuneration in the year 2021, which was in line with the Company's Articles of Incorporation.

Unit: NTD

Item	Amount
The amount is the net profit before tax, before deducting the employees' and the directors' remuneration in the year 2021.	\$ 62,896,800
Less:	
Employee remuneration	(328,000)
Director's remuneration	—
net profit before tax	\$ 62,568,800

## Report Items 4.:

### To report the reinvestment of Smartway Ark Alliance

- I. On May 7th, 2011, the 14th meeting of the 20th Board of Directors of the Company approved the cooperation with Kuo cheng Construction Co., Ltd. to participate in the Kaohsiung City Government's urban renewal project- "Special Trade 3, South Side of the South Base." Also, on September 15th of the same year, the two companies jointly formed Smartway Ark Alliance in accordance with the application requirements of the urban renewal plan. The agreed capital contribution ratio is 45% from the Company, and 55% from Kuo cheng Construction Co. Ltd (i.e. the leading company). On November 19th of the same year, it was selected as the best applicant by the Kaohsiung City Government.
- II. According to the content of the cooperation alliance agreement, the selected best applicant must form a project company (i.e. Smartway Ark Alliance Co., Ltd.) in accordance with the capital contribution ratio and relevant regulations stated above. The establishment registration of the project company was completed on January 7th, 2022, and the contract related to this plan was signed with the Kaohsiung City Government on February 15th of the same year, to handle related work.
- III. The registered capital of Smartway Ark Alliance Co., Ltd. Is NT\$3.6 billion dollars, which is divided into 360 million shares at NT\$10 dollars per share, and issued in installments. The paid-in capital of the initial issuance was NT\$220 million dollars, and 9,900,000 shares were subscribed according to the Company's capital contribution ratio at 45%, and the investment amount was NT\$999 million dollars.
- IV. The total investment amount of the Company for Smartway Ark Alliance Co., Ltd. is approximately NT\$1.62 billion dollars, based on the capital contribution ratio at 45% of the registered capital of NT\$3.6 billion dollars. The investment amount will be adjusted and changed along with the adjustment of the registered capital in the future.
- V. In response to this plan, it is proposed to amend the relevant provisions of the Company's Procedures for the acquisition or disposal of assets, and Procedures for Endorsements/guarantees.

VI. The proposal was approved by the 3rd meeting of the 2nd Audit Committee on December 27th, 2021, and the 3rd meeting of the 21st Board of Directors on 27th of December 2021.

## IV. Proposed Resolutions and discussions:

### **Proposal 1**

(Proposed by the Board of directors)

Proposal: Adoption of the Company's 2021 business report and financial statements.

Explanation:

- I. The Company's 2021 Financial Statements (including Balance Sheets, Comprehensive Income statements, Statements of Changes in Equity, and Statements of Cash Flows) were audited by the independent auditors Guotsung Chen and Zenlong Hsu of KPMG, and have been approved by the board of directors. As well as the Business Report (please refer to Report Items). Please adopt.
- II. 2021 financial statements of the Company (as follows)

Resolution:

# Audit report for financial statements of Kao Hsing Chang Iron & Steel Corp.

To the board of directors of Kao Hsing Chang Iron & Steel Corp.:

## **Audit Opinion**

We have audited the balance sheets as of December 31, 2021 and 2020, and the statements of comprehensive income, changes in equity and cash flows for the years of 2021 and 2020, and the notes to the individual financial reports, including a summary of significant accounting policies.

In our opinion, the above individual financial reports present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended 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 Financial Supervisory Commission of the Republic of China.

## **Basis for Opinion**

The accountant performs the audit work in accordance with the accountant's rules for auditing financial statements and generally accepted auditing standards. The accountants' responsibilities under these standards will be further explained in the accountability sections of the accountants' audits of individual financial statements. The personnel subject to the independence norms of the firm affiliated with these accountants have maintained detachment and independence from Kao Hsing Chang Iron & Steel Corp. in accordance with accountant professional ethics norms, and have performed other responsibilities of the norms. The accountant believes that sufficient and appropriate audit evidence has been obtained to serve as the basis for expressing an audit opinion.

## **Key audit items**

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the individual financial report of Kao Hsing Chang Iron & Steel Corp for the year 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The accountants judge that the key audit items that should be communicated in the audit report are as follows:

### **Inventory valuation**

Please refer to Note 4(7) Inventory of the individual financial report for the accounting policy of the inventory evaluation; please refer to Note 5 of the individual financial report for the accounting estimates and assumptions uncertainties of the inventory evaluation; please refer to Note 6(5) inventory of the individual financial report for the disclosure of inventory evaluation.

### **Explanation of the Key Audit Matters:**

Kao Hsing Chang Iron & Steel Corp. carries inventory mainly in the form of steel pipes and cold-rolled steel sheets, which are measured at the lower of cost and net

realizable value. Given how susceptible the global steel market is to changes in raw material price, there may be significant volatility in product sales, demand, and pricing following a change of competitive landscape or industry environment. Due to the fact that estimation for net realizable value of inventory involves subjective judgments from the management of Kao Hsing Chang Iron & Steel Corp., it is possible that inventory cost may be stated above its net realizable value, which we considered an issue of high concern when auditing financial statements.

Audit procedures:

In terms of inventory valuation, we conducted a physical stock take at the end of the year to examine the state of inventory carried on hand, reviewed the inventory aging report, and analyzed inventory turnover rates and aging changes to determine the rationality of valuation allowances that Kao Hsing Chang Iron & Steel Corp. had provided on inventory. Given that the management of Kao Hsing Chang Iron & Steel Corp. had adopted the net realizable value approach, we also checked selling prices and analyzed the percentage of selling expenses shown on sales orders to establish rationality in the pricing and expense of sales. For slow-moving inventory items, we examined the levels of devaluation loss provided in previous periods to determine whether the management of Kao Hsing Chang Iron & Steel Corp. had made adequate valuation allowance on inventory. We also assessed the fairness of related disclosures made by Kao Hsing Chang Iron & Steel Corp.

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

Responsibilities of the management were to prepare and ensure fair presentation of financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the version of International Financial Reporting Standards, International Accounting Standards and interpretations thereof approved and published by the Financial Supervisory Commission, and to exercise proper internal control practices that are relevant to the preparation of financial statements so that the financial statements are free of material misstatements, whether caused by fraud or error.

The management's responsibilities when preparing financial statements also involved: assessing the ability of Kao Hsing Chang Iron & Steel Corp. to operate, disclose information, and account for transactions as a going concern unless the management intends to liquidate or cease business operations, or is compelled to do so with no alternative solution.

The governance body of Kao Hsing Chang Iron & Steel Corp. (including the Audit Committee) is responsible for supervising the financial reporting process.

### **Auditors' responsibilities in the audit of financial statements**

The purposes of our audit were to obtain reasonable assurance of whether the financial statements were prone to material misstatements caused by fraud or error, and issue a report of our audit opinions. We considered assurance to be reasonable only if it is highly credible. However, audit tasks conducted in accordance with generally accepted auditing principles do not necessarily guarantee detection of all material misstatements within the financial statements. Misstatements can arise from fraud or error.



Misstatements are considered material if the individual amount or aggregate total is reasonably expected to affect economic decisions of the financial statement user.

When conducting audits in accordance with generally accepted auditing principles, we exercised judgments and raised doubts as deemed professionally appropriate. We also performed the following tasks as an auditor:

1. Identify and evaluate the risk of material misrepresentation of individual financial reports due to fraud or errors; design and implement appropriate countermeasures for the assessed risks; and obtain sufficient and appropriate audit evidence as the basis for audit opinions. Because fraud may involve collusion, forgery, deliberate omission, false statement or violation of internal control, the risk of not detecting a major false expression caused by fraud is higher than that caused by error.
2. Obtain the necessary understanding of the internal control relevant to the audit in order to design an appropriate audit procedure under the current circumstances, but its purpose is not to express an opinion on the effectiveness of Kao Hsing Chang Iron & Steel Corp.'s internal controls.
3. Evaluate the appropriateness of accounting policies adopted by management, and the reasonableness of accounting estimates and related disclosures made by management.
4. Based on the obtained audit evidence, the conclusion is made on the appropriateness of the management's use of the continuing operation accounting basis and whether or not there is a significant uncertainty in the event or situation that may cause major doubts about Kao Hsing Chang Iron & Steel Corp.'s ability to continue operations. If the accountant believes that there are significant uncertainties in these events or circumstances, he must remind the users of individual financial reports in the audit report to pay attention to the relevant disclosures in the individual financial reports or amend the audit opinions when such disclosures are inappropriate. The accountant's conclusion is based on the audit evidence obtained as of the date of the audit report. However, future events or circumstances may cause Kao Hsing Chang Iron & Steel Corp. to no longer have the ability to continue operations.
5. Evaluate the overall expression, structure, and content of individual financial reports (including relevant notes) and whether or not individual financial reports are appropriate to express relevant transactions and events.
6. Obtain sufficient and appropriate verification evidence for the financial information of the investee company that adopts the equity method to express opinions on individual financial reports. The accountant is responsible for the guidance, supervision and execution of audit cases, and is responsible for forming audit opinions for Kao Hsing Chang Iron & Steel Corp.

The matters communicated between the accountant and the governance unit include the planned audit scope and time, and major audit findings (including significant deficiencies in internal control identified during the audit process).

The accountant also provides the governance unit with a statement that the personnel of the accounting firm's affiliated firm subject to independence regulations have complied with the independence of the accountant's professional ethics and communicates with the governance unit all relationships that may be considered to affect

the independence of the accountant and other matters (including related protective measures).

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

KPMG Taiwan

陳國宗

Accountants

許振隆



Securities Competent Authority:  
(89) Taicaizheng (6) No. 62474  
Approved certification number  
Jinguanzheng Liuzi No. 0960069825

March 10th, 2022

Kao Hsing Chang Iron & Steel Corp.  
Balance sheet  
December 31st, 2021 and 2020

Unit: NTD Thousand

Assets		2021.12.31		2020.12.31	
		Amount	%	Amount	%
<b>Current assets:</b>					
1100	(Note 6(1))	\$ 559,241	8	275,370	4
1120	Current financial assets at fair value through other comprehensive income (Note 6(2))	804,074	11	716,128	11
1152	Other notes receivable (Note 6(4))	200	-	200	-
1170	Net Accounts receivable (Note 6(3))	96,357	1	105,317	2
1200	Other Accounts receivable (Note 6(4) and 7)	28,623	-	17,827	-
1220	Current income tax assets	-	-	2	-
130X	Inventory (Note 6(5))	719,811	10	468,253	7
1470	Other current assets (Note 6(10) and 7)	20,204	-	14,563	-
<b>Total current assets</b>		<b>2,228,510</b>	<b>30</b>	<b>1,597,660</b>	<b>24</b>
<b>Non-current assets:</b>					
1517	Non-Current financial assets at fair value through other comprehensive income (Note 6(2))	973,059	13	986,641	15
1550	Investments accounted for using the equity method (Note 6(6) and 7)	448,777	6	370,586	6
1600	Property, plant and equipment (Note 6(7) and 8)	1,519,830	21	1,539,887	23
1755	Right-of-use asset (Note 6(8) and 7)	9,871	-	13,161	-
1760	Net investment property (Note 6(9), 7 and 8)	2,141,002	30	2,144,792	32
1920	Refundable Deposits (Note 6(4), 7 and 9)	5,831	-	9,467	-
<b>Total non-current assets</b>		<b>5,098,370</b>	<b>70</b>	<b>5,064,534</b>	<b>76</b>
<b>Total assets</b>		<b>\$ 7,326,880</b>	<b>100</b>	<b>6,662,194</b>	<b>100</b>

Chairman:



Manager:



Accounting Supervisor:



Kao Hsing Chang Iron & Steel Corp.  
Balance Sheet (continued)  
December 31st, 2021 and 2020

Unit: NTD Thousand

		<b>2021.12.31</b>		<b>2020.12.31</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Liabilities and equity</b>					
<b>Current liabilities:</b>					
2100	Short-term borrowings (Note 6(11) and 8)	\$ 3,232,341	44	2,822,723	42
2151	Bills payable	28,384	-	20,280	-
2152	Other notes payable	12,878	-	7,561	-
2170	Accounts payable	39,758	1	21,733	-
2200	Other payables	56,739	1	54,980	1
2230	Current tax liabilities	22,161	-	1,709	-
2300	Other current liabilities (Note 6(12))	7,298	-	2,984	-
<b>Total current liabilities</b>		<b>3,399,559</b>	<b>46</b>	<b>2,931,970</b>	<b>43</b>
<b>Non-current liabilities:</b>					
2540	Long-term borrowings (Note 6(13) and 8)	700,000	10	700,000	11
2570	Deferred tax liabilities (Note 6(16))	210,632	3	210,632	3
2640	Non-current net defined benefit liability (Note 6(15))	42,008	1	42,394	1
2645	Guarantee deposits received	5,040	-	5,040	-
<b>Total non-current liabilities</b>		<b>957,680</b>	<b>14</b>	<b>958,066</b>	<b>15</b>
<b>Total liabilities</b>		<b>4,357,239</b>	<b>60</b>	<b>3,890,036</b>	<b>58</b>
<b>Equity (Note 6 (17)):</b>					
3100	Share capital	2,008,523	27	2,008,523	30
3200	Capital surplus	75,159	1	75,159	1
3300	Retained earnings:				
3310	Statutory reserve	147,137	2	146,880	2
3320	Special reserve	-	-	81,209	1
3350	Unappropriated retained earnings	527,837	7	216,673	4
		<b>674,974</b>	<b>9</b>	<b>444,762</b>	<b>7</b>
3400	Other equity interest	210,985	3	243,714	4
<b>Total equity</b>		<b>2,969,641</b>	<b>40</b>	<b>2,772,158</b>	<b>42</b>
<b>Total liabilities and equity</b>		<b>\$ 7,326,880</b>	<b>100</b>	<b>6,662,194</b>	<b>100</b>

Chairman:



Manager:



Accounting Supervisor:





Kao Hsing Chang Iron & Steel Corp.  
Statement of Changes in Equity  
January 1st to December 31st, 2021 and 2020

Unit: NTD Thousand

	Retained earnings					Other equity items Gain (loss) from unrealized valuation of financial assets measured at fair value through other comprehensive income	Total equity interest
	Share capital	Capital surplus	Statutory reserve	Special reserve	Unappropriated retained earnings		
<b>Balance as of January 1, 2020</b>	<b>\$ 2,008,523</b>	<b>75,159</b>	<b>146,880</b>	<b>274,177</b>	<b>21,139</b>	<b>(81,209)</b>	<b>2,444,669</b>
Current net loss	-	-	-	-	(32,794)	-	(32,794)
Other comprehensive income for the period	-	-	-	-	1,715	358,1	360,283
Total comprehensive income for the period	-	-	-	-	(31,079)	358,1	327,489
Earnings appropriation and distribution:							
Reversal of special reserve	-	-	-	(192,968)	192,968	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	33,645	(33,645)	-
<b>Balance as of December 31, 2020</b>	<b>2,008,523</b>	<b>75,159</b>	<b>146,880</b>	<b>81,209</b>	<b>216,673</b>	<b>243,714</b>	<b>2,772,158</b>
<b>Balance as of January 1st, 2021</b>	<b>\$ 2,008,523</b>	<b>75,159</b>	<b>146,880</b>	<b>81,209</b>	<b>216,673</b>	<b>243,714</b>	<b>2,772,158</b>
Current net income	-	-	-	-	42,117	-	42,117
Other comprehensive income for the period	-	-	-	-	(6,840)	162,206	155,366
Total comprehensive income for the period	-	-	-	-	35,277	162,206	197,483
Earnings appropriation and distribution:							
Statutory surplus reserve	-	-	257	-	(257)	-	-
Reversal of special reserve	-	-	-	(81,209)	81,209	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	194,935	(194,935)	-
<b>Balance as of December 31st, 2021</b>	<b>\$ 2,008,523</b>	<b>75,159</b>	<b>147,137</b>	<b>-</b>	<b>527,837</b>	<b>210,985</b>	<b>2,969,641</b>

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Chairman:



Manager:



Accounting Supervisor:



Kao Hsing Chang Iron & Steel Corp.  
Statements of Cash Flows  
January 1st to December 31st, 2021 and 2020

Unit: NTD Thousand

	<u>The year 2021</u>	<u>The year 2020</u>
<b>Cash flow from operating activities:</b>		
<b>Net income (loss) before tax of the period</b>	\$ <u>62,569</u>	<u>(31,085)</u>
<b>Adjustments:</b>		
Income, expenses, and losses		
Depreciation	54,485	55,546
Interest expenses	56,353	41,190
Interest income	(105)	(134)
Dividend income	(31,210)	(56,669)
loss (profit) of associates and joint ventures accounted for using the equity method share of	(8,422)	738
Loss on disposal of property, plant and equipment	30	-
Unrealized gains on foreign currency exchange	<u>(70)</u>	<u>(15)</u>
Total income, expenses, and losses	<u>71,061</u>	<u>40,656</u>
Changes in operating assets/liabilities:		
Net changes in assets related to business activities:		
Decrease in notes receivable	-	356
Decrease (increase) in accounts receivable	8,960	(26,681)
increase in other receivable	(531)	(370)
Decrease (increase) in inventories	(251,559)	11,969
Decrease (increase) in other current assets	<u>(5,640)</u>	<u>36,315</u>
Total changes in operating assets	<u>(248,770)</u>	<u>21,589</u>
Net changes in liabilities related to operating activities:		
Increase in notes payable	8,104	8,653
Increase in accounts payable	18,025	12,162
Increase in other payable	8,315	2,955
Increase in other current liabilities	4,314	1,033
Increase (decrease) in net defined benefit liability	<u>(7,227)</u>	<u>994</u>
Total changes in operating liabilities	<u>31,531</u>	<u>25,797</u>
Total changes in operating assets and liabilities	<u>(217,239)</u>	<u>47,386</u>
Total adjustments	<u>(146,178)</u>	<u>88,042</u>
Cash inflow (outflow) generated from operations	(83,609)	56,957
Interest received	105	134
Dividends received	30,935	56,669
Interest paid	(55,990)	(40,255)
Income tax refunded	<u>2</u>	<u>9</u>
<b>Net cash flows from (used in) operating     activities</b>	<u>(108,557)</u>	<u>73,514</u>

(Continued on next page)

Kao Hsing Chang Iron & Steel Corp.  
Cash flow statement (continued)  
January 1st to December 31st, 2021 and 2020

Unit: NTD Thousand

	<u>The year 2021</u>	<u>The year 2020</u>
<b>Cash flow from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(2,259,525)	(1,822,801)
Disposal of financial assets at fair value through other comprehensive income	2,304,661	1,625,334
Investments accounted for using equity method	(45,200)	(2,677)
Acquisition of property, plant and equipment	(20,801)	(9,959)
Disposal of property, plant, and equipment	63	50,000
Decrease (increase) in refundable deposits	3,636	(1,398)
Acquisition investment property	-	(1,100,892)
<b>Net cash flows used in investment activities</b>	<u>(17,166)</u>	<u>(1,262,393)</u>
<b>Cash flows from (used in) financing activities</b>		
Increase in short-term loan	\$ 4,616,045	\$ 8,210,722
Decrease in short-term loan	(4,206,357)	(7,786,116)
Increase in long-term debt	-	700,000
Increase in deposit margin	-	5,000
Decrease in bills payable for the return of capital reduction	(94)	(25)
<b>Net cash flows from investment activities</b>	<u>409,594</u>	<u>1,129,581</u>
<b>Net increase (decrease) in cash and cash equivalents of the period</b>	283,871	(59,298)
<b>Beginning cash and cash equivalent balance</b>	<u>275,370</u>	<u>334,668</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>\$ 559,241</u>	<u>275,370</u>

Chairman:



Manager:



Accounting Supervisor:





**Proposal 2**

(Proposed by the Board of Directors)

Proposal: Submit earnings distribution of the year 2021 for acceptance

Explanation:

- I. Submit loss make-up proposal as below

Unit: NTD

Item	Amount
Unappropriated retained earnings, beginning of period	\$ 297,625,772
Add (subtract):	
Disposal of equity investments at fair value through other comprehensive income	194,935,194
Determine the remeasurement of the benefit plan in the current period	(6,840,973)
Net profit after tax for the year	42,116,512
Distributable retained earnings	527,836,505
Statutory surplus reserve	(23,021,073)
Unappropriated retained earnings, end of period	\$ 504,815,432

- II. Net profit in the year of 2021 was NT\$42,116,512 dollars, and no dividend was proposed to be distributed due to operational needs.

Resolution:

### Proposal 3

(Proposed by the Board of Directors)

Proposal: Proposed to amend part of the articles of “Procedures for the acquisition or disposal of assets” and submit them for discussion.

Explanation:

In accordance with FSC’s order Jin-Guan-Zen-Zi no. 1110380465, issued on January 28th, 2022, and the 3rd meeting of the 21st board of directors on December 27th, 2021, it is proposed to amend part of the articles of “Procedures for the acquisition or disposal of assets” to meet the business needs. Comparison Table of Amended Articles as below:

Amended provisions	Current provisions	Explanation
<p>Article 3: Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions shall meet the following requirements: I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the</p>	<p>Article 3: Professional appraisers and their officers, certified public accountants, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant’s opinions, attorney’s opinions, or underwriter’s opinions shall meet the following requirements: I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the</p>	<p>To amend in accordance with the regulations issued by the Financial Supervisory Commission To amend in accordance with the regulations issued by the Financial Supervisory Commission</p>

Amended provisions	Current provisions	Explanation
<p>period of a suspended sentence, or since a pardon was received.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall <u>comply with the following in accordance with the regulations governing its associations and self-regulatory rules:</u></p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the working papers of the case.</p> <p>III. They shall undertake an item-by-item evaluation of</p>	<p>period of a suspended sentence, or since a pardon was received.</p> <p>II. May not be a related party or de facto related party of any party to the transaction.</p> <p>III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</p> <p>When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following:</p> <p>I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</p> <p>II. When reviewing a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the working papers of the case.</p> <p>III. They shall undertake an item-by-item evaluation of</p>	

Amended provisions	Current provisions	Explanation
<p>the <u>appropriateness</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>appropriate</u> and reasonable, and that they have complied with applicable laws and regulations.</p>	<p>the <u>completeness, accuracy</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</p> <p>IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>reasonable and accurate</u>, and that they have complied with applicable laws and regulations.</p>	
<p>Article 4: Chapter 2 Disposition Procedures Section 1 Acquisition or Disposal of Assets In acquiring or disposing of real property, equipment, or right-of-use assets:</p> <p>I. If the amount or the cumulative transaction amount within a year does not reach NT\$100 million dollars (the same below), it shall be approved by the chair. If it exceeds NT\$100 million dollars, it shall be submitted to the board of directors for approval before being executed.</p> <p>II. Where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million dollars or more, the</p>	<p>Article 4: Chapter 2 Disposition Procedures Section 1 Acquisition or Disposal of Assets In acquiring or disposing of real property, equipment, or right-of-use assets:</p> <p>I. If the amount or the cumulative transaction amount within a year does not reach NT\$100 million dollars (the same below), it shall be approved by the chair. If it exceeds NT\$100 million dollars, it shall be submitted to the board of directors for approval before being executed.</p> <p>II. Where the transaction amount reaches 20 percent of the Company's paid-in capital or NT\$300 million dollars or more, the</p>	<p>To amend in accordance with the regulations issued by the Financial Supervisory Commission To amend in accordance with the regulations issued by the Financial Supervisory Commission</p>

Amended provisions	Current provisions	Explanation
<p>company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(I) Where due to special circumstances, it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion dollars or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the</p>	<p>company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>(I) Where due to special circumstances, it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.</p> <p>(II) Where the transaction amount is NT\$1 billion dollars or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the</p>	

Amended provisions	Current provisions	Explanation
<p>appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</li> </ol> <p>(IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; However, where the</p>	<p>appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, <u>a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF)</u> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <ol style="list-style-type: none"> <li>1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</li> <li>2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</li> </ol> <p>(IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; However, where the</p>	

Amended provisions	Current provisions	Explanation
publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.	publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.	
<p>Article 5: The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference to appraising the transaction price:</p> <p>I. If the amount or the cumulative transaction amount within a year does not reach NT\$100 million dollars, it shall be approved by the chair. If it exceeds NT\$100 million dollars, it shall be submitted to the board of directors for approval before being executed.</p> <p>II. if the amount of the transaction reaches 20 percent of the company's paid-in capital or NT\$300 million dollars or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities</p>	<p>Article 5: The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference to appraising the transaction price:</p> <p>I. If the amount or the cumulative transaction amount within a year does not reach NT\$100 million dollars, it shall be approved by the chair. If it exceeds NT\$100 million dollars, it shall be submitted to the board of directors for approval before being executed.</p> <p>II. if the amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert as evidence, the CPA shall do</u></p>	<p>To amend in accordance with the regulations issued by the Financial Supervisory Commission To amend in accordance with the regulations issued by the Financial Supervisory Commission</p>

Amended provisions	Current provisions	Explanation
<p>that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>Where the company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA's opinion.</p>	<p><u>so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u> This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).</p> <p>Where the company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA's opinion.</p>	
<p>Article 6: Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships:</p> <p>I. If the amount or the cumulative transaction amount within a year does not reach NT\$100 million dollars, it shall be approved by the chair. If it exceeds NT\$100 million dollars, it shall be submitted to the board of directors for approval before being executed.</p> <p>II. If the amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the</p>	<p>Article 6: Where the Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships:</p> <p>I. If the amount or the cumulative transaction amount within a year does not reach NT\$100 million dollars, it shall be approved by the chair. If it exceeds NT\$100 million dollars, it shall be submitted to the board of directors for approval before being executed.</p> <p>II. The transaction amount reaches 20 percent or more of paid-in capital or NT\$300 million dollars or more, except in transactions with a domestic government agency, the company shall engage a certified public accountant prior to the date of occurrence of the event</p>	<p>To amend in accordance with the regulations issued by the Financial Supervisory Commission</p> <p>To amend in accordance with the regulations issued by the Financial Supervisory Commission</p>



Amended provisions	Current provisions	Explanation
<p>reasonableness of the transaction price.</p> <p>The calculation of the transaction amounts referred to Article 4 to 6 shall be done in accordance with Article 12, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA’s opinion has been obtained need not be counted toward the transaction amount.</p>	<p>to render an opinion on the reasonableness of the transaction price; <u>the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u></p> <p>The calculation of the transaction amounts referred to Article 4 to 6 shall be done in accordance with Article 12, and “within the preceding year” as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA’s opinion has been obtained need not be counted toward the transaction amount.</p>	
<p>Article 7: Section 2 Related Party Transactions When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company’s total assets, or NT\$300 million dollars or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities</p>	<p>Article 7: Section 2 Related Party Transactions When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company’s total assets, or NT\$300 million dollars or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities</p>	<p>To amend in accordance with the regulations issued by the Financial Supervisory Commission To amend in accordance with the regulations issued by the Financial Supervisory Commission</p>

Amended provisions	Current provisions	Explanation
<p>investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and agreed by the Audit Committee:</p> <p>I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>II. The reason for choosing the related party as a transaction counterparty.</p> <p>III. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 7 and Article 8.</p> <p>IV. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>VI. An appraisal report from a professional appraiser or a CPA's opinion is obtained in compliance with the</p>	<p>investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and agreed by the Audit Committee:</p> <p>I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>II. The reason for choosing the related party as a transaction counterparty.</p> <p>III. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 7 and Article 8.</p> <p>IV. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.</p> <p>V. An appraisal report from a professional appraiser or a CPA's opinion is obtained in compliance with the preceding article.</p> <p>VI. An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the</p>	

Amended provisions	Current provisions	Explanation
<p>preceding article.</p> <p>VII. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the company's board of directors may delegate the chair to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors' meeting:</p> <p>I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>II. Acquisition or disposal of real property right-of-use assets held for business use.</p> <p>Acquiring real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <p>I. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company</p>	<p>preceding article.</p> <p>VII. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the company's board of directors may delegate the chair to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors' meeting:</p> <p>I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>II. Acquisition or disposal of real property right-of-use assets held for business use.</p> <p>Acquiring real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <p>I. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company</p>	

Amended provisions	Current provisions	Explanation
<p>purchases the property, provided it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>II. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan, provided the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>Acquiring real property or right-of-use assets thereof from a related party and appraising the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion. If the Company or the</p>	<p>purchases the property, provided it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.</p> <p>II. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan, provided the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>Acquiring real property or right-of-use assets thereof from a related party and appraising the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.</p>	

Amended provisions	Current provisions	Explanation
<p><u>subsidiary that is not a domestic listed company has the paragraph 1 transaction, and the transaction amount is more than 10% of the total assets of the Company, the Company shall submit the materials listed in paragraph 1 to the shareholders' meeting for approval. The transaction contract can be signed and the payment can be made after obtaining the approval.</u></p> <p>When acquiring real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the reasonability of appraising the transaction cost does not apply:</p> <p>I. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.</p> <p>II. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.</p> <p>III. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>IV. The real property right-of-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it</p>	<p>When acquiring real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the reasonability of appraising the transaction cost does not apply:</p> <p>I. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.</p> <p>II. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.</p> <p>III. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>IV. The real property right-of-use assets for business use are acquired by the company with its subsidiaries, or by its subsidiaries in which it</p>	

Amended provisions	Current provisions	Explanation
directly or indirectly holds 100 percent of the issued shares or authorized capital.	directly or indirectly holds 100 percent of the issued shares or authorized capital.	
<p>Article 12: Chapter 3 Public Disclosure of Information Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>I. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million dollars or more. However, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>II. Merger, demerger, acquisition, or transfer of shares.</p>	<p>Article 12: Chapter 3 Public Disclosure of Information Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>I. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million dollars or more. However, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>II. Merger, demerger, acquisition, or transfer of shares.</p>	<p>To amend in accordance with the regulations issued by the Financial Supervisory Commission To amend in accordance with the regulations issued by the Financial Supervisory Commission</p>

Amended provisions	Current provisions	Explanation
<p>III. Losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</p> <p>IV. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore, the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million dollars or more.</p> <p>V. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million dollars.</p> <p>VI. Where an asset transaction other than any of those referred to in the preceding 5 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million. This shall not apply to the</p>	<p>III. Losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.</p> <p>IV. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore, the transaction counterparty is not a related party, and the transaction amount reaches NT\$500 million dollars or more.</p> <p>V. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NT\$500 million dollars.</p> <p>VI. Where an asset transaction other than any of those referred to in the preceding 5 subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million dollars. This shall not apply</p>	

Amended provisions	Current provisions	Explanation
<p>following circumstances:</p> <p>(I) Trading of domestic government bonds <u>or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.</u></p> <p>(II) Where done by professional investors— securities trading on securities exchanges or OTC markets, or subscription of <u>foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes, or subscription by a securities firm as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</u></p> <p>(III) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by</p>	<p>to the following circumstances:</p> <p>(I) Trading of domestic government bonds.</p> <p>(II) Where done by professional investors— securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm as necessitated by its undertaking business and as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>(III) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money</p>	



Amended provisions	Current provisions	Explanation
<p>domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>I. The amount of any individual transaction</p> <p>II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>III. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.</p> <p>IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted towards the transaction amount.</p> <p>The Company at the time of a public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all</p>	<p>market funds issued by domestic securities investment trust enterprises.</p> <p>The amount of transactions above shall be calculated as follows:</p> <p>I. The amount of any individual transaction.</p> <p>II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>III. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.</p> <p>IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.</p> <p>“Within the preceding year” as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted towards the transaction amount.</p> <p>The Company at the time of a public announcement makes an error or omission in an item required by regulations to be publicly announced and so</p>	

Amended provisions	Current provisions	Explanation
<p>items shall be again publicly announced and reported in their entirety within two days, counting inclusively from the date of knowing of such error or omission.</p> <p>The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p> <p>I. Where any of the following circumstances occur with respect to a transaction that the company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(I) Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>(II) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>(III) Change to the originally publicly announced and reported information.</p> <p>At the time of the public announcement makes an error or omission in an item</p>	<p>is required to correct it, all items shall be again publicly announced and reported in their entirety within two days, counting inclusively from the date of knowing of such error or omission.</p> <p>The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p> <p>I. Where any of the following circumstances occur with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(I) Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>(II) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>(III) Change to the originally publicly announced and reported information.</p> <p>At the time of the public announcement makes an</p>	

Amended provisions	Current provisions	Explanation
<p>required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days, counting inclusively from the date of knowing of such error or omission.</p> <p>II. The Company shall compile monthly reports on the status of the derivatives trading engaged in up to the end of the preceding month by the company and enter the information in the prescribed format on the information reporting website designated by the FSC by the 10th day of each month.</p> <p>III. The Company shall compile monthly reports on the status of traded derivatives and acquiring or disposing of assets engaged in up to the end of the preceding month by the subsidiaries of the Company that are not domestic public companies and input the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>For the calculation of 10 percent of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of</p>	<p>error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days, counting inclusively from the date of knowing of such error or omission.</p> <p>II. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month, and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>III. The subsidiaries of the Company that are not domestic public companies shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>For the calculation of 10 percent of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations</p>	

Amended provisions	Current provisions	Explanation
Financial Reports by the Company shall be used.	Governing the Preparation of Financial Reports by the Company shall be used.	
<p>Article 13: Quota limit:</p> <p>I. Securities investment:</p> <p>(I) The total amount of all security investments of the Company shall not exceed <u>300%</u> of the paid-in capital. However, the securities in the preceding paragraph do not include investment targets with extremely low risks such as negotiable certificate of deposit, short-term commercial paper and banker's acceptances.</p> <p>(II) The amount of investment by the Company in individual securities shall not exceed <u>150%</u> of the paid-in capital.</p> <p>II. The total amount of real property acquired for non-business use shall not exceed 100% of the Company's paid-up capital.</p> <p>III. If each subsidiary wants to acquire or dispose of assets, or has urgent factual needs, it must be handled in accordance with the operating procedures and related regulations of the parent Company, and the proposal must be submitted to the board of directors of the parent Company for approval in advance, and the total amount of real property acquired for non-business use must not exceed 20% of the subsidiary's net</p>	<p>Article 13: Quota limit:</p> <p>I. Securities investment:</p> <p>(I) The total amount of all security investments of the Company shall not exceed <u>120%</u> of the paid-in capital. However, the securities in the preceding paragraph do not include investment targets with extremely low risks such as negotiable certificate of deposit, short-term commercial paper and banker's acceptances.</p> <p>(II) The amount of investment by the Company in individual securities shall not exceed the paid-in capital.</p> <p>II. The total amount of real property acquired for non-business use shall not exceed 100% of the Company's paid-up capital.</p> <p>III. If each subsidiary wants to acquire or dispose of assets, or has urgent factual needs, it must be handled in accordance with the operating procedures and related regulations of the parent company, and the proposal must be submitted to the board of directors of the parent company for approval in advance, and the total amount of real property acquired for non-business use must not exceed 20% of the subsidiary's net</p>	<p>In response to business needs</p>

Amended provisions	Current provisions	Explanation
worth.	worth.	

Resolution:

**Proposal 4**

(Proposed by the Board of Directors)

Proposal: Proposed to amend “Procedures for Endorsements/guarantees,” submit for discussion.

**Explanation:**

In accordance with the resolution of the board of directors on December 27th, 2021, it proposed to amend part of the provisions in “Procedures for Endorsements/guarantees” in response to business needs. Comparison Table of Amended Articles as below:

Amended provisions	Current provisions	Explanation
<p>Article 3: The Company may make endorsements/guarantees for the following companies: I. The Company with which it does business. II. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares. III. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company. IV. <u>All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.</u> Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company</p>	<p>Article 3: The Company may make endorsements/guarantees for the following companies: I. The Company with which it does business. II. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares. III. A company that directly and indirectly holds more than 50 percent of the voting shares in the Company.  Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company</p>	<p>In response to business needs</p>

Amended provisions	Current provisions	Explanation
<p>Article 4:</p> <p>I. The aggregate amount of endorsement/guarantees that is set as the ceiling for the Company and its subsidiaries as a whole is within the range of <u>three times</u> of the net worth of the Company, and within <u>two times</u> of the net worth of the Company for a single entity, and is authorized the board of directors to make resolutions. If the amount is less than NT\$100 billion dollars, the chair may make the decision and be ratified by the board of directors afterward.</p> <p>II. If the aggregate amount of endorsements/guarantees that is set as the ceiling for the Company and its subsidiaries as a whole reaches 50% or more of the net worth of the Company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders' meeting.</p> <p>III. If the endorsement guarantee needs to be submitted to the board of directors, it should be submitted to the audit committee for approval on a case-by-case basis before submitting it to the board of directors for resolution.</p> <p>For the approval of half or more of the audit committee members as required in the preceding paragraph is not obtained, it can still be</p>	<p>Article 4:</p> <p>I. The aggregate amount of endorsement/guarantee that is set as the ceiling for the Company and its subsidiaries as a whole is within the range of <u>3/5</u> of the net worth of the Company, and within <u>1/3</u> of the net worth of the Company for a single entity, and has authorized the board of directors to make resolutions. If the amount is less than NT\$100 billion dollars, the chair may make the decision and be ratified by the board of directors afterward.</p> <p>II. If the aggregate amount of endorsements/guarantees that is set as the ceiling for the Company and its subsidiaries as a whole reaches 50% or more of the net worth of the Company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders' meeting.</p> <p>III. If the endorsement guarantee needs to be submitted to the board of directors, it should be submitted to the audit committee for approval on a case-by-case basis before submitting it to the board of directors for resolution.</p> <p>For the approval of half or more of the audit committee members as required in the preceding paragraph is not obtained, it can still be</p>	<p>1. In response to business needs</p> <p>2. The necessity of and reasonableness refers to note 1.</p>

Amended provisions	Current provisions	Explanation
implemented if approved by two-thirds or more of the directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors' meeting.	implemented if approved by two-thirds or more of the directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors' meeting.	

Note 1: The Company cooperated with Kuo cheng Construction Co., Ltd. to fund the establishment of Smartway Ark Alliance Co and signed a contract with Kaohsiung City Government – Kaohsiung City Government’s urban renewal project “Special Trade 3, South Side of the South Base.” The total project cost is about NT\$10.6 billion dollars, and the construction financing demand is 70%. The capital contribution ratio is 45%, to calculate accordingly would be NT\$3.3 billion dollars, which is about 1.1 times of the net worth- 3 billion (according to the annual financial statement of the year 2021), of the Company. It is necessary to adjust the amount of the Company’s endorsement guarantee, considering the Company’s needs for receiving cases in the future, adjust the total endorsement guarantee to three times of the net worth, and two times of the net worth for the single entity, with reasonableness.

Resolution:



III. Extraordinary motions:

IV. Adjournment.

# Appendix

## Appendix 1

### Articles of Incorporation of Kao Hsing Chang Iron & Steel Corp.

Amendment made on the shareholders'  
meeting on June 27th, 2018

#### Chapter I General Provisions

- Article 1: Organized in accordance with the provisions of the Company Act for limited companies, the Company is named Kao Hsing Chang Iron & Steel Corp.
- Article 2: The business of the Company is as shown on the left:
- I. Steel pipe, galvanized sheet pipe, steel pipe pile, hot rolled coil (sheet), cold rolled coil (plate), cold rolled strip, packing steel strip, steel billet, section steel, stainless steel coil (sheet), silicon steel coil (sheet), coated steel coil (plate), manufacturing and trading the equipment manufactured by of the above products and other steel products.
  - II. Heat treatment processing business.
  - III. Manufacture of scooters and bicycles, engines and their accessories, assembly and sale of scooters.
  - IV. The business of entrusting construction companies to build residential and commercial buildings for lease and sale.
  - V. The operation of animal husbandry and the manufacturing, processing and trading of agricultural and livestock products.
  - VI. Agency business of the previous items
  - VII. Import and export trade and the related business
  - VIII. Waste recycling and disposal business
  - IX. C801010 Basic Chemical Industrial
  - X. C802120 Industrial and Additive Manufacturing
  - XI. CA02010 Manufacture of Metal Structure and Architectural Components
  - XII. I501010 Product Designing
  - XIII. I601010 Rental and Leasing
  - XIV. ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

Article 2-1: The total investment of the Company's reinvestment in other businesses may exceed 40% of the Company's paid-in capital.

Article 3: The Company is located in Kaohsiung City. If necessary, the Board of Directors may establish branches or offices in other suitable locations.

Article 4: The Company's announcements shall be handled in accordance with Article 28 of the Company Act.

## **Chapter II Shares**

Article 5: The capital of the Company is set at NTD 5.8 billion divided into 580 million shares or ten New Taiwan Dollars per share. For unissued shares, the Board of Directors is authorized to issue in installments based on business needs of the Company.

Article 6: The Company's stocks are all registered. Three or more directors must sign or stamp after approval. The Company's issued shares may be exempt from printing stocks and should be registered with the securities centralized custody institution, issued after the certificate is issued in accordance with the regulations.

Article 7: The transfer, loss, damage, division, exchange or pledge of stocks shall be handled in accordance with the Company Act and relevant laws and regulations.

Article 8: Shareholders should send their seal patterns to the Company for storage, and same applies when changes are made. Anyone who handles stock business, receives dividends or exercises other rights shall do so based on the Company's seal.

Article 9: For shareholder transfers, transfer of shares of the Company shall not be done within 60 days before the General Meeting of Shareholders, within 30 days before an interim shareholders' meeting, or within 5 days before the base date when the Company has decided to distribute dividends or other benefits.

## **Chapter III Shareholders' Meeting**

Article 10: There are two types of shareholder meetings: general meetings and extraordinary meetings. The general meetings are to be held by the Board of Directors within six months after the end of the fiscal year. Extraordinary meetings may be convened in accordance with the law when necessary.

- Article 11: The presiding chair of the shareholders' meeting shall be appointed by the Chairman. In case the Chairman is on leave or is unable to exercise his authority for some reason, the Chairman shall appoint one of the directors to act as representative.
- Article 12: When a shareholder is unable to attend for some reason, a proxy form shall be issued to entrust an agent to attend, but general shareholders shall issue a proxy form and entrust only one person, and it shall be served to the Company five days before the meeting of shareholders.
- Article 13: Unless otherwise stipulated by the Company Act, the resolutions of the Shareholders' Meeting shall be attended by shareholders representing more than half of the total number of shares, and shall be implemented with more than half of the voting rights of the shareholders present.
- Article 14: The general meeting of shareholders shall be convened 30 days before, and the temporary meeting shall be held 15 days before the date, place and reason for the convening shall be notified to all shareholders.
- Article 15: Except in cases where shares do not have voting rights as stipulated in Article 179 of the Company Act, shareholders of the Company shall have one voting right per share.
- Article 16: The resolutions of the Shareholders' Meeting shall be recorded in the minutes, signed or sealed by the presiding chair, and the minutes shall be distributed to all shareholders within 20 days after the meeting. The distribution of the minutes shall be made by public announcement. The minutes of this meeting shall be kept together with the signature book of attending shareholders and the proxy forms.

## **Chapter IV Directors and Audit Committee**

- Article 17: The Company has nine directors for a term of three years, who may be re-elected.  
Of the number of directors in the preceding paragraph, at least three shall be independent directors.  
Elections of directors shall be conducted in accordance with the candidate nomination system set out in Article 192-1 of the Company Act. The method of accepting the nomination of director candidates, announcements and other related matters shall be handled in accordance with the relevant laws and

regulations of the Company Act and the Securities and Exchange Act.

In the election of directors, each share has the same voting rights as the number of directors to be elected. One person may be elected collectively, or votes may be distributed across a number of persons. The votes obtained represent those with more voting rights to be elected as director. The independent and non-independent directors shall be elected at the same time, but in separately calculated numbers.

Regarding independent directors' professional qualifications, shareholding, part-time restrictions, nomination and selection methods, and other compliance matters, they shall be handled in accordance with the Company Act, the Securities and Exchange Act, and other relevant laws and regulations.

Starting from the 20th term Board of Directors of the Company, an Audit Committee has been established in accordance with Article 14-4 of the Securities and Exchange Act. The Audit Committee shall be composed of all independent directors. The Audit Committee or Audit Committee members are responsible for the enforcement of the Company Act, the Securities and Exchange Act, and other laws and regulations stipulated under the powers of supervisors.

Article 18: The directors shall organize the Board of Directors, and the directors shall elect a Chairman from among one another. The Chairman shall manage all business on behalf of the Company. In case the Chairman is on leave or is unable to exercise his authority for some reason, the Chairman shall appoint one of the directors to act as representative.

Directors should attend meetings of the Board of Directors in person. If a director cannot attend for some reason, he or she may draw up a proxy form that enumerates the scope of authorization for convening purposes to entrust another director to attend as his or her representative. However, each director shall be limited to one person as representative.

If the Board of Directors uses a video conference when meeting, the directors who participate in the conference with a video screen shall be deemed to be present in person.

Article 19: All business policies and important matters of the Company shall be implemented by resolution of the Board of Directors.

Article 20: Deleted.

- Article 21: In respect to directors' transportation expenses, independent directors' remuneration, and directors' performance of duties for the Company, the Company may pay remuneration authorize the Board of Directors to make decisions based on a director's degree of participation and value of contribution to the operations of the Company, and to negotiate with reference to relevant peers and listed company standards.
- Article 22: The Company may appoint managers, whose appointment, dismissal, and remuneration are to be in accordance with the provisions of the Company Act.
- Article 23: The Board of Directors may, within the scope of the authorization of the Shareholders' Meeting, guarantee each other's business dealings with government agencies or financial institutions between related enterprises or peers.

## **Chapter V      Accounting**

- Article 24: The Company shall conduct its final accounts once a year at the end of December.
- Article 25: The Company uses January 1st to December 31st as its fiscal year. At the end of each fiscal year, the Board of Directors shall prepare the following reports and tables and submit them to the General Meeting of Shareholders for acknowledgment:
- I.      Business Report.
  - II.     Financial Statements.
  - III.    Proposals concerning profit distributions or loss make-up.
- Article 26: The Company's industrial development is mature. Based on the needs of the Company's operations and the consideration of maximizing shareholders' equity, dividend distribution adopts a residual dividend policy. If the Company has a profit in the year, the Company shall set aside no less than 0.5% as employee remuneration, and no more than 5% as director's remuneration. However, if the Company still has accumulated losses, it shall deduct the accumulated losses in advance, and then calculate the employees' and director's remuneration based on the balance.
- Article 26-1: In the event that the Company, according to the final settlement, and if it earns profits in a fiscal year, such profits shall first be set aside to pay the applicable taxes, offset losses. Secondly, the profit shall be set aside at 10% for legal reserve, unless the legal

reserve has reached the Company's total paid-up capital. In addition to the payment of dividends, if there are still surplus earnings then they shall be combined with undistributed earnings of prior years for the Board of Directors will draw up a profit distribution plan and submit to the Shareholders' Meeting a resolution to distribute shareholder dividends. The distribution of dividends to the shareholders will be distributed in cash and shares based on an appropriate ratio, where cash dividends shall not be less than 50%.

## **Chapter VI Supplementary Provisions**

Article 27: Matters not stipulated in these Articles of Incorporation shall be handled in accordance with the provisions of the Company Act.

Article 28: These Articles of Incorporation were established on December 17, 1965.

The first amendment was made on December 27, 1965.

The second amendment was made on February 22, 1966.

The third amendment was made on September 15, 1966.

The fourth amendment was made on February 7, 1967.

The fifth amendment was made on August 14, 1970.

The sixth amendment was made on June 5, 1971.

The seventh amendment was made on October 20, 1971.

The eighth amendment was made on September 1, 1972.

The ninth amendment was made on August 10, 1973.

The tenth amendment was made on March 31, 1975.

The eleventh amendment was made on May 5, 1975.

The twelfth amendment was made on October 9, 1975.

The thirteenth amendment was made on December 25, 1975.

The fourteenth amendment was made on January 17, 1977.

The fifteenth amendment was made on July 18, 1977.

The sixteenth amendment was made on September 21, 1979.

The seventeenth amendment was made on June 30, 1980.

The eighteenth amendment was made on April 15, 1981.

The nineteenth amendment was made on June 12, 1981.

The twentieth amendment was made on June 15, 1984.

The twenty-first amendment took place on January 20, 1985.

The twenty-second amendment was made on June 2, 1986.

The twenty-third amendment was made on October 15, 1986.

The twenty-fourth amendment was made on May 30, 1988.

The twenty-fifth amendment was made on October 11, 1988.



The twenty-sixth amendment was made on May 6, 1989.  
The twenty-seventh amendment was made on June 16, 1989.  
The twenty-eighth and twenty-ninth amendments were made on April 28, 1990.  
The thirtieth amendment was made on May 11, 1991.  
The thirty-first amendment was made on June 13, 1992.  
The thirty-second and thirty-third amendments were made on June 12, 1993.  
The thirty-fourth amendment was made on June 11, 1994.  
The thirty-fifth amendment was made on June 20, 1995.  
The thirty-sixth amendment was made on June 22, 1996.  
The thirty-seventh amendment was made on June 22, 1996.  
The thirty-eighth amendment was made on September 4, 1996.  
The thirty-ninth amendment was made on June 21, 1997.  
The fortieth amendment was made on May 7, 1998.  
The forty-first amendment was made on June 8, 2000.  
The forty-second amendment was made on May 16, 2001.  
The forty-third amendment was made on June 21, 2002.  
The forty-fourth amendment was made on May 30, 2003.  
The forty-fifth amendment was made on June 20, 2006.  
The forty-sixth amendment was made on June 23, 2010.  
The forty-seventh amendment was made on November 12, 2012.  
The forty-eighth amendment was made on June 25, 2014.  
The forty-ninth amendment was made on June 17, 2016.  
The fiftieth amendment was made on June 15, 2017.  
The fifty-first amendment was made on June 27, 2018.

## Appendix 2

### **Rules of Procedure for Shareholders' Meetings for Kao Hsing Chang Iron & Steel Corp.**

Amendment made on the shareholders'  
meeting on August 26th, 2021

#### Article 1

For establishing sound shareholders' meeting governance, improving the supervision function, and promoting sound development, these rules of procedures is formulated in accordance with Article 5 of Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies, and shall be followed.

#### Article 2

The rules of procedures for this Company's shareholders' meetings, except as otherwise provided by law, regulation, or the articles of incorporation, shall be ruled as provided in these Rules.

#### Article 3

Unless otherwise provided by law or regulation, this Company's shareholders' meetings shall be convened by the board of directors.

This Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the origins of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors or supervisors, and upload them to the Market Observation Post System (MOPS) at least 30 days before the date of a regular shareholders' meeting or at least 15 days before the date of a special shareholders' meeting. This Company shall prepare electronic versions of the shareholders' meeting agenda and supplemental meeting materials and upload them to the MOPS at least 21 days before the date of the regular shareholders' meeting or at least 15 days before the date of the special shareholders' meeting. Fifteen days before the date of the shareholders' meeting, this Company shall also have prepared the shareholders' meeting agenda and supplemental meeting materials and made them available for review by shareholders at any time. The meeting agenda and supplemental materials shall also be displayed at this Company, and to be distributed on-site at the meeting.

The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the consent of the addressee, the meeting notice may be given in electronic form.

Election or dismissal of directors or supervisors, amendments to 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, the dissolution, merger, or demerger of the company, or any matter under Article 185, paragraph 1 of Company Act, Articles 26-1 and 43-6 of Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders' meeting. None of the above matters may be raised by an extraordinary motion.

Where re-election of all directors and supervisors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders' meeting, after the completion of the re-election in said meeting, such an inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit to this Company a proposal for discussion at a regular shareholders' meeting. The number of items to be proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. When the circumstances of any subparagraph of Article 172-1, paragraph 4 of the Company Act apply to a proposal put forward by a shareholder, the board of directors may exclude it from the agenda. A shareholder may propose a recommendation to urge the company to promote public interests or fulfill its social responsibilities, provided procedurally the number of items so proposed is limited only to one in accordance with Article 172-1 of the Company Act, and no proposal containing more than one item will be included in the meeting agenda.

Prior to the book closure date before a regular shareholders' meeting is held, this Corporation shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

Shareholder-submitted proposals are limited to 300 words, and no proposal containing more than 300 words will be included in the meeting agenda. The shareholder making the proposal shall be present in person or by proxy at the regular shareholders' meeting and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders' meeting, this Company shall inform the shareholders who submitted proposals of the proposal screening results, and shall list in the meeting notice the proposals that conform to the provisions of this article. At the shareholders' meeting, the board of directors shall explain the reasons for exclusion of any shareholder proposals not included in the agenda.

#### Article 4

For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by this Company and stating the scope of the proxy's authorization.

A shareholder may issue only one proxy form and appoint only one proxy for any given shareholders' meeting, and shall deliver the proxy form to this Corporation five days before the date of the shareholders' meeting. When duplicate proxy forms are delivered, the one received earliest shall prevail. Unless a declaration is made to cancel the previous proxy appointment.

After a proxy form has been delivered to this 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 this Company two days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by proxy shall prevail.

#### Article 5 (Principles determining the time and place of a shareholders' meeting)

The venue for a shareholders' meeting shall be the premises of this Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

#### Article 6 (Preparation of documents such as the attendance book)

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

The time for accepting shareholder registration in the preceding paragraph shall be handled at least 30 minutes before the start of the meeting. The check-in area should be clearly marked, and adequate and competent personnel should be sent to handle it.

Shareholders shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. This Company may not arbitrarily add requirements for other documents beyond those showing

eligibility to attend presented by shareholders. Solicitors soliciting proxy forms shall also bring identification documents for verification.

This Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting manual, annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

When the government or juristic person is a shareholder, the number of representatives present at the Shareholders' Meeting is not limited to one. When a juristic person is entrusted to attend the Shareholders' Meeting, only one representative may be appointed to attend.

Article 7 (The chair and non-voting participants of a shareholders' meeting)

If the Shareholders' Meeting is convened by the Board of Directors, the Chairman of the Board of Directors shall be the presiding chair. When the Chairman of the Board of Directors is on leave or for any reason unable to exercise his authority, the Chairman shall appoint one of the directors to act as representative. If the Chairman has not appointed a representative, the directors shall select one person from among themselves to act as representative.

The presiding chair of the preceding paragraph is a person who is represented by a director who has served for more than six months and is a director who understands the Company's financial and business conditions. The same applies if the presiding chair is the representative of a corporate director.

The Chairman of the Board of Directors should personally preside over the Shareholders' Meeting convened by the Board of Directors, and more than half of the directors of the Board of Directors should attend in person, and at least one representative of various functional committee members should attend. Their attendance should be recorded in the minutes of the Shareholders' Meeting.

If the Shareholders' Meeting is convened by a convening party other than the Board of Directors, the convener shall act as presiding chair. When there are two or more persons with the right to convene, they shall select from among themselves.

This Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.

#### Article 8 (Documentation of a shareholders' meeting by audio or video)

This Company, beginning from the time it accepts shareholder attendance registrations, 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.

The audio-visual materials mentioned above shall be kept for at least one year. However, if a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

#### Article 9

Attendance at a shareholders meeting shall be calculated based on the number of shares. The number of attending shares is calculated based on the signature book or the handed in sign-in card plus the number of shares exercised in writing or electronically.

The chair shall call the meeting to order at the appointed meeting time and disclose information concerning the number of nonvoting shares and number of shares represented by shareholders attending the meeting. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements, for a combined total of no more than one hour, may be made. If the quorum is not met after two postponements and the attending shareholders still represent less than one third of the total number of issued shares, the chair shall declare the meeting adjourned.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act; all shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month.

Prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

#### Article 10

If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). The meeting

shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

If the Shareholders' Meeting is convened by a convening party other than the Board of Directors, the provisions of the preceding paragraph shall apply.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, the other members of the board of directors shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending shareholders, and then continue the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

#### Article 11 (Shareholder's speech)

Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the contents of the speech do not correspond to the subject given on the speaker's slip, the content of the speech shall prevail.

Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes. If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

When a juristic person shareholder appoints two or more representatives to attend the Shareholders' Meeting, only one person may speak on the same proposal.

After the shareholders have spoken, the presiding chair may reply personally or designate relevant personnel to reply.

## Article 12 (Calculation of voting shares and recusal system)

Voting at a shareholders' meeting shall be calculated based on the number of shares.

With respect to resolutions of shareholders' meetings, the number of shares held by a shareholder with no voting rights shall not be calculated as part of the total number of issued shares.

When a shareholder is an interested party in relation to an agenda item, and there is the likelihood that such a relationship would prejudice the interests of this Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.

The number of shares for which voting rights may not be exercised under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.

With the exception of a trust enterprise or a shareholder services agent approved by the competent securities authority, when one person is concurrently appointed as proxy by two or more shareholders, the voting rights represented by that proxy may not exceed three percent of the voting rights represented by the total number of issued shares. If that percentage is exceeded, the voting rights in excess of that percentage shall not be included in the calculation.

## Article 13

A shareholder shall be entitled to one vote for each share held, except when the shares are restricted shares or are deemed non-voting shares under Article 179, paragraph 2 of the Company Act.

When this Company holds a shareholders' meeting, it shall adopt the exercise of voting rights by electronic means and may adopt exercise of voting rights by correspondence. When voting rights are exercised by correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder exercising voting rights by correspondence or electronic means will be deemed to have attended the meeting in person. With respect to the extraordinary motions and amendments to the original proposals of that meeting, he/she will be deemed to have waived his/her rights.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall deliver a declaration of intent to this Company two days before the date of the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. The first declaration of such intention received



shall prevail unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.

After a shareholder has exercised voting rights by correspondence or electronic means, in the event the shareholder intends to attend the shareholders' meeting in person, a declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to this Company, by the same means by which the voting rights were exercised, two days before the date of the shareholders' meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by correspondence or electronic means shall prevail. When a shareholder has exercised voting rights both by correspondence or electronic means and by appointing a proxy to attend a shareholders' meeting, the voting rights exercised by the proxy in the meeting shall prevail. Except as otherwise provided in the Company Act and in the Articles of Incorporation of the Company, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. At the time of a vote, for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a poll of the shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of this Company.

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 14 (Election matters)

The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by this Company, and the voting results shall be announced on-site immediately, including the names of those elected as directors and the

numbers of votes with which they were elected, and the names of directors not elected and number of votes they received.

The ballots for the election items mentioned in the preceding paragraph shall be sealed and signed by the monitoring personnel and then properly kept for at least one year. However, if a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the ballots shall be retained until the conclusion of the litigation.

#### Article 15

Matters related to the resolutions of a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair of the meeting and a copy distributed to each shareholder within 20 days after the conclusion of the meeting. The meeting minutes may produce and distributed in electronic form.

For the distribution of the minutes of the preceding paragraph, the Company may use the announcement procedures of the Market Observation Post System.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors. It should be kept permanently throughout the existence of the Company.

#### Article 16 (Public disclosure)

The number of shares acquired by the applicant and the number of shares represented by the proxy shall be clearly disclosed in the Shareholders' Meeting in a statistical table prepared in the prescribed format on the day of the Shareholders' Meeting.

For the resolutions of the Shareholders' Meeting, if there is material information required by laws and regulations or the Taiwan Stock Exchange Corporation, the Company shall transmit the content to the Market Observation Post System within the specified time.

#### Article 17 (Maintaining order at the meeting place)

Staff handling the administrative affairs of a shareholders' meeting shall wear identification cards or armbands.

The chair may direct the proctors or security personnel to help maintain order at the meeting place. When proctors or security personnel help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."

If the venue is equipped with amplifying equipment, the presiding chair may stop it when the shareholder does not use the equipment set up by the Company to speak.

If a shareholder violates the rules of procedure and does not obey the presiding chair's corrective instructions, and hinders the progress of the meeting and fails to comply, the presiding chair may direct the proctors or security personnel to ask him or her to leave the venue.

#### Article 18 (Recess and resumption of a shareholders' meeting)

When a meeting is in progress, the chair may announce a break based on the time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

If the meeting venue is no longer available for continued use and not all of the items (including extraordinary motions) on the meeting agenda have been addressed, the shareholders' meeting may adopt a resolution to resume the meeting at another venue.

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

#### Article 19

These rules shall take effect after having been submitted to and approved by a shareholders' meeting. Subsequent amendments thereto shall be affected in the same manner.

## Appendix 3

### Procedures Governing the Acquisition and Disposal of Assets of Kao Hsing Chang Iron and Steel Corporation

Amendment made by the board of directors  
on 10th of March 2022

#### Article 1: Chapter 1 General Principles

These procedures are adopted in accordance with the provisions of Article 36-1 of the Securities and Exchange Act.

The Company shall handle the acquisition or disposal of assets in compliance with these Procedures. Where financial laws or regulations provide otherwise, such provisions shall govern.

#### Article 2: I. The term “assets” as used in these procedures includes the following:

- (I) Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depositary receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.
- (II) Real property (including land, houses and buildings, investment property, and construction enterprise inventory) and equipment.
- (III) Memberships
- (IV) Patents, copyrights, trademarks, franchise rights, and other intangible assets.
- (V) Right-of-use assets.
- (VI) Claims of financial institutions (including receivables, bills purchased and discounted, loans, and overdue receivables).
- (VII) Derivatives.
- (VIII) Assets acquired or disposed of in connection with mergers, demergers, acquisitions, or transfer of shares in accordance with law.
- (IX) Other major assets.

#### II. Terms used in these procedures are defined as follows:

- (I) Assets acquired or disposed of through mergers, demergers, acquisitions, or transfer of shares in accordance with law: Refers to assets acquired or

disposed of through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act and other Acts, or to transfer of shares from another company through issuance of new shares of its own as the consideration therefor (hereinafter “transfer of shares”) under Article 156-3 of the Company Act.

- (II) Date of occurrence:  
Date of occurrence: Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of board of directors’ resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier. Investment for which approval of the competent authority is required, the earlier of the above date or the date of receipt of approval by the competent authority shall apply.
- (III) Professional appraiser:  
Refers to a real property appraiser or other person duly authorized by law to engage in the value appraisal of real property or equipment.
- (IV) “Related party,” “subsidiary”:  
As defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
- (V) Within the preceding year:  
refers to the year preceding the date of occurrence of the current transaction.
- (VI) The calculation of the transaction amounts:
  1. The amount of any individual transaction.
  2. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterpart within the preceding year.
  3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.

4. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year.
- (VII) Mainland China area investment: Refers to investments in the mainland China area approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.
- (VIII) Investment professional: Refers to financial holding companies, banks, insurance companies, bill finance companies, trust enterprises, securities firms operating proprietary trading or underwriting business, futures commission merchants operating proprietary trading business, securities investment trust enterprises, securities investment consulting enterprises, and fund management companies, that are lawfully incorporated and are regulated by the competent financial authorities of the jurisdiction where they are located.
- (IX) Securities exchange: “Domestic securities exchange” refers to the Taiwan Stock Exchange Corporation; “foreign securities exchange” refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.
- (X) Over-the-counter venue: “Domestic OTC venue” refers to a venue for OTC trading provided by a securities firm in accordance with the Regulations Governing Securities Trading on the Taipei Exchange; “foreign OTC venue” refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.

Article 3: Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports, certified public accountant's opinions, attorney's opinions, or underwriter's opinions shall meet the following requirements:

- I. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
- II. May not be a related party or de facto related party of any party to the transaction.
- III. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

When issuing an appraisal report or opinion, the personnel referred to in the preceding paragraph shall comply with the following in accordance with the regulations governing its associations and self-regulatory rules:

- I. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.
- II. When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the working papers of the case.
- III. They shall undertake an item-by-item evaluation of the appropriateness and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.
- IV. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is

appropriate and reasonable, and that they have complied with applicable laws and regulations.

Article 4: Chapter 2 Disposition Procedures

Section 1 Acquisition or Disposal of Assets

In acquiring or disposing of real property, equipment, or right-of-use assets:

- I. If the amount or the cumulative transaction amount within a year does not reach NT\$100 million dollars (the same below), it shall be approved by the chair. If it exceeds NT\$100 million dollars, it shall be submitted to the board of directors for approval before being executed.
- II. Where the transaction amount reaches 20 percent of the company's paid-in capital or NT\$300 million dollars or more, the Company, unless transacting with a domestic government agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:
  - (I) Where due to special circumstances, it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of the transaction.
  - (II) Where the transaction amount is NT\$1 billion dollars or more, appraisals from two or more professional appraisers shall be obtained.
  - (III) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:



1. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.
  2. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.
- (IV) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; However, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.

Article 5: The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for a reference to appraising the transaction price:

- I. If the amount or the cumulative transaction amount within a year does not reach NT\$100 million dollars, it shall be approved by the chair. If it exceeds NT\$100 million dollars, it shall be submitted to the board of directors for approval before being executed.
- II. If the amount of the transaction reaches 20 percent of the company's paid-in capital or NT\$300 million dollars or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. This requirement does not apply, however, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission (FSC).

Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA's opinion.

Article 6: The Company acquires or disposes of intangible assets or right-of-use assets thereof or memberships:

- I. If the amount or the cumulative transaction amount within a year does not reach NT\$100 million dollars, it shall be approved by the chair. If it exceeds NT\$100 million dollars,

it shall be submitted to the board of directors for approval before being executed.

- II. If the amount of the transaction is 20 percent of the company's paid-in capital or NT\$300 million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price.

The calculation of the transaction amounts referred to Article 4 to 6 shall be done in accordance with Article 12, and "within the preceding year" as used herein refers to the year preceding the date of occurrence of the current transaction. Items for which an appraisal report from a professional appraiser or a CPA's opinion has been obtained need not be counted toward the transaction amount.

#### Article 7: Section 2 Related Party Transactions

When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million dollars or more, except in trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and agreed by the Audit Committee:

- I. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
- II. The reason for choosing the related party as a transaction counterparty.
- III. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 7 and Article 8.
- IV. The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty's relationship to the company and the related party.

- V. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.
- VI. An appraisal report from a professional appraiser or a CPA's opinion is obtained in compliance with the preceding article.
- VII. Restrictive covenants and other important stipulations associated with the transaction.

With respect to the types of transactions listed below, when to be conducted between the Company and its subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, the company's board of directors may delegate the chair to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next board of directors' meeting:

- I. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.
- II. Acquisition or disposal of real property right-of-use assets held for business use.

Acquiring real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:

- I. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property, provided it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance.
- II. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan, provided the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.

Acquiring real property or right-of-use assets thereof from a related party and appraising the cost of the real property or right-of-use assets thereof in accordance with the preceding two paragraphs shall also engage a CPA to check the appraisal and render a specific opinion.

If the Company or the subsidiary that is not a domestic listed company has the paragraph 1 transaction, and the transaction amount is more than 10% of the total assets of the Company, the Company shall submit the materials listed in paragraph 1 to the shareholders' meeting for approval. The transaction contract can be signed and the payment can be made after obtaining the approval.

When acquiring real property or right-of-use assets thereof from a related party and one of the following circumstances exists, the reasonability of appraising the transaction cost does not apply:

- I. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.
- II. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.
- III. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.
- IV. The real property right-of-use assets for business use are acquired by the Company with its subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.

Article 8: Where the Company acquires real property or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with the preceding articles are uniformly lower than the transaction price, the following steps shall be taken:

- I. A special reserve shall be set aside against the difference between the real property transaction price and the

appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where a public company uses the equity method to account for its investment in another company, then the special reserve shall be set aside pro rata in a proportion consistent with the share of the public company's equity stake in the other company.

- II. The independent director members of the audit committee shall be conducted in accordance with Article 218 of the Company Act.
- III. Actions taken pursuant to the preceding two subparagraphs shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.

A company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.

When the Company obtains real property or right-of-use assets thereof from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length transaction.

When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of Article 7 are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 8. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:

- I. Where the related party acquires undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
  - (I) Where undeveloped land is appraised in accordance with the means in the preceding Article, and structures according to the related party's construction cost plus

reasonable construction profit are valued in excess of the actual transaction price. The “Reasonable construction profit” shall be deemed the average gross operating profit margin of the related party’s construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.

- (II) Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale or leasing practices.
- II. Where the Company acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refer to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close to publicly announced current value; transactions involving similarly sized parcels in principle refer to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.

When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised, if the transaction amount reaches 10 percent or more of the company’s total assets, the company shall also obtain an appraisal report from a professional

appraiser or a CPA's opinion in compliance with the provisions of the preceding Section and this Section.

When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.

Article 9: Section 3 Engaging in Derivatives Trading

Derivatives:

Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives.

The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

I. Trading principles and strategies:

(I) The types of derivatives that may be traded:

The company's derivatives trading is limited to hedging transactions made to cooperate with operational needs, such as forward exchange, currency exchange, and interest rate exchange.

If the Company wants to engage in other commodity transactions, the Company shall obtain the approval by the board of directors before conducting it.

(II) Operating or hedging strategies:

When the Company engages in derivative transactions, the main purpose shall be avoiding risks (Hedge), and trading commodities are selected to avoid the interest rate and exchange rate risks rising from the company's business operations; in addition, the transaction counterparty shall be the ones with better credit rating, banks that normally have business dealings with the Company, to avoid excessive credit risk.

(III) Segregation of duties:

Unit: US dollars

Item	Single transaction amount	Total contract amount
Chairman	More than 1 million dollars	20 million dollars
General Manager	1 million dollars	3 million dollars

(IV) Total trading amount and the amount of maximum loss limit:

1. The total amount of forward exchange and currency exchange contracts is limited to the Company's estimated long-term and short-term trading foreign exchange net positions. The total amount of interest rate exchange contracts is limited to the total amount of long-term liabilities of the Company.
2. The limits on aggregate losses or losses on individual contracts shall not exceed 20% of the total, or individual contract amount.

(V) Performance evaluation:

After closing the account at the end of each month, the accounting unit shall, according to the account, report the current profit and loss arising from the actual settlement of the derivative trading contract in the current month, prepare a detailed statement and the net profit and loss and submit it to the senior executive appointed by the chair (and whose right is authorized by the board of directors), as a reference for performance evaluation.

Article 10: II. Risk management measures

- (I) Risk management measures should consider the following risks and properly avoid them in advance:
1. Credit risk: the risk of loss occurring due to the counterparty's failure to perform the contract terms.
  2. Market price risk: the risk of loss that may arise from future market price fluctuations of derivatives.
  3. Liquidity and cash flow risks: one is the risk of transaction depth in the commodity market and the risk of settlement at a reasonable market



- price; the other is the risk for transferring the funds for settlements due in the future.
4. Operational risks: Operational risks due to human negligence, poor supervision, fraud and improper control and management.
  5. Legal risk: the risk of loss due to unclear contracts, false authorizations, and different interpretations of legal provisions.
- (II) Personnel engaged in derivatives trading, confirmation and settlement may be served by the staff in the financial unit, but shall not serve concurrently. The trading personnel shall forward the transaction voucher or the contract (contract note) to the confirming personnel to confirm with the bank that the reconciliation is correct, and then notify the settlement personnel and send it to the accounting unit for listing. The accounting unit shall reconcile or confirm with the bank from time to time.
  - (III) Risk measurement, monitoring, and control personnel shall be assigned to a department different from the personnel in the preceding subparagraph and shall report to the board of directors or senior management personnel with no responsibility for trading or decision-making for the position.
  - (IV) Derivatives trading positions held for hedge trades required by the business shall be evaluated at least twice per month. Evaluation reports shall be submitted to senior management personnel authorized by the board of directors.
  - (V) The board of directors shall faithfully supervise and manage such trading in accordance with the following principles:  
Evaluate whether derivatives trading performance is consistent with established operational strategy and whether the risk undertaken is within the company's permitted scope of tolerance, at least once a year.
  - (VI) The senior executives appointed by the chair and authorized by the board of directors should pay attention to supervising the transaction and profit-loss circumstances. If there is an irregular circumstance that exceeds the loss limit in the market price assessment report, they should take necessary

countermeasures and report to the board of directors immediately. Independent directors shall be present at the meeting and express an opinion.

- Article 11: III. Internal audit system, regular evaluation methods and the handling of irregular circumstances:
- (I) The Company engaging in derivatives trading shall establish a logbook in which details of the types and amounts of derivatives trading engaged in, board of directors' approval dates, and the matters required to be carefully evaluated under subparagraph 4 and 6 of Article 10 shall be recorded in detail in the logbook.
  - (II) The Company's internal audit personnel shall periodically make a determination of the suitability of internal controls on derivatives and conduct a monthly audit of how faithfully derivatives trading by the trading department adheres to the procedures for engaging in derivatives trading, and prepare an audit report. If any material violation is discovered, the audit committee shall be notified in writing.
  - (III) The Company shall report to the soonest meeting of the board of directors after it authorizes the relevant personnel to handle derivatives trading in accordance with its Procedures for Engaging in Derivatives Trading.

Article 12: Chapter 3 Public Disclosure of Information

Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:

- I. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million dollars or more. However, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription

- or redemption of money market funds issued by domestic securities investment trust enterprises.
- II. Merger, demerger, acquisition, or transfer of shares.
  - III. Losses from derivatives trading reach the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the company.
  - IV. The type of assets that are acquired or disposed of are equipment for business use, and furthermore the transaction counterparty is not a related party, the transaction amount reaches NT\$500 million dollars or more.
  - V. Where land is acquired under an arrangement on engaging others to build on the company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million dollars.
  - VI. Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million dollars. This shall not apply to the following circumstances:
    - (I) Trading of domestic government bonds or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.
    - (II) Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of foreign government bonds, or of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription or redemption of exchange traded notes, or subscription by a securities firm as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.

- (III) Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions above shall be calculated as follows:

- I. The amount of any individual transaction.
- II. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.
- III. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.
- IV. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same security within the preceding year. "Within the preceding year" as used in the preceding paragraph refers to the year preceding the date of occurrence of the current transaction. Items duly announced in accordance with these Regulations need not be counted towards the transaction amount.

The Company at the time of a public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all items shall be again publicly announced and reported in their entirety within two days, counting inclusively from the date of knowing of such error or omission.

The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.

- I. Where any of the following circumstances occur with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:

- (I) Change, termination, or rescission of a contract signed in regard to the original transaction.
- (II) The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.
- (III) Change to the originally publicly announced and reported information.

At the time of the public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days, counting inclusively from the date of knowing of such error or omission.

- II. The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month, and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.
- III. The subsidiaries of the Company that are not domestic public companies shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.

For the calculation of 10 percent of total assets under these Procedures, the total assets stated in the most recent parent company only financial report or individual financial report prepared under the Regulations Governing the Preparation of Financial Reports by the Company shall be used.

Article 13: Quota limit:

- I. Securities Investment:
  - (I) The total amount of all securities investment of the Company shall not exceed 300% of the paid-in capital. However, the securities in the preceding paragraph do not include investment targets with extremely low risks such as negotiable certificate of deposit, short-term commercial paper and banker's acceptances.
  - (II) The amount of investment by the Company in individual securities shall not exceed 150% of the paid-in capital.

- II. The total amount of real property acquired for non-business use shall not exceed 100% of the Company's paid-up capital.
- III. If each subsidiary wants to acquire or dispose of assets, or has urgent factual needs, it must be handled in accordance with the operating procedures and related regulations of the parent Company, and the proposal must be submitted to the board of directors of the parent Company for approval in advance, and the total amount of real property acquired for non-business use must not exceed 20% of the subsidiary's net worth.

- Article 14: I. The subsidiary shall prepare the acquisition or disposal of assets that occurred in the preceding month and submit it to the general manager of the parent company for reference before the 10th of each month.
- II. Managers and staff in charge who violate this procedure will be punished in accordance with the Company's employees' working rules.

Article 15: Matters not covered in these Procedures shall be handled in accordance with relevant laws and regulations.

Article 16: These procedures shall be approved by more than half of all the members of Audit Committee, and submitted to the board of directors for resolution, then submitted to the shareholders' meeting for approval. Subsequent amendments thereto shall be affected in the same manner.

If the Procedures are not approved by more than half of the members of the Audit Committee, it may be implemented with the approval made by more than two-thirds of the directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors.

## Appendix 4

### Procedures of making endorsement/guarantees of Kao Hsing Chang Iron & Steel Corp.

Amendment made by the board of directors  
on 10th of March 2022

- Article 1: All external guarantee matters related to the Company shall be handled in accordance with the provisions of this operation procedure.
- Article 2: The term “endorsements/guarantees” as used in these operating procedures refers to the following:
- I. Financing endorsements/guarantees, including:
    - (I) Bill discount financing.
    - (II) Endorsement or guarantee made to meet the financing needs of another company.
    - (III) Issuance of a separate negotiable instrument to a non-financial enterprise as security to meet the financing needs of the company itself.
  - II. Customs duty endorsement/guarantee, meaning an endorsement or guarantee from the company itself or another company with respect to customs duty matters.
  - III. Other endorsements/guarantees, meaning endorsements or guarantees beyond the scope of the above two subparagraphs.  
Any creation by the Company of a pledge or mortgage on its chattel or real property as security for the loans of another company shall also comply with these Regulations.
- Article 3: The Company may make endorsements/guarantees for the following companies:
- I. The company with which it does business.
  - II. The company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
  - III. The company that directly and indirectly holds more than 50 percent of the voting shares in the company.
  - IV. All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.

Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares may make endorsements/guarantees for each other, and the amount of endorsements/guarantees may not exceed 10% of the net worth of the Company.

Article 4:

- I. The aggregate amount of endorsement/guarantees that is set as the ceiling for the Company and its subsidiaries as a whole is within the range of three times of the net worth of the Company, and within two times of the net worth of the Company for a single entity, and is authorized the board of directors to make resolutions. If the amount is less than NT\$100 billion dollars, the chair may make the decision and be ratified by the board of directors afterward.
- II. If the aggregate amount of endorsements/guarantees that is set as the ceiling for the Company and its subsidiaries as a whole reaches 50% or more of the net worth of the Company, an explanation of the necessity and reasonableness thereof shall be given at the shareholders' meeting.
- III. If the endorsement guarantee needs to be submitted to the board of directors, it should be submitted to the audit committee for approval on a case-by-case basis before submitting it to the board of directors for resolution. For the approval of half or more of the audit committee members as required in the preceding paragraph is not obtained, it can still be implemented if approved by two-thirds or more of the directors, and the resolution of the audit committee shall be recorded in the minutes of the board of directors' meeting.

Article 5: When the Company handles the endorsement guarantee, the department in charge shall submit a report for signature, stating the endorsement guarantee company, counterparty, type, reason and amount, and submit it to the chair for approval.

- I. Detailed review procedures, including:
  - (I) The necessity of and reasonableness of endorsements/guarantees.
  - (II) Credit status and risk assessment of the entity for which the endorsement/guarantee is made.
  - (III) The impact on the company's business operations, financial condition, and shareholders' equity.



- (IV) Whether collateral must be obtained and appraisal of the value thereof.
- II. The Company shall prepare a memorandum book for its endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the board of directors or of authorization by the chair of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated.
  - III. At the end of each month, the accounting unit shall prepare the endorsement/guarantees that occurred and are canceled in that month and submit it to the general manager.
  - IV. Subsidiaries of the Company (including sub-subsidiaries) are not allowed to engage in endorsement/guarantees in principle. If there is an urgent need, it must be submitted to the board of directors of the Company for approval in accordance with the Company's relevant regulations, the Company will announce and report on behalf of the subsidiaries and the sub-subsidiaries.
  - V. The audit unit shall audit the Operational Procedures for Endorsements/Guarantees and the implementation thereof quarterly and prepare written records accordingly. They shall promptly notify all the audit committee in writing of any material violation found.
  - VI. Managers and personnel in charge who violate these Procedures will be punished in accordance with the Company's employee working rules.
  - VII. Where as a result of changes of condition, the entity for which an endorsement guarantee is made no longer meets the requirements of these Operation Procedures, or the amount of endorsement guarantee exceeds the limit, the Company shall adopt rectification plans and submit the rectification plans to the Audit Committee, and shall complete the rectification according to the timeframe set out in the plan.
  - VIII. The Company shall evaluate or record the contingent loss for endorsements/guarantees, and shall adequately disclose information on endorsements/guarantees in the financial reports and provide certified public accountants with relevant information for implementation of necessary audit procedures.

Article 6:

- I. The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month.
- II. The Company's balance of endorsements/guarantees reaches one of the following levels, it shall announce and report such events within two days commencing immediately from the date of occurrence:
  - (I) The aggregate balance of endorsements/guarantees by the Company and its subsidiaries reaches 50 percent or more of the Company's net worth as stated in its latest financial statement.
  - (II) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches 20 percent or more of the Company's net worth as stated in its latest financial statement.
  - (III) The balance of endorsements/guarantees by the Company and its subsidiaries for a single enterprise reaches NT\$10 million dollars or more and the aggregate amount of all endorsements/guarantees for, carrying value of the equity method investment in, and balance of loans to, such an enterprise reaches 30 percent or more of the Company's net worth as stated in the latest financial statement.
  - (IV) The amount of new endorsements/guarantees made by the Company or its subsidiaries reaches NT\$30 million dollars or more, and reaches 5 percent or more of the Company's net worth as stated in its latest financial statement.

The Company shall announce and report on behalf of any subsidiary thereof that is not a Company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 4 of the preceding paragraph.

The term "announce and report" as used in these Regulations means the process of entering data into the information reporting website designated by the Financial Supervisory Commission (FSC).

"Date of occurrence" in these Procedures means the date of contract signing, date of payment, dates of the board of directors' resolutions, or other date that can confirm the counterparty and

monetary amount of the endorsement/guarantee, whichever date is earlier.

Article 7:

- I. Relevant bills and the Company's chops shall be kept by the designated personnel, and the Company's Operating Procedures shall be complied with before sealing or issuing negotiable instruments; the relevant personnel shall be appointed by the chair, and whose power shall be authorized by the board of directors. The chop used for endorsements/guarantees shall be the one that is registered with the Ministry of Economic Affairs as the corporate chop.
- II. When making a guarantee for an overseas company, the Company shall have the Guarantee Agreement signed by a person authorized by the board of directors.

Article 8: This procedure shall be agreed by the board of directors, then submitted to the shareholders' meeting for approval. The same shall apply to any amendments to the Procedures. Where any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to the Audit Committee and for discussion in the shareholders' meeting.

From the 20th Board of Directors of the Company, amendments to these operating procedures shall be approved by more than half of all the members of the Audit Committee before submitting to the Board of Directors for resolution. If the Procedures are not approved by more than half of the members of the Audit Committee, it may be implemented with the approval made by more than two-thirds of the directors, and the resolution of the Audit Committee shall be recorded in the minutes of the board of directors.

## Appendix 5

### Director shareholdings of Kao Hsing Chang Iron & Steel Corp.

Base date: April 25th, 2022

Title	Name or designation	Juridical Person representative	When elected		Number of shares currently held	
			Number of shares	%	Number of shares	%
Chairman	Lu Tai-Rong		27,551,329	13.72	27,551,329	13.72
Director	Pro Imp'ex Company Limited	Sheng Lu Rong Feng	121,621	0.06	121,621	0.06
Director	Huida Investment Co., Ltd.	Huang Li-Chun	40,999,312	20.41	40,999,312	20.41
Director	You Chang Co., Ltd.	Wu Hsien-Ming	380,000	0.19	380,000	0.19
Director	You Chang Co., Ltd.	Lin Tzu-Hui	380,000		380,000	
Director	Hong Well Company Limited	Lu En-Chang	138,040	0.07	138,040	0.07
Independent Director	Lin Hsien-Lang		0		0	
Independent Director	Chen Chi-Hsiung		0		0	
Independent Director	Wu Hsiao-Yen		0		0	
<b>Number of shares held by all directors</b>			<b>69,190,302</b>	<b>34.45</b>	<b>69,190,302</b>	<b>34.45</b>

- Note:
1. The Company's paid-in capital is NT\$2,008,522,930 dollars, and is divided into 200,852,293 shares. According to Article 26 of the Securities and Exchange Act and Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the total registered shares owned by all directors shall not be less than four percent of the total issued shares, which is 8,034,092 shares.
  2. As of April 25th, 2022, all directors of the Company held 69,190,302 shares, accounting for 34.45% of the total issued shares, which complied with the regulations.

## Appendix 6

Other explanatory matters:

The explanation of handling the shareholders' proposal of this shareholders' meeting:

Explanation:

1. According to Article 172-1 of Company Act, shareholders who hold more than 1% of the total issued shares may submit a written proposal to the Company for the regular shareholders' meeting. The number of items to be proposed is limited to one only and no more than 300 words.
2. The period that the Company accepting the proposal applications for the regular shareholders' meeting is April 15th to April 25th, which is announced on the MOPS.
3. The Company did not accept any shareholders' proposals during the period of accepting proposals.