

Stock code: 2008



Kao Hsing Chang Iron & Steel Corp.

2021 Annual General Meeting of Shareholders

Meeting Agenda

Time: June 24, 2021 (Thursday) 9:00 AM

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

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

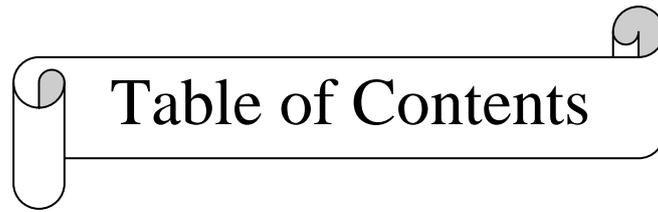


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Kao Hsing Chang Iron & Steel Corp.

Meeting Procedures of the *2021* Annual General Meeting of Shareholders

- I. Call the Meeting to Order
- II. Chairman's Remarks
- III. Report Items
- IV. Matters for acknowledgment and
discussion
- V. Election
- VI. Extraordinary motions
- VII. Adjournment

Kao Hsing Chang Iron & Steel Corp.

2021 Annual General Meeting of Shareholders

Agenda

- I. Time: June 24, 2021 (Thursday) 9:00 AM
Location: No. 318, Zhonghua 1st Rd., Kaohsiung City (The Company)
Attending: All shareholders and equity representatives
- II. Presiding Chairperson: Chairman Lu Tai Rung
Chairman's Remarks
- III. Report Items:
- | | |
|--|---|
| 1. 2020 Business Report of the Company | 3 |
| 2. Audit Committee's Audit Report | 6 |
- IV. Matters for acknowledgment and discussion:
- | | |
|--|----|
| Proposal 1: Acknowledgment of 2020 business report and financial statements | 7 |
| Proposal 2: Acknowledgment of the 2020 loss make-up | 18 |
| Proposal 3: Discussion on Amendments to the "Directors Election Policy" | 19 |
| Proposal 4: Discussion on Amendments to the "Rules of Procedure for Shareholders Meetings" | 19 |
- V. Election:
Election of 9 directors of the Company's 21st Board of Directors

(including 3 independent directors)

34

VI. Extraordinary motions:

VII. Adjournment

III. Report Items

Matters to be reported *I.*:

2020 Business Report

Upon outbreak of the pandemic in the first half of 2020, various countries' governments have successively announced the lockdown policy or a state of emergency. As a result, the consumption and production activities became sluggish or were shut down largely, thus triggering the turmoil in the financial market and drastic declination of the price of products, such as crude oil. Meanwhile, the lockdown policy resulted in the temporary shutdown of the construction industry, manufacturing industry and sea transportation industry, etc. and caused a setback to the demand for steel products indirectly. Notwithstanding, due to the continuing economic recovery in China as of the second half of this year, the steel price has increased sharply and, therefore, the domestic sales of steel products grew more than the first half of this year. For the sales of steel tubes, the market condition in 2020 was more critical than in 2019. In consideration of the declining international crude oil price, significant reduction of oil wells in the USA, and the preferential tariff conditions offered by Korea, the export sales of API casing and tubing were almost shut down. For domestic marketing, the economy was stabilized due to the Government's infrastructure projects and repatriation of Taiwanese businessman's capital, electronic factories released the orders at mass quantity. Therefore, the order quantity of domestic steel tubes was considered fair, and the sales grew by 11.42% more than last year.

One. The 2020 Business Report of the Company is presented as follows:

I. Implementation status of business plan:

Production volume in 2020 was 30,840 tons, a decrease of 23% from the 2019 production volume of 40,100 tons. Sales volume in 2020 was 33,609 tons, which was a 15.7% decrease from the 2019 sales volume of 39,861 tons.

operating revenue for 2020 was NTD 962,510 thousand, a decrease of 15.7% compared to 2019 operating revenue of NTD 1,142,137 thousand. After-tax net loss was NTD 32,794 thousand, and loss per share was NTD 0.16. Details are as follows:

1. Production volume and value in the last two years:

Production volume: Tons; Production value: NTD thousands

Product \ Value	Year	2020		2019	
		Production volume	Production value	Production volume	Production value
Steel pipe		30,496	771,921	39,643	1,085,750
Others		344	15,826	457	25,426
Total		30,840	787,746	40,100	1,111,176

2. Sales volume/value in the last two years:

Sales volume: Tons Sales value: NTD thousands

Product \ Value	Year	2020		2019	
		Sales volume	Sales value	Sales volume	Sales value
Steel pipe		29,343	876,016	35,160	1,039,164
Circulating steel products		3,928	62,979	4,249	73,412
Others		338	23,515	452	29,561
Total		33,609	962,510	39,861	1,142,137

II. Analysis of revenues, expenses, and profitability:

1. Comprehensive income statement for the last two years:

Unit: NTD Thousand

Item	2020	%	2019	%
Operating revenue	962,510	100	1,142,137	100
Operating costs	940,489	98	1,146,465	100
Operating margin (loss)	22,021	2	(4,328)	0
Marketing fees	25,679	3	51,077	4
Management expenses	64,964	7	67,888	6
Net operating loss	(68,622)	(8)	(123,293)	(10)
Non-operating revenue and expenses	37,537	5	(813)	0
Profit (loss) before tax	(31,085)	(3)	(124,106)	(10)
Income tax expense	1,709	-	-	-
Net profit (loss) for the period	(32,794)	(3)	(124,106)	(10)

2. The decrease in selling expenses in 2020 was primarily a result of the

drastic declination of the export volume resulting in the decrease in export-related expenses.

3. Non-operating revenue and expenses: mainly due to
 - (1) Dividend income for 2020 was NTD 56,669 thousand, an increase of NTD 21,329 thousand compared with 2019's NTD 35,340 thousand.
 - (2) The subsidy granted under the government bailout policy, NTD 20,906 thousand, in 2020
4. The loss after tax for 2020 was NTD 32,794 thousand and the loss per share was NTD 0.16.

III. Research and development status:

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. In 2020, the old galvanizing furnace equipment, pipe-making truck, and overhead crane track were replaced with new ones.

IV. Impact of external competitive environment, regulatory environment, and overall business environment:

1. According to the IMF World Economic Outlook report dated April 2021, the global economic growth rate referred to in the reported dated January this year was adjusted as 6% in 2021, and 4.4% in 2022. According to the report, despite the uncertainty in pandemic, various countries' economic growth is still expected to be strong. The Worldsteel forecast in April that the global demand for steel products would increase by 5.8%, attaining 1.874 billion tons in 2021, and by 2.7%, attaining 1.925 billion tons in 2022.
2. The relationship between China and the USA remains tense. The trade war causes global market disorder. The export end-customers' demand becomes unstable due to the tariff and prevailing protectionism for steel products trading. As a result, the high inventory retained by customers is squeezing the confidence in market demand.

3. In consideration of the mitigating pandemic impact, partial production lines' transfer back to Taiwan and booming demand for emerging technology, Taiwan's export volume grows significantly. The government promotes the green power construction projects strongly and solicits foreign companies for investment in Taiwan. This could help drive domestic demand. Generally, domestic demand and export demand are both growing. As a result, the yearly economic growth range in 2021 appears to be higher than that in 2020. According to the latest forecast by Taiwan Institute of Economic Research, the domestic economic growth rate is 5.03% in 2021, adjusted upward by 0.73% from January 2021.
4. Based on various countries' economic and consumption demand development and figures, China Steel looks forward to the steel market's performance this year optimistically. The global steel demand has bottomed down due to the pandemic last year. This year, the demand is recovering upon recovery of the people's economic and consumption demand, as the pandemic is under control and vaccination is made available. If the vaccination presents positive effects in the second half of this year, the market economic activities in Europe and the USA are expected to grow more rapidly than now. This can help the demand for various steel products grow. As the pandemic is becoming mitigated globally, the economy and consumption are expected to be inspired and thereby drives the demand for steel materials.

Two.Summary of **2021** Business Plan:

Looking forward to the future, following the launch of vaccine and vaccination approved by various countries, the pandemic is expected to be mitigated step-by-step in 2021. Besides, the political uncertainty in Europe and the USA is eliminated. In response to the low-base period factor, international forecast organizations all consider that the global economic and trading growth in 2021 appears to be better than that in 2020. The global steel market demand is increasing. The international raw materials and supplies price also keeps rising, thus driving the increase in the steel industry's quotation. The downstream dealers are successively replenishing

their inventories. Suppliers engaged in the steel industry are looking forward to the economy in next six months optimistically.

For export markets, following the recovery of international crude oil price to USD 60 or more per barrel and effective control over the pandemic by vaccine, the steel market is recovering. In 2021, the Company may have the chance to accept the order for API export. The domestic marketing benefits from domestic leading semiconductor manufacturers' continuous expansion of capital expenditure, reconstruction of unsafe and old buildings and urban renewal driving the investment in construction projects, global technology enterprises' increase in investment in Taiwan, and private enterprises' response to the government's green power policy, the investment in green power has been increasing, especially the offshore wind farm. All of these could help boost the private investment growth momentum. In consideration of the stable pandemic controls and increasing steel price, the order quantity of domestic steel tubes is expected to keep growing in 2021.

All in all the principle, the Company's overall operating policy adopts prudent operations and takes a cautious but optimistic operating attitude this year.

Chairman: 

Manager: 

Accounting

Supervisor: 

Matters to be reported 2.:

Audit Report of the Audit Committee

The Board of Directors prepared the Company's 2020 annual business report, financial statements and loss make-up proposal. Among them, the financial statements have been checked by KPMG Taiwan and an audit report has been issued.

The above-mentioned business report, financial statements and loss make-up proposal have been reviewed by the Audit Committee and found to have no inconsistencies. This report is issued in accordance with relevant provisions of the Securities and Exchange Act and the Company Act.

As above

2021 Annual General Meeting of Shareholders of the Company

Kao Hsing Chang Iron & Steel Corp.

Convener of Audit Committee:

Handwritten signature in black ink, consisting of three vertical strokes and a horizontal stroke, positioned above a solid horizontal line.

March 11, 2021

Matters for acknowledgment and discussion:

Proposal 1 (Proposed by the Board of directors)

Reason: The Company's 2020 annual business report and financial statements are hereby submitted for acknowledgment.

Explanation:

- I. The Company's 2020 financial statements (balance sheet, comprehensive income statement, statement of changes in equity, and cash flow statement) have been reviewed by KPMG Taiwan accountants Chen Kuo-Tsung and Hsu Chen-Lung and have been approved by the Board of Directors. As well as the Business Report (please refer to Matters to be Reported). Hereby issued for acknowledgment.

- II. 2020 Financial Statements of the Company (details below).

Resolution:

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

Hereby submitted by the Board of Directors of Kao Hsing Chang Iron & Steel Corp.:

Audit Opinion

Regarding the balance sheet of Kao Hsing Chang Iron & Steel Corp. on December 31, 2020 and 2019, as well as comprehensive income statement, statement of changes in equity, and cash flow statement, as well as notes to the individual financial statements from January 1 to December 31, 2020 and 2019 (including a summary of major accounting policies), these have been audited by the accountants.

According to the opinion of the accountants, the above-mentioned consolidated financial statements are prepared in all material respects in accordance with the financial reporting standards of securities issuers, the International Financial Reporting Standards, International Accounting Standards, Interpretation and Interpretation Announcements approved and issued by the Financial Supervisory Commission. They are sufficient to express the financial situation of Kao Hsing Chang Iron & Steel Corp. on December 31, 2020 and 2019 and the financial performance and cash flows from January 1 to December 31 in 2020 and 2019.

Basis of Audit 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 items refer to the most important items for the audit of the 2020 financial statements of Kao Hsing Chang Iron & Steel Corp. according to the professional judgment of the accountant. These matters have been dealt with in the process of checking the individual and overall financial statements and the formation of the audit opinion. The accountant does not express an opinion on these matters separately. The accountants judge that the key audit items that should be communicated in the audit report are as follows:

I. Impairment assessment for property, plant and equipment

Accounting policy on impairment assessment of property, plant, and equipment is explained in Note IV(XIII) - Impairment of non-financial assets; uncertainties concerning accounting estimates and assumptions of property, plant and equipment are explained in Note V(I); and impairment assessment of property, plant and equipment is detailed in Note VI(VII) - property, plant and equipment of this financial report.

Explanation of key audit issues:

Kao Hsing Chang Iron & Steel Corp. currently faces intensified competition in the form of price cuts from businesses around the world, and the methods adopted by Kao Hsing Chang Iron & Steel Corp. for estimating fair value of property, plant, and equipment are key to impairment assessment. Due to the high complexity involved in the choice of assessment approach and assumptions, we considered impairment assessment to be an issue of high concern when auditing financial statements.

Audit procedures:

We have obtained valuation reports issued from an external valuer commissioned by Kao Hsing Chang Iron & Steel Corp. and information prepared by the management, and examined the materials on hand to establish reasonable confidence in the valuer's professionalism, independence, and experience. Furthermore, we have examined the sources of information, choice of assumption and methodology, and consistency of conclusions presented in the valuation reports to determine the adequacy of impairment assessments performed on property, plant, and equipment. We also examined the sources of data and assumptions used by the management when assessing asset impairment to determine the adequacy of relevant disclosures made by Kao Hsing Chang Iron & Steel Corp.

II. Inventory valuation

For accounting policies on inventory valuation, please refer to Note IV(VII) of the financial report; for accounting estimates, assumptions, and uncertainties, please refer to Note V(II) of the financial report; for detailed disclosure on inventory valuation, please refer to Note VI(V) of the financial report.

Explanation of key audit issues:

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.

III. Impairment assessment of investment real estate

Accounting policy on impairment assessment of investment property is explained in Note IV(XIII) - Impairment of non-financial assets; uncertainties concerning accounting estimates and assumptions of investment property are explained in Note V(III); and impairment assessment of investment property is detailed in Note VI(IX) - Investment property of this financial report.

Explanation of key audit issues:

Intensified competition among the nation's export industries combined with domestic issues such as soil liquefaction and tax reform have made real estate transactions susceptible to market and environmental changes. The methods adopted by Kao Hsing Chang Iron & Steel Corp. for estimating fair value of investment property are key to impairment assessments, and due to the high complexity involved in the choice of assessment approach and assumptions, we considered impairment assessment to be an issue of high concern when auditing financial statements.

Audit procedures:

We have obtained information prepared by the management of Kao Hsing Chang Iron & Steel Corp., examined the sources of information and assumptions adopted by the management, and compared details of real estate properties transacted in nearby locations to evaluate impairment risk of the underlying assets. We also evaluated the adequacy of relevant disclosures made by Kao Hsing Chang Iron & Steel Corp.

Responsibilities of the management and governance body to the 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 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 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).

Based on the matters communicated with the governance unit, the accountant decides the key audit items for the audit of Kao Hsing Chang Iron & Steel Corp.'s 2020 individual financial reports. The accountant stated these matters in the audit report, unless the law does not allow the public disclosure of specific matters or in very rare circumstances, the accountant decides not to communicate specific matters in the audit report because it can be reasonably expected that the negative impact of this communication will be greater than the public interest promoted.

KPMG Taiwan

Accountants

陳國宗



許振隆



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

March 11, 2021

Kao Hsing Chang Iron & Steel Corp.
Balance sheet
December 31, 2020 and 2019

Unit: NTD Thousand

Assets	2020.12.31		2019.12.31	
	Amount	%	Amount	%
Current assets:				
1100 Cash and cash equivalents (Note 6(1))	\$ 275,370	4	334,668	6
1120 Financial assets at fair value through other comprehensive income - current (Note 6 (2))	716,128	11	401,169	8
1151 Notes receivable (Note 6(3))	-	-	356	-
1152 Other notes receivable (Note 6 (4))	200	-	50,200	1
1170 Net accounts receivable (Note 6 (3))	105,317	2	78,636	2
1200 Other receivables (Notes 6 (4) and 7)	17,827	-	5,632	-
1220 Current income tax assets	2	-	11	-
130X Inventory (Note 6 (5))	468,253	7	480,222	9
1470 Other current assets (Notes 6 (10) and 7)	14,563	-	50,878	1
Total current assets	1,597,660	24	1,401,772	27
Non-current assets:				
1517 Financial assets at fair value through other comprehensive income - non-current (Note 6 (2))	986,641	15	878,414	17
1550 Investments using the equity method (Note 6 (6))	370,586	6	232,995	5
1600 Property, plant, and equipment (Notes 6 (7) and 8)	1,539,887	23	1,578,543	31
1755 Right-of-use assets (Notes 6 (8) and 7)	13,161	-	16,451	-
1760 Net investment property (Notes 6 (9), 7, and 8)	2,144,792	32	1,045,218	20
1920 Refundable deposits (Notes 6 (4), 7 and 9)	9,467	-	8,069	-
Total non-current assets	5,064,534	76	3,759,690	73
Total assets	\$ 6,662,194	100	5,161,462	100

Chairman:



Manager:



Accounting Supervisor:



Kao Hsing Chang Iron & Steel Corp.
Balance sheet (continued)
December 31, 2020 and 2019

Unit: NTD Thousand

Liabilities and equity		2020.12.31		2019.12.31	
		Amount	%	Amount	%
Current liabilities:					
2100	Short-term loans (Notes 6 (11) and 8)	\$ 2,822,723	42	2,398,132	47
2151	Bills payable	20,280	-	11,627	-
2152	Other notes payable	7,561	-	6,889	-
2170	Accounts payable	21,733	-	9,571	-
2200	Other accounts payable	54,980	1	34,836	1
2230	Current tax liabilities	1,709	-	-	-
2300	Other current liabilities (Note 6 (12))	2,984	-	1,951	-
Total current liabilities		<u>2,931,970</u>	<u>43</u>	<u>2,463,006</u>	<u>48</u>
Non-current liabilities:					
2541	Long-term bank loans (Notes 6 (13) and 8)	700,000	11	-	-
2570	Deferred income tax liabilities (Note 6 (16))	210,632	3	210,632	4
2640	Net defined benefit liabilities-non-current (Note 6 (15))	42,394	1	43,115	1
2645	Guarantee deposits received	5,040	-	40	-
Total non-current liabilities		<u>958,066</u>	<u>15</u>	<u>253,787</u>	<u>5</u>
Total liabilities		<u>3,890,036</u>	<u>58</u>	<u>2,716,793</u>	<u>53</u>
Equity (Note 6 (17)):					
3100	Share capital	<u>2,008,523</u>	<u>30</u>	<u>2,008,523</u>	<u>39</u>
3200	Capital reserve	<u>75,159</u>	<u>1</u>	<u>75,159</u>	<u>1</u>
3300	Retained earnings:				
3310	Statutory reserve	146,880	2	146,880	3
3320	Special reserve	81,209	1	274,177	6
3350	Undistributed earnings	<u>216,673</u>	<u>4</u>	<u>21,139</u>	<u>-</u>
		<u>444,762</u>	<u>7</u>	<u>442,196</u>	<u>9</u>
3400	Other equity interest	<u>243,714</u>	<u>4</u>	<u>(81,209)</u>	<u>(2)</u>
Total equity		<u>2,772,158</u>	<u>42</u>	<u>2,444,669</u>	<u>47</u>
Total liabilities and equity		<u>\$ 6,662,194</u>	<u>100</u>	<u>5,161,462</u>	<u>100</u>

Chairman:



Manager:



Accounting Supervisor:



Kao Hsing Chang Iron & Steel Corp.
Comprehensive income statement
January 1 to December 31, 2020 and 2019

Unit: NTD Thousand

		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6 (19) and 7)	\$ 962,510	100	1,142,137	100
5000	Operating costs (Notes 6 (5) (15))	940,489	98	1,146,465	100
5900	Operating margin (loss)	22,021	2	(4,328)	-
6000	Operating expenses (Notes 6 (15) and 7):				
6100	Marketing fees	25,679	3	51,077	4
6200	Management expenses	64,964	7	67,888	6
	Total operating expenses	90,643	10	118,965	10
6900	Net operating loss	(68,622)	(8)	(123,293)	(10)
	Non-operating revenue and expenses:				
7100	Interest revenue (Note 6 (21))	134	-	190	-
7010	Other income (Notes 6 (21) and 7)	84,890	9	41,110	4
7020	Other gains and losses (Note 6 (21))	(5,559)	-	(301)	-
7050	Finance costs (Note 6 (21))	(41,190)	(4)	(45,286)	(4)
7060	Share of profits/losses on equity-accounted associated companies and joint ventures (Note 6 (6))	(738)	-	(474)	-
7215	Gain on disposal of investment property	-	-	4,206	-
7610	Loss on disposal of property, plant, and equipment	-	-	(258)	-
	Total non-operating revenue and expenses	37,537	5	(813)	-
7900	Pre-tax profit (loss) from continuing operations	(31,085)	(3)	(124,106)	(10)
7950	Less: Income tax expense (Note 6 (16))	1,709	-	-	-
	Current net loss	(32,794)	(3)	(124,106)	(10)
8300	Other comprehensive income:				
8310	Items not reclassified into profit and loss				
8311	Remeasurement of defined benefit plan	1,715	-	2,192	-
8316	Unrealized gain/loss on valuation of equity instruments at fair value through other comprehensive income	240,892	25	200,524	17
8320	Share of other comprehensive income on equity-accounted associated companies and joint ventures - not reclassified into profit and loss	117,676	12	(1,563)	-
8349	Less: Income tax on items not reclassified into profit and loss	-	-	-	-
	Sum of items not reclassified into profit and loss	360,283	37	201,153	17
8300	Other comprehensive income - current (net, after tax)	360,283	37	201,153	17
	Total comprehensive income for the period	\$ 327,489	34	77,047	7
	Earnings per share (Note 6 (18))				
9750	Basic earnings per share	\$ (0.16)		(0.62)	
9850	Diluted earnings per share	\$ (0.16)		(0.62)	

Chairman:



Manager:



Accounting Supervisor:



Kao Hsing Chang Iron & Steel Corp.
Statement of Changes in Equity
January 1 to December 31, 2020 and 2019

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 reserve	Statutory reserve	Special reserve	Undistribut ed earnings		
Balance as of January 1, 2019	\$ 2,008,523	75,159	146,880	122,366	288,871	(274,177)	2,367,622
Net loss for the period	-	-	-	-	(124,106)	-	(124,106)
Other comprehensive income for the period	-	-	-	-	2,192	198,961	201,153
Total comprehensive income for the period	-	-	-	-	(121,914)	198,961	77,047
Earnings appropriation and distribution:							
Provision for special reserve	-	-	-	151,811	(151,811)	-	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	5,993	(5,993)	-
Balance - December 31, 2019	2,008,523	75,159	146,880	274,177	21,139	(81,209)	2,444,669
Balance as of January 1, 2020	\$ 2,008,523	75,159	146,880	274,177	21,139	(81,209)	2,444,669
Current net loss	-	-	-	-	(32,794)	-	(32,794)
Other comprehensive income for the period	-	-	-	-	1,715	358,568	360,283
Total comprehensive income for the period	-	-	-	-	(31,079)	358,568	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)	-
Balance as of December 31, 2020	\$ 2,008,523	75,159	146,880	81,209	216,673	243,714	2,772,158

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Chairman: 

Manager: 

Accounting Supervisor: 

Kao Hsing Chang Iron & Steel Corp.
Statement of Cash Flow
January 1 to December 31, 2020 and 2019

Unit: NTD Thousand

	<u>2020</u>	<u>2019</u>
Cash flow from operating activities:		
Current pre-tax loss	\$ (31,085)	(124,106)
Adjustments:		
Income, expenses, and losses		
Depreciation	55,546	62,890
Interest expenses	41,190	45,285
Interest income	(134)	(189)
Dividend income	(56,669)	(35,340)
Share of losses on equity-accounted associated companies and joint ventures	738	474
Loss on disposal and scrapping of property, plant and equipment	-	258
Gain on disposal of investment property	-	(4,206)
Unrealized gains on foreign currency exchange	(15)	(192)
Total income, expenses, and losses	<u>40,656</u>	<u>68,980</u>
Changes in assets/liabilities related to business activities:		
Net changes in assets related to business activities:		
Decrease (increase) in bills receivable	356	(344)
Increase in other notes receivable	-	(1,432)
Increase in accounts receivable	(26,681)	(28,440)
Decrease (increase) in other receivables	(370)	5,351
Decrease in inventories	11,969	29,471
Decrease in other current assets	36,315	23,078
Total net changes in assets related to business activities	<u>21,589</u>	<u>27,684</u>
Net changes in liabilities related to operating activities:		
Increase (decrease) in bills payable	8,653	(17,235)
Increase (decrease) in accounts receivable	12,162	(22,025)
Increase (decrease) in other payables	2,955	(432)
Increase (decrease) in other current liabilities	1,033	(15,985)
Increase in net defined benefit liabilities	994	1,135
Total net changes in liabilities related to operating activities	<u>25,797</u>	<u>(54,542)</u>
Total net changes in assets and liabilities related to business activities	<u>47,386</u>	<u>(26,858)</u>
Total adjustment items	<u>88,042</u>	<u>42,122</u>
Cash inflow (outflow) generated from operations	56,957	(81,984)
Interest received	134	189
Dividends received	56,669	35,340
Interests paid	(40,255)	(47,382)
Income tax refunded	9	33,575

Kao Hsing Chang Iron & Steel Corp.
Statement of Cash Flow (continued)
January 1 to December 31, 2020 and 2019

	Unit: NTD Thousand	
Net cash inflow (outflow) from operating activities	73,514	(60,262)
Cash flow from investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(1,822,801)	(892,271)
Disposal of financial assets at fair value through other comprehensive income	1,625,334	1,151,533
Investments accounted for using equity method	(2,677)	-
Proceeds from sale of non-current assets pending disposal	-	20,000
Acquisition of property, plant, and equipment	(9,959)	(17,266)
Disposal of property, plant, and equipment	50,000	25,000
Increase in guarantee deposits paid	(1,398)	-
Decrease in refundable deposits	-	10,484
Acquisition of investment real estate	(1,100,892)	-
Disposal of investment real estate	-	4,995
Net cash inflow (outflow) from investing activities	(1,262,393)	302,475
Cash flow from financing activities:		
Increase in short-term loan	8,210,722	7,844,769
Decrease in short-term loan	(7,786,116)	(7,911,739)
Increase in long-term debt	700,000	-
Increase in deposit margin	5,000	-
Decrease in bills payable for the return of capital reduction	(25)	(101)
Net cash inflow (outflow) from financing activities	1,129,581	(67,071)
Increase (decrease) in current cash and cash equivalents	(59,298)	175,142
Beginning cash and cash equivalent balance	334,668	159,526
Cash and cash equivalents at the end of the period	\$ 275,370	334,668

Chairman:



Manager:



Accounting Supervisor:



Proposal 2

(Proposed by the Board of Directors)

Proposal: The Company’s 2020 proposed loss make-up proposal is hereby submitted for acknowledgment.

Explanation:

I. The loss make-up proposal is stated as the following table:

Unit: NTD

Item	Amount
Unappropriated retained earnings, beginning of period	\$ 214,106,640
Add (subtract):	
Disposal of equity investments at fair value through other comprehensive income	33,645,484
Determine the remeasurement of the benefit plan in the current period	1,714,802
Reversal of deductions from shareholders’ equity for special reserve	81,209,398
Current year net loss after tax	(32,793,915)
Distributable retained earnings	297,882,409
Provision of statutory reserve	(256,637)
Unappropriated retained earnings, end of period	\$ 297,625,772

II. The net loss for 2020 is NTD 32,793,915, and no dividend is planned.

Resolution:

Proposal 3

(Proposed by the Board of Directors)

Reason: The amendments to the “Directors Election Policy” are proposed for discussion.

Explanation:

I. Pursuant to the Taiwan Stock Exchange Taiwan Securities Exchange’s Letter No. 1090009468 dated June 3, 2020, the Company’s “Directors Election Policy” was amended and renamed into the “Procedure for Election of Directors”. The cross reference table for the amended provisions is stated as following:

Amended provisions	Current provisions	Explanation
Article 1 To ensure a just, fair, and open election of directors, the Procedure is adopted pursuant to Article 21 and Article 41 of the “Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies.”	Article 1 Election of the Company's directors proceeds according to the Policy.	Amended provisions
Article 2 Unless otherwise specified by law or the Articles of Incorporation, the election of the Company's directors shall proceed according to the Procedure.	Article 9: Matters left unresolved in the Policy shall be handled in accordance with the Company Act, securities laws and the Company's Articles of Incorporation.	In order to adjust the Article No. and provisions, the existing Article 9 is amended into Article 2.
Article 3 Election of the Company's directors shall take the Board’s overall layout into consideration. The composition of Board members shall take diversification into account, and adopt adequate diversified policy subject to the Company's operations, business type and development needs, including but not limited to, the following two dimensional standards: I. Basic qualification and value:	Article 2 Election of the Company's directors shall take the Board’s overall layout into consideration. The composition of Board members shall take diversification into account, and adopt adequate diversified policy subject to the Company's operations, business type and development needs, including but not limited to, the following two dimensional standards: I. Basic qualification and value:	In order to adjust the Article No. and provisions, the existing Article 2 is amended into Article 3, Article 4, Article 5 and Article 6.

Amended provisions	Current provisions	Explanation
<p>Gender, age, nationality and culture, etc.</p> <p>II. Professional knowledge and skill: Professional background (e.g. Law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.</p> <p>The members of the Boards shall be qualified with the required knowledge, skills and education for the performance of their professed duties. Generally, they shall have the following capabilities:</p> <p>I. Ability in judgment of operation. II. Ability in accounting and financial analysis. III. Ability in corporate management. IV. Ability in risk management. V. Industry knowledge</p>	<p>Gender, age, nationality and culture, etc.</p> <p>II. Professional knowledge and skill: Professional background (e.g. Law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.</p> <p>The members of the Boards shall be qualified with the required knowledge, skills and education for the performance of their professed duties. Generally, they shall have the following capabilities:</p> <p>I. Ability in judgment of operation. II. Ability in accounting and financial analysis. III. Ability in corporate management. IV. Ability in risk management. V. Industry knowledge</p>	
Amended provisions	Current provisions	Explanation
<p>VI. International view of market. VII. Leadership capacity. VIII. Decision-making capacity.</p> <p>A spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the Company's directors.</p> <p>The Company's Board of Directors shall consider adjusting the composition of the Board members based on the performance evaluation results.</p> <p><u>Article 4</u> The independent director's qualification shall satisfy Article 2, Article 3 and Article 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".</p>	<p>VI. International view of market. VII. Leadership capacity. VIII. Decision-making capacity.</p> <p>A spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the Company's directors.</p> <p>The Company's Board of Directors shall consider adjusting the composition of the Board members based on the performance evaluation results.</p> <p>Regarding independent directors' professional qualifications, <u>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</u></p>	

Amended provisions	Current provisions	Explanation
<p>Election of the Company's independent directors shall satisfy Article 5, Article 6, Article 7, Article 8 and Article 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", and be conducted in accordance with Article 24 of the "Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies."</p>	<p>Exchange Act, and other relevant laws and regulations.</p>	
<p><u>Article 5</u> The election of directors shall be conducted under the nomination system prescribed in Article 192-1 of the Company Act. When the number of directors falls below five due to the dismissal of a director for any reason, the Company shall hold a by-election for director at the next shareholders' meeting. However, when the number of directors falls short by one-thirds of the total number prescribed by the Articles of Incorporation, the Company shall convene a special shareholders' meeting to hold a by-election within 60 days from the date on which the fact occurred. When the number of independent directors is lower than the requirement in Paragraph 1 of Article 14-2 of the Securities and Exchange Act, a by-election for independent director shall be held at the next following shareholders' meeting. When all independent directors have been dismissed, the Company shall convene a special shareholders' meeting to hold a by-election within 60 days from the date on which the</p>	<p>The election of directors of the Company shall be conducted under the nomination system prescribed in Article 192-1 of the Company Act. The Company shall review the qualifications, academic background, working experience, and the existence of any other matters set forth in Article 30 of the Company Act with respect to nominee directors and may not arbitrarily add requirements for documentation of other qualifications. It shall further provide the review results to shareholders for their reference so that qualified directors will be elected.</p>	

Amended provisions	Current provisions	Explanation
<p><u>fact occurred.</u></p> <p><u>Article 6</u> Election of directors shall adopt the cumulative voting system. When electing directors, each share shall be vested with voting rights equal to the number of directors to be elected. These voting rights may be concentrated on one candidate or spread across multiple candidates.</p>	<p>Election of directors shall adopt the cumulative voting system. <u>Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.</u> Each share shall be vested with voting rights equal to the number of directors to be elected. These voting rights may be concentrated on one candidate or spread across multiple candidates.</p>	
Amended provisions	Current provisions	Explanation
<p><u>Article 7</u> The Board of Directors shall <u>prepare</u> separate ballots for independent directors and non-independent directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.</p> <p><u>Article 8</u> The independent directors and non-indirect directors shall be subject to the quota prescribed in the Articles of Incorporation. The election of independent directors and non-independent directors shall be consolidated, provided that the voting rights for election of independent directors and non-indirect directors and quota of the elected shall be counted separately. Candidates that receive the highest number of votes will be assigned to the available seats in a progressive</p>	<p><u>Article 5:</u> The Board of Directors shall <u>prepare</u> separate ballots for independent directors and non-independent directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.</p> <p><u>Article 3:</u> The independent directors and non-indirect directors shall be subject to the quota prescribed in the Articles of Incorporation. The election of independent directors and non-independent directors shall be consolidated, provided that the voting rights for election of independent directors and non-indirect directors and quota of the elected shall be counted separately. Candidates that receive the highest number of votes will be assigned to the available seats in a progressive</p>	<p>In order to adjust the Article No. and provisions, the existing Article 5 is amended into Article 7.</p> <p>The existing Article 3 is amended into Article 8.</p>

Amended provisions	Current provisions	Explanation
manner. If two or more candidates receive the same number of votes, and thereby resulting in more elects than the number of seats allocated, the candidates who receive equal number of votes shall draw for the remaining seats available. The chairperson will draw on behalf of those who are absent during the meeting.	manner. If two or more candidates receive the same number of votes, and thereby resulting in more elects than the number of seats allocated, the candidates who receive equal number of votes shall draw for the remaining seats available. The chairperson will draw on behalf of those who are absent during the meeting.	
Article 9 Before the election begins, the chairperson shall appoint ballot examiners and ballot counters to perform various duties relating to the election. The Board of Directors shall prepare a ballot box and have it examined openly by the ballot examiners prior to voting.	Article 4: Before the election begins, the chairperson shall appoint ballot examiners and ballot counters to perform various duties relating to the election. The Board of Directors shall prepare a ballot box and have it examined openly by the ballot examiners prior to voting.	The existing Article 4 is amended into Article 9.
Deleted.	Article 6 <u>If the candidate is a shareholder, voters will have to specify both shareholder account name and number in the "candidate" field of the ballot. If the candidate is not a shareholder, the candidate's name and ID card number will have to be specified instead. However, when the candidate is a governmental organization or juristic-person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the column for the candidate's account name in the ballot paper, or both the name of the governmental organization or juristic-person shareholder and the name of its representative may be entered. When there are multiple representatives, the names of each respective representative shall be entered.</u>	In response to the FSC's order under Jin-Guan-Chen-Jiao-Zi No. 1080311451 dated April 25, 2019 requiring that a TWSE/TPEX-listed company should adopt the candidate nomination system in its election of directors and supervisors since 2021, shareholders shall elect the directors from the roster of director

Amended provisions	Current provisions	Explanation
		<p>candidates. As the information about name, academic degree and work experience of each candidate may be accessed by shareholders from the roster prior to a shareholders' meeting, there is no need to use shareholders' account number or ID No. to identify a candidate, and this provision is deleted accordingly.</p>
<p><u>Article 10</u> A ballot paper is invalid under any of the following circumstances: I. The ballot is not <u>prepared by the convener.</u> II. Blank ballots are casted into the ballot box. III. Ballots with illegible writing or <u>are altered.</u> IV. The candidate whose name is entered in the ballot does not conform to the <u>director candidate list.</u> V. Other words are entered in addition to the number of voting rights allotted.</p>	<p><u>Article 7:</u> A ballot paper is invalid under any of the following circumstances: I. Use of ballot that does not conform with the formats <u>specified in this Policy.</u> II. Blank ballots are casted into the ballot box. III. Ballots with illegible writing. IV. Where the candidate <u>is a shareholder, the written identity and shareholder account number do not match the roster of shareholders; or where the candidate is a non-shareholder, the written name and ID card number do not match.</u></p>	<p>In order to adjust the Article No. and provisions, the existing Article 7 is amended into Article 10.</p>

Amended provisions	Current provisions	Explanation
	<p><u>Blank ballots that are cast into the ballot box, or ballots that fail to specify the requirements referred to in Article 5 and Article 6 of the Policy. Ballots are not cast into the ballot box.</u></p> <p>V. <u>Ballots that contain writings other than the candidate's account name (name), shareholder account number (identity number) and allocated votes.</u></p> <p>VI. <u>The candidate's name entered in the ballot is identical with another shareholder's but no shareholder account number (ID No.) is provided in the ballot to identify such individual.</u></p>	
<p>Article <u>11</u> Upon completion of the ballot casting process, the ballots shall be opened on the site. The chairperson shall call the outcome of the election, including the names of those elected as independent directors and non-independent directors and the numbers of votes with which they are elected. 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 initiates litigation in accordance with Article 189 of the Company Act, this should be retained until the conclusion of the litigation.</p>	<p>Article <u>8</u>: Upon completion of the ballot casting process, the ballots shall be opened on the site. The chairperson shall call the outcome of the election, including the names of those elected as independent directors and non-independent directors and the numbers of votes with which they are elected. 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 initiates litigation in accordance with Article 189 of the Company Act, this should be retained until the conclusion of the litigation.</p>	Adjust Article No.
<p>Article <u>12</u> The <u>Procedure</u> shall take effect once approved during a shareholders' meeting. The same shall apply where the Procedure is <u>amended</u>.</p>	<p>Article <u>10</u>: The <u>Policy</u> shall take effect once approved during shareholder meeting; the same applies to all subsequent revisions.</p>	Adjust Article No. and provisions

Resolution:

Proposal 4

(Proposed by the Board of Directors)

Reason: Amendment of a portion of provisions of the “Rules of Procedure for Shareholders Meetings” hereby submitted for approval

Explanation:

In response to TWSE's letter under Tai-Zhen-Zhi-Li-Zi No. 1090009468 dated June 3, 2020 and TWSE’s letter under Tai-Zhen-Zhi-Li-Zi No. 1100001446 dated January 28, 2021, certain provisions of the Company's Rules of Procedure for Shareholders’ Meeting were amended accordingly. The cross reference table for the amended Procedure is stated as following:

Amended provisions	Current provisions	Explanation
<p>Article 1</p> <p>The Rules to be followed by the Company are enacted in accordance with Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies to assist the Company in establishing sound corporate governance systems and robust supervision functions, and strengthen the management mechanism.</p>		
<p>Article <u>2</u></p> <p>The rules of procedures for shareholders’ meetings of the Company, <u>except as otherwise provided by laws, regulations, or the Articles of Incorporation</u>, shall be as provided in these Rules.</p>	<p>Article <u>1</u>:</p> <p>The Shareholders' Meeting of the Company shall be conducted in accordance with these Rules.</p>	<p>In order to adjust the Article No. and provisions, the existing Article 1 is amended into Article 2.</p>
<p>Article <u>3</u></p> <p><u>Unless otherwise provided by law or regulation, shareholders meetings of the Company shall be convened by</u></p>		<p>Added</p>

Amended provisions	Current provisions	Explanation
<p>the Board of Directors.</p> <p>The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the subject of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of an annual general meeting of shareholders or before 15 days before the date of a special shareholders' meeting. The Company shall also prepare electronic versions of the shareholders' meeting manual and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the annual general meeting of shareholders or before 15 days before the date of the special shareholders' meeting. Before 15 days before the date of a shareholders' meeting, the Company shall also have prepared the shareholders' meeting manual and supplemental meeting materials and made them available for review by shareholders at any time. The meeting manual and supplemental materials shall also be displayed at the Company and distributed on-site at the meeting place.</p> <p>The reasons for convening a shareholders' meeting shall be specified in the meeting notice and public announcement. With the</p>		

Amended provisions	Current provisions	Explanation
<u>consent of the addressee, the meeting notice may be given in electronic form.</u>		
Amended provisions	Current provisions	Explanation
<u>Election or dismissal of directors, 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 Paragraph 1 of Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be 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 a special motion. Where re-election of all directors 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 inauguration date may not be altered by any special motion or otherwise in the same meeting.</u> <u>A shareholder holding one percent or more of the total number of issued</u>		

shares may submit to the Company a written proposal for discussion at an annual general meeting of shareholders. The number of items so proposed, however, is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. In addition, when the circumstances of any subparagraph of Paragraph 4 of Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda. Any shareholder may propose any suggestive motion to urge the Company to promote public interests or fulfill its social responsibilities. Procedurally, only one matter shall be allowed in each single proposal. If a proposal contains more than one matter, such proposal shall not be included in the agenda, in accordance with Article 172-1 of the Company Act.

Prior to the book closure date before an annual general meeting of shareholders is held, the Company shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission, and the period for submission of shareholder proposals may not be less than 10 days.

Any proposal submitted by a shareholder is 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

<p>in person or by proxy at the annual general meeting of shareholders and take part in discussion of the proposal.</p> <p>Prior to the date for issuance of notice of a shareholders' meeting, the 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's proposals not included in the agenda.</p>		
Amended provisions	Current provisions	Explanation
<p><u>Article 4</u></p> <p>For each shareholders' meeting, a shareholder may appoint a proxy to attend the meeting by providing the power of attorney issued by the Company and stating the scope of the proxy's power.</p> <p>A shareholder may issue only one power of attorney and appoint only one proxy for any given shareholders' meeting, and shall deliver the power of attorney to the Company before five days before the date of the shareholders' meeting.</p> <p>When duplicate powers of attorney are delivered, the one received earliest shall prevail, unless a declaration is made to cancel the previous proxy appointment.</p> <p>After a power of attorney has been delivered to the Company, if the shareholder intends to attend the</p>		<p>Added</p>

<p><u>meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.</u></p>		
<p>Article 5 (Principles about place and time for convention of a shareholders meeting) The shareholders' meetings shall be held at the premises of the Company, or any other place convenient for attending by shareholders, and suitable for holding of such meetings. The meetings shall not be commenced earlier than 9 a.m. or later than 3 p.m.</p>	<p>Article 2: The Company shall specify in its shareholders' meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. The time 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.</p>	<p>In order to adjust the Article No. and provisions, the existing Article 2 is amended into Article 5, Article 6, Article 7 and Article 8.</p>
<p>Article 6 (Preparation of signature book) The Company shall specify in its shareholders' meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention. The time 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</p>	<p>The Company shall report the shareholders' report process, the progress of the meeting, and the voting counting process continuously and uninterruptedly from the time of accepting the registration of the Shareholders' Meeting. The audio-visual materials mentioned above shall be kept for at least one year. However, if a shareholder initiates litigation in accordance with Article 189 of the Company Act, this should be retained</p>	

<p>clearly marked, and adequate and competent personnel should be sent to handle it.</p> <p>Shareholders and representatives thereof (collectively referred to as shareholders) shall attend shareholder meetings by presenting valid conference pass, attendance card or other document of similar nature. The Company may not request shareholders to present additional documentary proof unless specified in advance. Proxy form acquirers are required to bring identity proof for verification.</p>	<p>until the conclusion of the litigation.</p> <p>The shareholder him- or -herself or their proxy (hereinafter referred to as “the shareholder”) should present the attendance certificate, attendance signature card, or other attendance certificate to attend the Shareholders' Meeting. The Company shall not arbitrarily add other supporting documents to the supporting documents required for shareholders to attend. The applicant associated with the proxy application form should bring along the identification documents for verification.</p>	
Amended provisions	Current provisions	Explanation
<p>The Company shall prepare a sign-in book for shareholders to sign in, and an attending shareholder may hand in an attendance card in lieu of signing on the sign-in book.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>The Company shall have a visitors' book for the attending shareholders to sign in, or the attending shareholders shall hand in sign-in cards instead.</p> <p>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.</p>	
<p>Article 7 (Chairperson and attendees)</p> <p>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</p>	<p>The Company shall furnish attending shareholders with the meeting manual, annual report, attendance card, speaker's slips, voting slips, and other meeting</p>	

<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting in a non-voting capacity.</p> <p>Article 8 (Audio or video tape of the</p>	<p>materials. Where there is an election of directors, pre-printed ballots shall also be furnished.</p> <p>The venue for convening a shareholders' meeting shall be the premises of the Company or at 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The Chairman of the Board of Directors should personally preside over the Shareholders' Meeting</p>	
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<p>meeting procedure to be kept as proof) The Company, beginning from the time it accepts shareholder's 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. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.</p>	<p>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.</p>	
Amended provisions	Current provisions	Explanation
<p><u>Article 9</u> 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 chairperson shall call the meeting to order at the appointed meeting time, and announce the number of shareholders without voting right and shares of represented by present shareholders at the same time. However, if current attendants represent less than half of the Company's outstanding shares, the chairperson may announce to postpone the meeting for up to twice, for a period totaling no more than one hour. 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</p>	<p><u>Article 3:</u> The chairperson shall call the meeting to order at the appointed meeting time. However, if current attendants represent less than half of the Company's outstanding shares, the chairperson may announce to postpone the meeting for up to twice, for a period totaling no more than one hour. 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</p>	<p>In order to adjust the Article No. and provisions, the existing Article 3 is amended into Article 9.</p>

<p>postponements as referred to in the preceding paragraph, but the attending shareholders represent one-thirds or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Paragraph 1 of Article 175 of the Company Act. All shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month. If, before the end of the meeting, the total amount of shares represented at the meeting becomes to exceed one-half of the total number of the issued shares, the chair may present the previously adopted tentative resolution to the meeting for resolution in accordance with Article 174 of the Company Act.</p>	<p>of the tentative resolution and another shareholders' meeting shall be convened within one month.</p> <p>When, 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.</p>	
<p><u>Article 10</u> If the Shareholders' Meeting is convened by the Board of Directors, its agenda shall be set by the Board of Directors. Relevant motions (including extraordinary motion and amendments to an original motion) should be decided on a case-by-case basis. The meeting shall be conducted according to the scheduled agenda, and shall not be changed without the 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 person presiding the meeting shall not adjourn a meeting without as at adopted by shareholders if the motions (including extraordinary motions) in the agenda arranged in the above two Paragraphs shall not have been resolved. If the person presiding the meeting declares the adjournment of the meeting in a manner in violation of these rules,</p>	<p><u>Article 4:</u> If the Shareholders' Meeting is convened by the Board of Directors, its agenda shall be set by the Board of Directors. Relevant motions (including extraordinary motion and amendments to an original motion) should be decided on a case-by-case basis. The meeting shall be conducted according to the scheduled agenda, and shall not be changed without the 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 agenda set out in the previous two items shall not be declared adjourned by the presiding chair without a resolution before the proceedings are over (including extraordinary motions). If the presiding chair violates the rules of procedure to announce the adjournment of the meeting, the Board of Directors or other members</p>	<p>In order to adjust the Article No. and provisions, the existing Article 4 and Article 8 are amended into Article 10.</p>

<p>the other Board members shall help present shareholders elect a new person presiding the meeting to continue the proceedings of the meeting by a resolution representing the majority of the shares represented at the meeting.</p> <p>The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or special 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.</p>	<p>shall promptly assist the shareholders present in the legally prescribed procedures, and with the consent of a majority of the voting rights of the present shareholders, nominate one person as the presiding chair and continue the meeting.</p> <p>Article 8: The presiding chair should grant the opportunity for full explanation and discussion for proposals and for amendments or extraordinary motions proposed by shareholders. If the presiding chair is of the opinion that this has been done sufficiently for voting to proceed, the presiding chair may announce the closure of the discussion and call for a vote. Furthermore, adequate voting time shall be arranged.</p>	
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Amended provisions	Current provisions	Explanation
<p>Article <u>11</u> (Speech by shareholders) A shareholder wishing to speak in a shareholders' meeting shall first fill out a slip, specifying therein the gist of his/her speech, his/her shareholder identification number (or the number of attendance certification) and his/her name, and the chair shall determine such shareholders' order of giving a speech.</p> <p>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.</p> <p>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. However, if the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate</p>	<p>Article 5: A shareholder wishing to speak in a shareholders' meeting shall first fill out a slip, specifying therein the gist of his/her speech, his/her shareholder identification number (or the number of attendance certification) and his/her name, and the chair shall determine such shareholders' order of giving a speech.</p> <p>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.</p> <p>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 violations.</p> <p>After the shareholders have</p>	<p>In order to adjust the Article No. and provisions, the existing Article 5, Article 6 and Article 7 is amended into Article 11.</p>

<p>the speech.</p> <p>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 violations.</p> <p>When a juristic person shareholder appoints two or more representatives to attend the Shareholders' Meeting, only one person may speak on the same proposal.</p> <p>After the shareholders have spoken, the presiding chair may reply personally or designate relevant personnel to reply.</p>	<p>spoken, the presiding chair may reply personally or designate relevant personnel to reply.</p> <p>Article 6: A shareholder shall not speak more than two times and each of his speech shall not exceed five minutes for one subject, unless he has obtained the prior consent from the person presiding the meeting.</p> <p>If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.</p> <p>Article 7: When a juristic person is appointed to attend as proxy, it may designate is considered only one person to represent it in the meeting. When a juristic person shareholder appoints two or more representatives to attend the Shareholders' Meeting, only one person may speak on the same proposal.</p>	
<p>Article 12 (Calculation of voting shares and recusal system)</p> <p>Attendance at shareholders' meetings shall be calculated based on the number of shares.</p> <p>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.</p> <p>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 the Company, that shareholder may not vote on that item, and may not exercise voting rights as proxy for any other shareholder.</p> <p>The number of shares for which voting rights may not be exercised</p>	<p>Article 9: Shareholders have one vote per share. However, those who are restricted or have no voting rights as listed in Paragraph of Article 179 of the Company Act are not subject to this restriction.</p> <p>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. When voting, the presiding chair or his or her designated person shall announce the total number of voting rights of the shareholders present on a case-by-case basis, and then the shareholders shall vote on a case-by-case basis.</p> <p>On the day after the Shareholders' Meeting, the results of shareholders' approval, opposition, and abstention</p>	<p>In order to adjust the Article No. and provisions, the existing Article 9, Article 10, Article 11 and Article 12 are amended into Article 12, Article 13, Article 14, Article 15 and Article 16.</p>

<p>under the preceding paragraph shall not be calculated as part of the voting rights represented by attending shareholders.</p> <p>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.</p>	<p>shall be entered into the Market Observation Post System.</p> <p>If there is no objection after consultation by the presiding chair, it shall be deemed as passed, and its effect is the same as that of voting.</p> <p>When a shareholder entrusts a proxy to attend the Shareholders' Meeting, except for a trust enterprise or a stock agency approved by the securities authority, when one person is entrusted by two or more shareholders at the same time, the voting rights of the proxy shall not exceed 3% of the total voting rights of the issued shares. Any voting rights in excess shall not be counted.</p>	
Amended provisions	Current provisions	Explanation
<p><u>Article 13</u></p> <p>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 Paragraph 2 of Article 179 of the Company Act.</p> <p>When the Company holds a shareholders' meeting, it shall adopt 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. Shareholders who have voted in writing or using the electronic method are considered to have attended shareholders' meeting in</p>	<p><u>Article 10:</u></p> <p>During the meeting, the chair may announce for a break with a time period he thinks fit.</p> <p>If all resolutions cannot be completed in one meeting, the Shareholders' Meeting may decide to continue the meeting within five days without notice and announcement.</p> <p><u>Article 11:</u></p> <p>The persons scrutinizing the casting of votes and the counting thereof for resolutions shall be designated by the chair, provided, however the person scrutinizing the casting shall be a shareholder.</p> <p>The counting of votes for shareholders' meetings or election proposals shall be done in a public place at the Shareholders' Meeting,</p>	

<p>person. However, they are considered to have waived their rights to participate in any special motions or amendments to the original motion that may arise during the shareholders' meeting.</p> <p>In case a shareholder elects to exercise his/her/its voting right in writing or by way of electronic transmission, his/her/its declaration of intention shall be served to the company at least two days prior to the scheduled meeting date of the shareholders' meeting, whereas if two or more declarations of the same intention are served to the company, 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.</p> <p>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 written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business days before the date of the shareholders meeting. If the notice of retraction is submitted after that time, the voting rights already exercised by</p>	<p>and the results of the voting shall be announced on the spot after the counting of votes, including statistical weights, and recorded.</p> <p>When the Shareholders' Meeting elects directors, it shall proceed in accordance with the Procedures for Election of Directors established by the Company, and shall announce the results of the election on the spot, including the list of elected directors and the number of election rights.</p> <p>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 initiates litigation in accordance with Article 189 of the Company Act, this should be retained until the conclusion of the litigation.</p> <p>Article 12: In cases where several amendment or alternative solutions have been proposed at the same time, the chair shall determine the order in which proposals are to be voted. If any one among them is passed, the other proposals shall then be deemed rejected, and there is no need to vote again.</p> <p>Resolution items of the Shareholders' Meeting shall be recorded in the minutes, signed or sealed by the presiding chair, and the</p>	
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<p>correspondence or electronic means shall prevail. If the shareholder has exercised written or electronic votes and at the same time delegated a proxy to attend the shareholder meeting, then the voting decision exercised by the proxy shall prevail.</p> <p>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. When voting, the presiding chair or his or her designated person shall announce the total number of voting rights of the shareholders present on a case-by-case basis, and then the shareholders shall vote on a case-by-case basis. On the day after the Shareholders' Meeting, the results of shareholders' approval, opposition, and abstention shall be entered into the Market Observation Post System.</p>	<p>minutes shall be distributed to all shareholders within 20 days after the meeting. The meeting minutes may be produced and distributed in electronic form.</p>	
Amended provisions	Current provisions	Explanation
<p>In cases where several amendment or alternative solutions have been proposed at the same time, the chair shall determine the order in which proposals are to be voted. If any one of the above has been passed, the others shall be considered as rejected, upon which no further resolution shall be required.</p> <p>The persons scrutinizing the casting of votes and the counting thereof for</p>	<p>For the distribution of the minutes of the preceding paragraph, the Company may use the announcement procedures of the Market Observation Post System.</p> <p>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</p>	

<p>resolutions shall be designated by the chair, provided, however the person scrutinizing the casting of votes shall be a shareholder.</p> <p>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.</p> <p>Article 14 (Election)</p> <p>The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company. The voting results shall be announced on-site immediately, including the names of those elected as directors and the number of votes with which they are elected, <u>and the name list of directors losing the election and number of votes received by them.</u></p> <p>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. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.</p> <p>Article <u>15</u></p> <p>Matters relating to the resolutions of</p>	<p>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 and supervisors. It should be kept permanently throughout the existence of the Company.</p> <p>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.</p>	
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<p>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 produced and distributed in electronic form.</p> <p>For the distribution of the minutes of the preceding paragraph, the Company may use the announcement procedures of the Market Observation Post System.</p> <p>The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chairperson'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.</p>		
Amended provisions	Current provisions	Explanation
<p>Article <u>16</u> (Public announcement) 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.</p> <p>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</p>		

Amended provisions	Current provisions	Explanation
System within the specified time.		
<p>Article <u>17</u> (Maintenance of order at the meeting) 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.</p>	<p>Article <u>13</u>: 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." The Company's appointed lawyers, CPAs, or other related persons should attend the shareholders' meeting. Staff handling the administrative affairs of a shareholders' meeting shall wear identification cards or armbands. 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.</p>	<p>In order to adjust the Article No. and provisions, the existing Article 3 is amended into Article 17.</p>
<p>Article <u>18</u> (Break time and continued meeting) When a meeting is in progress, the chair may announce a break based on time considerations. If a force majeure event occurs, the chair may rule the meeting temporarily suspended. When announce a time when, in view of the circumstances, the meeting will be resumed. If, before the parliamentary procedure is accomplished in accordance with the agenda (including extempore motions), the meeting venue cannot be occupied</p>	<p>Article <u>10</u>: During the meeting, the chair may announce for a break with a time period he thinks fit. If all resolutions cannot be completed in one meeting, the Shareholders' Meeting may decide to continue the meeting within five days without notice and announcement.</p>	<p>In order to adjust the Article No. and provisions, the existing Article 10 is amended into Article 18.</p>

Amended provisions	Current provisions	Explanation
<p>any longer, participants may resolve to continue the meeting at an alternative location.</p> <p>Shareholders may also resolve to postpone or resume the meeting within the next 5 days, according to Article 182 of The Company Act.</p>		
	<p>Article 14: Matters left unresolved in these Rules of Procedure shall be handled in accordance with the Company Act and the Company's Articles of Incorporation.</p>	<p>Deleted.</p>
<p>Article <u>19</u></p> <p>These Rules shall take effect immediately once approved during a shareholder meeting. The same shall apply where these Rules are amended.</p>	<p>Article <u>15</u>:</p> <p>These Rules shall take effect immediately once approved during a shareholder meeting. The same shall apply where these Rules are amended.</p>	<p>In order to adjust the Article No. and provisions, the existing Article 15 is amended into Article 19.</p>

Resolution:

V. Election:

Reason: Election of 9 directors of the Company's 21st Board of Directors (including 3 independent directors) is proposed for resolution.
(Proposed by Board of Directors)

Explanation:

1. The term of office hold by directors of the Company's 20th Board of Directors will expire on June 26, 2021. Therefore, the reelection of 9 directors of the 21st Board of Directors (including 3 independent directors) is scheduled. The new directors' term of office shall be effective from June 24, 2021 until June 23, 2024. The directors of 20th Board of Directors shall follow Article 199-1 of the Company providing that "Where all directors of a company are re-elected, prior to the expiration of the term of office of existing directors, and in the absence of a resolution that existing directors will not be discharged until the expiry of their present term of office, all existing directors shall be deemed discharged in advance."
2. The election of directors adopts the nomination system. Shareholders shall elect the directors from the list of candidates attached hereto.

Election result:

List of Candidates for Directors of Kao Hsing Chang Iron & Steel Corp.

Job Title	Name	Academic background	Major working experience	Current position	Remarks
Director	Lu Tai Rung	Graduated from Department of Philosophy, Tunghai University	Chairman of Kao Hsing Chang Iron & Steel Corp.	Chairman of Kao Hsing Chang Iron & Steel Corp.	
Director	Pro Imp'ex Company Limited's Institutional Representative: Sheng Lu Rong Feng	Tokai University Graduated from Department of Precision Instrument	General Manager of Kao Hsing Chang Iron & Steel Corp.	General Manager of Kao Hsing Chang Iron & Steel Corp.	
Director	Huida Investment Co., Ltd.'s Institutional Representative: Huang Li-Chun	Graduated from Mechanical Engineering, Chung Yuan Christian University	1. Chairman of Huida Investment Co., Ltd. 2. Supervisor of Kao Hsing Chang Iron & Steel Corp. 3. Vice General Manager of Kao Hsing Smelting & Chemical Fiber Co., Ltd.	1. Director of Kao Hsing Chang Iron & Steel Corp. 2. Chairman of Huida Investment Co., Ltd. 3. Vice General Manager of Kao Hsing Smelting & Chemical Fiber Co., Ltd.	
Director	Hong Well Company Limited's Institutional Representative: Lu En-Chang	Graduated from Department of Mechanical Engineering, Waseda University	1. Vice Chairman of Kao Hsing Chang Iron & Steel Corp. 2. Chairman of KHC Steel International Corp.	Director of Kao Hsing Chang Iron & Steel Corp.	
Director	You Chang Co., Ltd.'s Institutional Representative: Wu Hsien-Ming	Graduated from Department of Law, National Taiwan University	1. Chairman of Hua Eng Wire & Cable Co., Ltd. 2. Chairman of FIRST COPPER TECHNOLOGY CO., LTD. 3. Prosecutor and	1. Director of Kao Hsing Chang Iron & Steel Corp. 2. Lawyer	

Job Title	Name	Academic background	Major working experience	Current position	Remarks
			Judge of Taiwan Kaohsiung District Court 4. Lawyer		
Director	You Chang Co., Ltd.'s Institutional Representative: Lin Tzu-Hui	Graduated from Department of Accounting, Feng Chia University	3. Director and Finance and Accounting Department Manager of Kao Hsing Chang Iron & Steel Corp. 4. Spokesperson of Kao Hsing Chang Iron & Steel Corp.	1. Director of Kao Hsing Chang Iron & Steel Corp. 2. Chief Corporate Governance Officer and Consultant, Finance and Accounting Department of the Company	
Independent Director	Lin Hsien-Lang	National Taiwan University Department of Business Graduated	1. President of KPMG Taiwan and Chairman of the CPA Association R.O.C. (Taiwan) 2. Independent Director of KGI Bank 3. Independent Director of Rac Electric Vehicles Inc.	Independent Director of Kao Hsing Chang Iron & Steel Corp.	
Independent Director	Chen Chi-Hsiung	1. Graduated from Department of Law, National Taiwan University 2. Master in Law, National Chung Hsing University	Served as Judge and President of the Kaohsiung Branch of the Taiwan High Court	Independent Director of Kao Hsing Chang Iron & Steel Corp.	
Independent Director	Wu Hsiao-Yen	1. Graduated from Department of Law,	1. Director, Chien Yeh Law Office, Kaohsiung Office	1. Independent Director of Kao Hsing Chang Iron & Steel	

Job Title	Name	Academic background	Major working experience	Current position	Remarks
		National Chung Hsing University 2. Master in Law, National Cheng Cheng University	2. Independent Director of Shiny Chemical Industrial Co. 3. Director of Yung Chi Paint & Varnish Mfg. Co.	Corp. 2. Director, Chien Yeh Law Office, Kaohsiung Office 3. Independent Director of Shiny Chemical Industrial Co. 4. Director of Yung Chi Paint & Varnish Mfg. Co.	

VI. Extraordinary motions:

VII. Adjournment

Appendix

Appendix 1

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

Amended by the shareholders meeting on June 27, 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 steel pipe, steel pipe pile, hot rolled steel coil (sheet), cold rolled steel coil (sheet), cold rolled steel strips, steel straps, slab, section steel, stainless steel coil (sheet), silicon steel coil (sheet), coated steel coil (sheet), manufacturing and trading of equipment for the above products and other steel products.
- II. Heat treatment processing business.
- III. Motorcycles and bicycles, manufacturing of engines and accessories, assembly and sales of motorcycles.
- IV. The business of entrusting construction companies to construct residential and commercial buildings for rent and sale.
- V. Operation of livestock business and manufacturing, processing and trading of agricultural and livestock products.
- VI. Agency business of the aforementioned items.
- VII. Related import and export trade business.
- VIII. Waste recycling and treatment 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 items 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. Independent directors and non-independent directors shall be elected one at a time, and the number of elected positions shall be calculated separately.

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: With 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 undistributed adopts a residual dividend policy. If the Company is profitable in the year, employees and directors shall be paid remuneration respectively out of no less than 0.5% and no more than 5% of the profits in the year. However, if the Company still has accumulated losses, the accumulated losses shall be deducted in advance before calculating the balance of employees and directors' remuneration.

Article 26-1: If there are surpluses in the Company's final accounts for the year, taxes and accumulated losses shall be paid out of such surpluses first, with 10% set aside as legal reserves. However, when the legal reserve has reached the level of the total capital of the Company, this limit is not applicable. 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 shareholder dividends will be distributed at an appropriate ratio of cash dividends and stock dividends. The cash dividend 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

Procedure for Election of Directors of Kao Hsing Chang Iron & Steel Corp.

Revised by the Board of Directors on August 7, 2020

Article 1:

To ensure a just, fair, and open election of directors, the Procedure is adopted pursuant to Article 21 and Article 41 of the “Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies.”

Article 2:

Unless otherwise specified by law or the Articles of Incorporation, the election of the Company's directors shall proceed according to the Procedure.

Article 3:

Election of the Company's directors shall take the Board's overall layout into consideration. The composition of Board members shall take diversification into account, and adopt adequate diversified policy subject to the Company's operations, business type and development needs, including but not limited to, the following two dimensional standards:

- I. Basic qualification and value: Gender, age, nationality and culture, etc.
- II. Professional knowledge and skill: Professional background (e.g. Law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

The members of the Boards shall be qualified with the required knowledge, skills and education for the performance of their professed duties. Generally, they shall have the following capabilities:

- I. Ability in judgment of operation.
- II. Ability in accounting and financial analysis.
- III. Ability in corporate management.
- IV. Ability in risk management.

V. Industry knowledge

VI. International view of market.

VII. Leadership capacity.

VIII. Decision-making capacity.

A spousal relationship or a familial relationship within the second degree of kinship may not exist among more than half of the Company's directors.

The Company's Board of Directors shall consider adjusting the composition of the Board members based on the performance evaluation results.

Article 4:

The independent director's qualification shall satisfy Article 2, Article 3 and Article 4 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

Election of the Company's independent directors shall satisfy Article 5, Article 6, Article 7, Article 8 and Article 9 of the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies", and be conducted in accordance with Article 24 of the "Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies."

Article 5:

The election of directors shall be conducted under the nomination system prescribed in Article 192-1 of the Company Act.

When the number of directors falls below five due to the dismissal of a director for any reason, the Company shall hold a by-election for director at the next shareholders' meeting. However, when the number of directors falls short by one-thirds of the total number prescribed by the Articles of Incorporation, the Company shall convene a special shareholders' meeting to hold a by-election within 60 days from the date on which the fact occurred.

When the number of independent directors is lower than the requirement in Paragraph 1 of Article 14-2 of the Securities and Exchange Act, a by-election for

independent director shall be held at the next following shareholders' meeting. When all independent directors have been dismissed, the Company shall convene a special shareholders' meeting to hold a by-election within 60 days from the date on which the fact occurred.

Article 6:

Election of directors shall adopt the cumulative voting system. When electing directors, each share shall be vested with voting rights equal to the number of directors to be elected. These voting rights may be concentrated on one candidate or spread across multiple candidates.

Article 7:

The Board of Directors shall prepare separate ballots for independent directors and non-independent directors in numbers corresponding to the directors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders' meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

Article 8:

The independent directors and non-indirect directors shall be subject to the quota prescribed in the Articles of Incorporation. The election of independent directors and non-independent directors shall be consolidated, provided that the voting rights for election of independent directors and non-indirect directors and quota of the elected shall be counted separately. Candidates that receive the highest number of votes will be assigned to the available seats in a progressive manner. If two or more candidates receive the same number of votes, and thereby resulting in more elects than the number of seats allocated, the candidates who receive equal number of votes shall draw for the remaining seats available. The chairperson will draw on behalf of those who are absent during the meeting.

Article 9:

Before the election begins, the chairperson shall appoint ballot examiners and ballot counters to perform various duties relating to the election. The Board of Directors shall prepare a ballot box and have it examined openly by the ballot examiners prior to voting.

Article 10:

A ballot paper is invalid under any of the following circumstances:

- I. The ballot is not the one prepared by the convener.
- II. Blank ballots are casted into the ballot box.
- III. Ballots with illegible writing or are altered.
- IV. The candidate whose name is entered in the ballot does not conform to the director candidate list.
- V. Other words are entered in addition to the number of voting rights allotted.

Article 11:

Upon completion of the ballot casting process, the ballots shall be opened on the site. The chairperson shall call the outcome of the election, including the names of those elected as independent directors and non-independent directors and the numbers of votes with which they are elected.

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. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 12:

The Procedure shall take effect once approved during a shareholders' meeting. The same shall apply where the Procedure is amended.

Appendix 3

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

Revised by the Board of Directors on March 11, 2021

Article 1:

The Rules to be followed by the Company are enacted in accordance with Article 5 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies to assist the Company in establishing sound corporate governance systems and robust supervision functions, and strengthen the management mechanism.

Article 2:

The rules of procedures for shareholders' meetings of the Company, except as otherwise provided by laws, regulations, or the Articles of Incorporation, shall be as provided in these Rules.

Article 3:

Unless otherwise provided by law or regulation, shareholders meetings of the Company shall be convened by the Board of Directors.

The Company shall prepare electronic versions of the shareholders' meeting notice and proxy forms, and the subject of and explanatory materials relating to all proposals, including proposals for ratification, matters for deliberation, or the election or dismissal of directors, and upload them to the Market Observation Post System (MOPS) before 30 days before the date of an annual general meeting of shareholders or before 15 days before the date of a special shareholders' meeting. The Company shall also prepare electronic versions of the shareholders' meeting manual and supplemental meeting materials and upload them to the MOPS before 21 days before the date of the annual general meeting of shareholders or before 15 days before the date of the special shareholders' meeting. Before

15 days before the date of a shareholders' meeting, the Company shall also have prepared the shareholders' meeting manual and supplemental meeting materials and made them available for review by shareholders at any time. The meeting manual and supplemental materials shall also be displayed at the Company and distributed on-site at the meeting place.

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, 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 Paragraph 1 of Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be 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 a special motion.

Where re-election of all directors 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 inauguration date may not be altered by any special motion or otherwise in the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit to the Company a written proposal for discussion at an annual general meeting of shareholders. The number of items so proposed, however, is limited to one only, and no proposal containing more than one item will be included in the meeting agenda, In addition, when the circumstances of any subparagraph of Paragraph 4 of Article 172-1 of the Company Act apply to a proposal put forward by a shareholder, the Board of Directors may exclude it from the agenda. Any shareholder may propose any suggestive motion to

urge the Company to promote public interests or fulfill its social responsibilities. Procedurally, only one matter shall be allowed in each single proposal. If a proposal contains more than one matter, such proposal shall not be included in the agenda, in accordance with Article 172-1 of the Company Act.

Prior to the book closure date before an annual general meeting of shareholders is held, the Company shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission, and the period for submission of shareholder proposals may not be less than 10 days.

Any proposal submitted by a shareholder is 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 annual general meeting of shareholders and take part in discussion of the proposal.

Prior to the date for issuance of notice of a shareholders' meeting, the 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's 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 power of attorney issued by the Company and stating the scope of the proxy's power.

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

After a power of attorney has been delivered to the Company, if the shareholder intends to attend the meeting in person or to exercise voting rights by correspondence or electronically, a written notice of proxy cancellation shall be submitted to the Company

before two business days before the meeting date. If the cancellation notice is submitted after that time, votes cast at the meeting by the proxy shall prevail.

Article 5 (Principles about place and time for convention of a shareholders meeting)

The shareholders' meetings shall be held at the premises of the Company, or any other place convenient for attending by shareholders, and suitable for holding of such meetings. The meetings shall not be commenced earlier than 9 a.m. or later than 3 p.m.

Article 6 (Preparation of signature book)

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

The time 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 and their proxies (collectively, "shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. The Company may not arbitrarily add requirements for other documents beyond those showing eligibility to attend presented by shareholders. Solicitors soliciting powers of attorney shall also bring identification documents for verification.

The Company shall prepare a sign-in book for shareholders to sign in, and an attending shareholder may hand in an attendance card in lieu of signing on the sign-in book.

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 (Chairperson and attendees)

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.

The 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 (Audio or video tape of the meeting procedure to be kept as proof)

The Company, beginning from the time it accepts shareholder's 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. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording 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 chairperson shall call the meeting to order at the appointed meeting time, and announce the number of shareholders without voting right and shares of represented by present shareholders at the same time. However, if current attendants represent less than half of the Company's outstanding shares, the chairperson may announce to postpone the meeting for up to twice, for a period totaling no more than one hour. 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-thirds or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Paragraph 1 of Article 175 of the Company Act. All shareholders shall be notified of the tentative resolution and another shareholders' meeting shall be convened within one month.

If, before the end of the meeting, the total amount of shares represented at the meeting becomes to exceed one-half of the total number of the issued shares, the chair may present the previously adopted tentative resolution to the meeting for resolution in accordance with Article 174 of the Company Act.

Article 10

If the Shareholders' Meeting is convened by the Board of Directors, its agenda shall be set by the Board of Directors. Relevant motions (including extraordinary motion and amendments to an original motion) should be decided on a case-by-case basis. The meeting shall be conducted according to the scheduled agenda, and shall not be changed without the 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 person presiding the meeting shall not adjourn a meeting without as at adopted by shareholders if the motions (including extraordinary motions) in the agenda arranged in the above two Paragraphs shall not have been resolved. If the person presiding the meeting

declares the adjournment of the meeting in a manner in violation of these rules, the other Board members shall help present shareholders elect a new person presiding the meeting to continue the proceedings of the meeting by a resolution representing the majority of the shares represented at the meeting.

The chair shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or special 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 (Speech by shareholders)

A shareholder wishing to speak in a shareholders' meeting shall first fill out a slip, specifying therein the gist of his/her speech, his/her shareholder identification number (or the number of attendance certification) and his/her name, and the chair shall determine such shareholders' order of giving a speech.

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. However, 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 violations.

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)

Attendance at shareholders' meetings shall be calculated based on the number of shares.

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.

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 the 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 Paragraph 2 of Article 179 of the Company Act.

When the Company holds a shareholders' meeting, it shall adopt 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. Shareholders who have voted in writing or using the electronic method are considered to have attended shareholders'

meeting in person. However, they are considered to have waived their rights to participate in any special motions or amendments to the original motion that may arise during the shareholders' meeting.

In case a shareholder elects to exercise his/her/its voting right in writing or by way of electronic transmission, his/her/its declaration of intention shall be served to the company at least two days prior to the scheduled meeting date of the shareholders' meeting, whereas if two or more declarations of the same intention are served to the company, 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 written declaration of intent to retract the voting rights already exercised under the preceding paragraph shall be made known to the Company, by the same means by which the voting rights were exercised, before two business 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. If the shareholder has exercised written or electronic votes and at the same time delegated a proxy to attend the shareholder meeting, then the voting decision exercised by the proxy 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. When voting, the presiding chair or his or her designated person shall announce the total number of voting rights of the shareholders present on a case-by-case basis, and then the shareholders shall vote on a case-by-case basis. On the day after the Shareholders' Meeting, the results of shareholders' approval, opposition, and abstention shall be entered into the Market Observation Post System.

In cases where several amendment or alternative solutions have been proposed at the same time, the chair shall determine the order in which proposals are to be voted. If any one of

the above has been passed, the others shall be considered as rejected, upon which no further resolution shall be required.

The persons scrutinizing the casting of votes and the counting thereof for resolutions shall be designated by the chair, provided, however the person scrutinizing the casting of votes shall be a shareholder.

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)

The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company. The voting results shall be announced on-site immediately, including the names of those elected as directors and the number of votes with which they are elected, and the name list of directors losing the election and number of votes received by them.

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. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 15

Matters relating 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 produced 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 chairperson'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 announcement)

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 (Maintenance of order at the meeting)

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 (Break time and continued meeting)

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

If, before the parliamentary procedure is accomplished in accordance with the agenda (including extempore motions), the meeting venue cannot be occupied any longer, participants may resolve to continue the meeting at an alternative location. Shareholders may also resolve to postpone or resume the meeting within the next 5 days, according to Article 182 of The Company Act.

Article 19

These Rules shall take effect immediately once approved during a shareholder meeting. The same shall apply where these Rules are amended.

Appendix 4

Director shareholdings of Kao Hsing Chang Iron & Steel Corp.

Reference date: April 26, 2021

Title	Name or designation	Institutional representative	Number of shares held at the time of appointment		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	36,043,312	17.9	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	
Number of shares held by all directors			64,234,302	31.98	69,190,302	34.45

Note: 1. The Company's paid-in capital is NTD 2,008,522,930, divided into 200,852,293 shares. In accordance with Article 26 of the Securities and Exchange Act and provisions on the number of shares of directors and supervisors of public offering companies and the implementation rules for

audit, all directors shall hold no less than 4% of the total issued shares of the Company, constituting 8,034,092 shares.

2. As of April 26, 2021, all directors of the Company hold 69,190,302 shares, accounting for 34.45% of the total issued shares, which meets the requirements.

Appendix 5

Other explanations:

The explanation about response to shareholders' proposals at the annual general meeting

Explanation:

1. According to Article 172-1 of the Company Act, shareholder(s) holding one percent (1%) or more of the total number of outstanding shares of a company may propose to the company a proposal for discussion at a regular shareholders' meeting, provided that only one matter shall be allowed in each single proposal and the number of words of a proposal to be submitted by a shareholder shall be limited to not more than three hundred (300) words.
2. The annual general meeting of the Company this year accepted the shareholders' proposals from April 12, 2021 to April 22, 2021. The acceptance period has been posted on the MOPS pursuant to laws.
3. No proposal has been received by the Company from any shareholder during said acceptance period.