

Stock code: 2008



Kao Hsing Chang Iron & Steel Corp.

2023 Shareholders' Meeting

Meeting Agenda

Time: 9am on June 20, 2023 (Tuesday)

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

Method: In-person

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

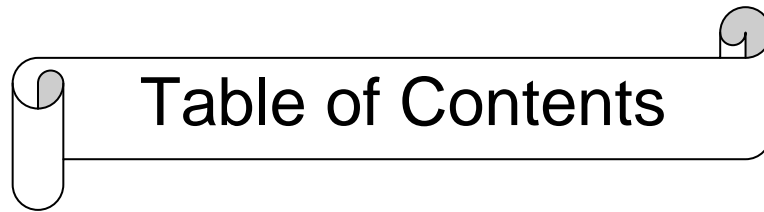


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Kao Hsing Chang Iron & Steel Corp.

2023 Shareholders' Meeting Procedures

- I. Call the Meeting to Order
- II. Chairman's Remarks
- III. Matters to be reported
- IV. Matters to be ratified
- V. Extraordinary Motions
- VI. Adjournment

Kao Hsing Chang Iron & Steel Corp.

2023 Shareholders' Meeting Agenda

- I. Time: 9am on June 20, 2023 (Tuesday)
Location: No. 318, Zhonghua 1st Road, Kaohsiung City
(The Company)
Method: In person
Attendance: All shareholders and representatives

- II. Chair: Address from Chairman Lu Tai-Rong

- III. Matters to be reported:
 1. 2022 Business Report 3
 2. Audit Committee Audit Report 10
 3. Distribution of 2022 remuneration to employees and
directors 11
 4. Update on the share repurchase plan 13

- IV. Matters to be ratified
 - Proposal 1: Ratification of the Company's 2022 Business
Report and financial statements 14
 - Proposal 2: Ratification of distribution of 2022 earnings 24

- V. Extraordinary motions.

- VI. Adjournment.

III. Matters to be reported

Matters to be reported **1.**:

2022 Business Report

The global economy was once expected to continue its recovery last year. However, the military conflict between Russia and Ukraine in the first quarter dramatically increased the prices of energy and raw materials around the world. In China, the COVID-19 outbreak in the second quarter and the lockdown measures were a blow to the global supply chain. Inflation continues to heat up in Europe and the U.S. To suppress inflation, the Fed quickly embarked on interest rate hikes in March and reduced bond purchases in the second half of the year. This increased the volatility of the global financial market. Most currencies other than the US dollars depreciated significantly. Many countries were under the pressure of imported inflation. The number of confirmed infections in Taiwan started to soar during the second quarter. Meanwhile, the global economy was affected by the Russia-Ukraine war and China's lockdown measures. The demand from the U.S., Europe and China all dropped significantly. The growth of Taiwan's exports slowed down and manufacturers became conservative in their investment. Fortunately, the pandemic gradually eased off and the governments implemented reopening measures. Domestic consumption and relevant industries improved. The economic engine shifted from exports to domestic demand. Overall, the volatility was not too significant. The steel demand in the markets plummeted in the second half of 2022. This combined with the softening of commodity prices slowed down the business for the year. However, the steel price subsequently continued to rise. The sustained demand from electronics manufacturing facilities expansion helped to stabilize the steel supply and demand dynamics and curbed the downward trend of steel prices in key markets.

The Company enjoyed better export orders for steel pipes than in the previous year, thanks to domestic and overseas demand. Profits also increased from 2021. As the international oil price continued to be stable at

over \$80 per barrel and the number of oil wells increased significantly, the export of API line pipes totaled 15,557 metric tons, up by 623% year-on-year. In the domestic market, the demand for steel pipes was lackluster because property developers were decelerating construction. That said, the sales of the main product galvanized steel pipes held steady because of the government's infrastructure projects, the return of Taiwanese companies and large orders from electronics manufacturing factories. The sales in 2022 reached 33,840 metric tons, up by 1.75% from the prior year.

One. The Company's **2022** business results are reported as follows:

I. Implementation of business plan:

The 2022 production was 50,238 metric tons, up by 49% from 33,691 metric tons in 2021. The 2022 sales volume was 52,419 metric tons, a 20% increase from the 43,779 metric tons in 2021.

The 2022 revenue totaled NT\$2,216,055 thousand, up by 43% from NT\$1,550,624 thousand in 2021. Operating income was NT\$1,550,624 thousand, an increase of 43%. Net income reached NT\$112,184 thousand, translating to an earnings per share of NT\$0.56. Details are as follows:

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

Production volume: tons Production value: NT\$1,000

Year Volume Value Product	2022		2021	
	Production volume	Production value	Production volume	Production value
Steel pipe	49,870	1,664,281	33,234	1,017,910
Others	368	27,067	457	27,293
Total	50,238	1,691,348	33,691	1,045,203

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

Production volume: tons Production value: NT\$1,000

Year Volume Value Product	2022		2021	
	Sales volume	Sales value	Sales volume	Sales value
Steel pipe	49,397	2,095,544	35,418	1,299,149
Circulating steel products	2,640	59,573	7,914	192,278
Others	382	60,937	447	59,197
Total	52,419	2,216,054	43,779	1,550,624

II. Analysis of revenues, expenses, and profitability:

1. Comprehensive income statement for the last two years:

Unit: NTD Thousand

Item	2022	%	2021	%
Revenue	2,216,054	100	1,550,624	100
Operating costs	1,888,923	85	1,356,051	87
Operating margin (loss)	327,131	15	194,573	12
Marketing fees	120,872	5	33,868	2
Management expenses	67,785	3	63,743	4
Net operating loss	138,474	7	96,962	6
Non-operating income and expense	(18,915)	(2)	(34,393)	(2)
Profit (loss) before tax	119,559	5	62,569	4
Income tax expense	7,375		20,452	
Net profit (loss) for the period	112,184	5	42,117	4

2. The increase in 2022 gross profits was primarily due to rising domestic and overseas steel prices.
3. The increase in selling expenses was primarily due to higher marine transportation costs for higher exports.
4. Net income in 2022 was NT\$112,184 thousand, translating to an earnings per share of NT\$0.56.

III. Research and development status:

The Company constantly endeavors to renew steel pipe equipment by focusing on production efficiency improvement, energy conservation, pollution control and occupational safety enhancement, in order to achieve better product quality and work environment. In 2022, the old smoke tube boilers were phased out and galvanizing furnaces were renewed. We also continued to update and improve pipe mills and small-and-medium API equipment and to maintain overhead tracks.

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

1. Major economies have been increasing interest rates to control inflation since last year. Manufacturing activities around the world have significantly decelerated. The global economic outlook is further clouded by the ongoing Russia-Ukraine war and the resumption of the U.S.-China tech war. All the leading international institutions forecast the global economic and trade growth to slow down this year. This will impact Taiwan's imports, exports and investments. Fortunately, COVID-19 gradually eased off in Taiwan and the government relaxed control measures considerably. Domestic consumption and relevant industries improved. The economic engine shifted from exports to domestic demand.
2. The continued Russia-Ukraine war widened the supply gap of steel. The demand especially from Europe and Turkey will need to be met by other regions. This poses pressure on Asian supplies. Meanwhile, the big earthquake in southern Turkey affected production of local steel manufacturers and disrupted transportation to a certain degree. The local supply may be prioritized for post-disaster reconstruction over exports. This in turn is expected to boost the steel demand in Europe. In China, a strict control over steel production and

distribution is in place to achieve carbon neutrality. This has squeezed the global supply of steel. In North East Asia, steelmakers in Japan and Korea have been busy retiring old blast furnaces. The global supply of steel is expected to remain tight.

3. The World Steel Association (worldsteel) forecasts the global steel demand in 2023 to grow by 2.3% to 1,822.3 million metric tons. On the other hand, the U.S. reached quota agreements with Europe, Japan and the U.K. to replace tariffs. The global trade of steel has been gradually returning to normal.
4. In China, the 20th National Congress of the Communist Party set the tone for the industrial and economic policy by focusing on domestic demand expansion. More support will be offered to investments by manufacturing industries and new infrastructure will be accelerated. There are also measures to stimulate the housing market. This will create the demand for steel. The global steel market' demand outlook for steel continues to be positive, with major demand stabilizing and recovering. In the domestic market, the demand from public infrastructure projects and manufacturing facilities is expected to continue with a stable growth in 2023.
5. In Taiwan, urban regeneration and green energy such as offshore wind and solar photovoltaic deployment are expected to drive investments in related industries. That said, there are uncertainties in future growth as domestic companies may postpone or scale back investments given the global economic recession and ongoing pressure of inflation and interest rate hikes.

Two. **2023** Business Plan Highlights:

The International Monetary Fund (IMF) revised upward its forecast for the global economic growth this year is 2.8%, and the Directorate General of Budget, Accounting and Statistics projects Taiwan's economy is 2.12%.

China is anticipated to launch a range of economic stimulus measures. This combined with border reopening in Taiwan, Japan and Korea is speeding up the economic and social activities in different countries back to normal. This helps to boost the momentum of international trade. As the prices of iron ore and coal kept reaching new highs since January, the materials cost for hot rolled steel soared. The optimistic expectation is that the steel price will continue to rise.

Currently, the steel industry selling to the U.S. is still subject to high tariffs under Section 232 and has to compete against tariff-free and low-priced Korean products. The competition for export orders is hence intense. Meanwhile, the U.S. demand is generally soft. Customers are still working through inventory. Export orders depend on destocking by customers. Despite the slowdown by property developers, the domestic demand for galvanized steel pipes increased significantly thanks to government infrastructure projects, the return of Taiwanese companies and continued investment by leading electronics manufacturers on new factories. Whilst the domestic demand for steel pipes is shrinking, our orderbook remains robust.


Looking forward, COVID-19 is under good control in Taiwan. The development and construction plan for international harbors approved by the Executive Yuan is expected to drive investments of NT\$320 billion in total from public and private sectors. In addition, Taiwanese companies are returning and the tech industry is expanding facilities. There is a constant flow of factory projects coming to the market. Supported by a steady growth of domestic investment and consumption, the demand for galvanized steel pipes is expected to continue to increase. Given the stabilization of international oil prices, the outlook is bright for export orders. Once customers have finished destocking, there should be a wave of new export orders to meet production requirements.

In sum, the orders for steel pipes are stable considering COVID-19 is

under control and the continued rise of steel prices. We are cautiously optimistic about business this year.

Chairman: 

Manager: 

Accounting
Supervisor: 

Matters to be reported **2**:

Audit Report of the Audit Committee

The Board of Directors has prepared the Company's 2022 business report, financial statements and proposal for earnings distribution. The financial statements have been audited by KPMG Taiwan and issued with an audit report.

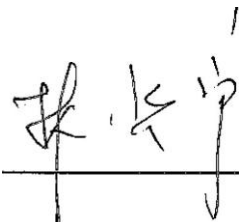
The Audit Committee has reviewed the above-mentioned business report, financial statements and earnings appropriation proposal without identifying any non-conformities. These reports are thus presented in accordance with the Securities and Exchange Act and the Company Act.

Kind regards

The Company's **2023** shareholders' meeting

Kao Hsing Chang Iron & Steel Corp.

Convener of Audit Committee:



March 7, 2023

Matters to be reported **3.**:

2022 distribution of remuneration to employees and directors

- I. In accordance with the Ministry of Economic Affairs' Official Letter MOEA-Business No. 0402427800 dated October 15, 2015:
A TWSE/TPEX-listed company with Audit Committee in place shall have its Audit Committee to propose the distribution of remuneration to employees, directors and supervisors and submit the proposal to the Board of Directors for resolution.
- II. Article 26 of the Company's Articles of Incorporation
The Company operates in a mature industry. The residual dividends policy is adopted to accommodate operating needs and maximize shareholders' equity. If the Company makes a profit for a year, no less than 0.5% shall be allocated as remuneration to employees and no more than 5% shall be allocated as remuneration to directors. However, if the Company has cumulative losses, it is necessary to offset such losses before calculation of remuneration to employees and directors.
- III. The Company's 5th meeting of the 5th Audit Committee and the 8th meeting of the 21st Board approved the distribution of remuneration to employees at NT\$683,200 and remuneration to directors at NT\$0 for 2022. The distribution will be made in cash.
- IV. The remuneration to employees at NT\$683,200 is 0.57% of the 2022 profit before tax before the deduction of remuneration to employees and directors. This is in line with the rules set in the Company's Articles of Incorporation.

Unit: NTD

Item	Amount
2022 profit before tax before deduction of remuneration to employees and directors	\$120,242,322
Less:	
Employee remuneration	(683,200)
Director's remuneration	-
Profit before tax	\$119,559,122

Matters to be reported **4.**:

Update on share buyback program

7th share buyback

- I. The company repurchase its stock by the approval of the 8th Board of Directors' meeting of 21st Board of Director on 7th of March, 2023 in accordance of Paragraph 1 Article 28-1 of the Securities and Exchange Act to maintain its credibility and the shareholder's equity.
Planned Period of Repurchase: March 8, 2023 to May 7, 2023
Planned Number of Shares to be Repurchased: 10,000,000 Shares
Planned price range of the shares to be repurchased: NT\$ 13.5 - NT\$27
Actual Period of Repurchased: March 9, 2023 to April 14, 2023
Actual Number of Shares Repurchased: 10,000,000 Shares
Total Value of Shares Repurchased: NT\$199,906,204
Average Repurchased Price Per Share: NT\$ 19.99
All execution has been completed, and has been approved by the Letter issued by Financial Supervisory Commission on April 20, 2023, the reference number for the letter is Jin-Guan-Zheng-Jiao No. 1120339769.
- II. Cancellation of Treasury Stock with 10,000,000 shares, with NT\$ 10 per share (currency as New Taiwan Dollar hereafter) with total amount of Capital Reduction NT\$ 100,000,000. Paid in capital before cancellation as NT\$ 2,008,522,930 and the Paid in Capital after Cancellation as NT\$1,908,522,930 and with 190,852,293 shares, NT\$10 per share. The record date for Capital Reduction is May 9, 2023 and approved by the 9th Board of Directors' meeting of the 21st board of Directors on May 9, 2023.

IV. Matters to be ratified

Proposal 1 (Proposed by the Board of directors)

Subject: Please ratify the Company's 2022 Business Report and financial statements.

Explanation:

1. The Company's 2022 financial statements (balance sheet, comprehensive income statement, statement of changes in equity and cashflow statement) have been audited by CPA Vincent Hsu and CPA Eric Chen with KPMG Taiwan and resolved by the Board of Directors. As well as the Business Report (please refer to Matters to be Reported). Please ratify the above.
2. The Company's 2022 financial statements (detailed below)

Resolution:

Kao Hsing Chang Iron & Steel Corp.

Auditor's Report of the financial statements

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

Audit opinion

We have audited the balance sheets as of December 31, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years of 2021 and 2020, and the notes to the individual financial reports, including a summary of significant accounting policies.

In our opinion, the above individual financial reports present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for audit opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities in the Audit of individual financial report. The personnel subject to the independence norms of the firm affiliated with these accountants have maintained detachment and independence from Kao Hsing Chang Iron & Steel Corp. in accordance with accountant professional ethics norms, and have performed other responsibilities of the norms. The accountant believes that sufficient and appropriate audit evidence has been obtained to serve as the basis for expressing an audit opinion.

Key audit items

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the individual financial report of Kao Hsing Chang Iron & Steel Corp for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The accountants judge that the key audit items that should be communicated in the audit report are as follows:

Inventory valuation

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

Explanation of the Key Audit Matters

The main inventory of Kao Hsing Chang Iron and Steel Corporation, Ltd. is various steel pipes and hot rolled coils, which are measured at the lower of cost and net realizable value. Because the global steel market is affected by changes in raw material prices, the sales demand and prices of related products may fluctuate violently in a competitive and changing

environment. Estimating the net realizable value of inventories depends on the subjective judgment of the management of Kao Hsing Chang Iron and Steel Corporation, Ltd. Therefore, there is a risk that the cost of inventory may exceed its net realizable value, which is a matter that we need to pay close attention to when auditing the financial statements.

Audit procedures

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

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

The responsibility of the management is to prepare individual financial reports that are properly expressed in accordance with the Financial Reporting Standards for Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations that have been approved and issued by the Financial Supervisory Commission, and maintain the individual financial reports that are consistent with the individual financial reports. Necessary internal controls related to report preparation to ensure that individual financial report do not contain material misrepresentations caused by fraud or errors.

When preparing individual financial statements, the management's responsibilities also include evaluating Kao Hsing Chang Iron & Steel Corp.'s ability to continue operations and disclose related matters, and the adoption of the accounting foundation for continuing operations, unless management intends to liquidate Kao Hsing Chang Iron & Steel Corp. or cease operations, or there are no other practical solutions except for liquidation or suspension of business.

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

Auditors' responsibilities for audit the individual financial report

Our objectives are to obtain reasonable assurance about whether the individual financial report as a whole is free from material misstatement, whether it is due to fraud errors, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists in the individual financial report. Misstatements can arise from fraud or error. If the individual amounts or aggregated figures that are misrepresented are reasonably expected to affect the economic decisions made by individual financial report users, they are considered to be

material.

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

1. Identify and assess the risks of material misstatement of individual financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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 an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kao Hsing Chang Iron & Steel Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists and is related to events or conditions that may cast significant doubt on the Kao Hsing Chang Iron & Steel Corporation's ability to continue as a going concern. 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 presentation, structure and content of the individual financial report, including the notes, and whether the individual financial report represents the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence for the financial information of the invested company adopting the equity method to express an opinion on the individual financial report. The accountant is responsible for the guidance, supervision and execution of audit cases, and is responsible for forming audit opinions for Kao Hsing Chang Iron & Steel Corp.

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

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

accountant and other matters (including related protective measures).

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the individual financial report for the year ended December 31, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Taiwan

Hsu, Chen-Lung



Auditor:

Chen, Yung-Hsiang



Approval reference of
the securities authority


Jing-Guan-Zheng-6-Character-
: No.0960069825
Jing-Guan-Zhen-Shen-Character-
No.1110338100


March 7, 2023

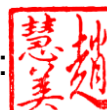
Kao Hsing Chang Iron & Steel Corp.
Balance Sheet
December 31, 2022 and 2021

Unit: NTD Thousand

	2022.12.31		2021.12.31		
	Amount	%	Amount	%	
Assets					
Current assets:					
1100	Cash and cash equivalents (note 6(1))	\$ 214,173	3	559,241	8
1120	Financial assets measured at fair value through other comprehensive income -- current (Note 6(2))	984,337	14	804,074	11
1151	Notes receivable (Note 6(4))	4,291	-	-	-
1152	Other notes receivable (Note 6(5))	200	-	200	-
1170	Net accounts receivable (Note 6(4))	103,257	1	96,357	1
1200	Other accounts receivable (Note 6(5) and 7)	8,611	-	2	-
130X	Inventories (Note 6(6))	738,2041	10	719,811	10
1460	Non-current Assets Held for Sale (Note 6 (7) and 8)	113,334	2	-	-
1476	Other financial assets – current (Note 6 (3) and 8)	20,023	-	-	-
1479	Other current assets – other (Note 6 (12))	19,282	-	20,204	-
	Total current assets	<u>2,205,7</u>	<u>30</u>	<u>2,228,510</u>	<u>30</u>
Non-current assets:					
1517	Financial assets measured at fair value through other comprehensive income – non-current (Note 6 (2))	955,656	13	973,059	13
1550	Investments accounted for using equity method (Note 6 (8) and 7)	512,824	7	448,777	6
1600	Property, plant and equipment (Note 6 (9) and 8)	1,514,042	21	1,519,830	21
1755	Right-of-use asset (Note 6 (10) and 7)	6,581	-	-	-
1760	Net Investment properties (Note 6 (11), 7 and 8)	2,027,466	28	2,141,002	30
1920	Refundable deposits (Note 6 (5), 7 and 9)	4,537	-	5,831	-
1995	Other non-current assets – others	33,000	1	-	-
	Total non-current assets	<u>5,054,106</u>	<u>70</u>	<u>5,098,3</u>	<u>70</u>
	Total assets	<u>\$ 7,259,81100</u>	<u>100</u>	<u>7,326,880</u>	<u>100</u>

Chairman: 

Manager: 


Accounting Supervisor: 

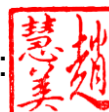
Kao Hsing Chang Iron & Steel Corp.
Balance Sheet (continued)
December 31, 2022 and 2021

Unit: NTD Thousand

Liabilities and equity	2022.12.31		2021.12.31	
	Amount	%	Amount	%
Current liabilities:				
2100 Short-term borrowings (Note 6 (14) and 8)	\$ 3,205,071	44	3,232,341	44
2110 Short-term notes and bills payable ((Note 6(13) and 8)	124,700	2	-	-
2151 Notes payable	40,290	1	28,384	-
2152 Other notes payable	11,433	-	12,878	-
2170 Accounts payable	25,944	-	39,758	1
2200 Other accounts payable	74,081	1	56,739	1
2230 Current tax liabilities	10,387	-	22,161	-
2300 Other current liabilities (Note 6 (15)(22))	8,223	-	7,298	-
2320 Long-term liabilities, due within one year or one business cycle (Note 6 (16) and 8)	32,558	-	-	-
Total current liabilities	3,532,687	48	3,399,559	46
Non-current liabilities:				
2540 Long-term borrowings (Note 6 (16) and 8)	667,442	9	700,000	10
2570 Deferred tax liabilities (Note 6 (19))	210,632	3	210,632	3
2640 Net defined benefit liabilities – non-current (Note 6 (18))	28,427	1	42,008	1
2645 Guarantee deposits (Note 7)	5,000	-	-	-
Total non-current liabilities	911,501	13	957,680	14
Total liabilities	4,444,1	61	4,357,239	60
Equity (Note 6 (20)):				
3100 Share capital	2,008,523	28	2,008,5	27
3200 Capital surplus	75,159	1	75,159	1
3300 Retained earnings:				
3310 Statutory reserve	170,158	2	147,137	2
3350 Unappropriated earnings	639,058	9	527,837	7
	809	11	674,974	9
3400 Other equity interest	(77,268)	(1)	210,985	3
Total equity	2,815,630	39	2,969,641	40
Total liabilities and equity	\$ 7,259,818	100	7,326,8100	

Chairman: 

Manager: 

Accounting Supervisor: 

Kao Hsing Chang Iron & Steel Corp.
Statements of Comprehensive Income
January 1 to December 31, 2022 and 2021

Unit: NTD Thousand

	2022		2021	
	Amount	%	Amount	%
4000 Operating revenue (Note 6 (17)(22) and 7)	\$ 2,216,054	100	1,550	100
5000 Operating costs (Note 6 (6)(17)(18), 7 and 22)	1,888,923	85	1,356,051	88
5900 Operating margin	327,131	15	193,949	12
6000 Operating expenses (Note 6 (18)(23), 7 and 12):				
6100 Selling expenses		11	33,868	2
6200 Management expenses	67,785	3		4
Total operating expenses	188,657	8	97,611	6
6900 Operating profit	138,474	7	96,962	6
Non-operating income and expenses:				
7100 Interest income (Note 6 (24))	629	-	105	-
7010 Other income (Note 6 (2)(24))	49,889	2	40,281	3
7020 Other gains and losses (Note 6 (24))	6,276	-	(26,849)	(2)
7050 Finance costs (Note 6 (24))	(77,989)	(4)	(56,353)	(4)
7060 Share of profits (loss) of associates accounted for using equity method (Note 6 (8))	2,280	-	8,423	1
Total non-operating revenue and expenses,	(18,915)	(2)	(34,393)	(2)
7900 Net profit before tax	119,559	5	62,569	4
7950 less: income tax expense (Note 6 (19))	7,375	-	20,452	1
Current net income	112,184	5	42,117	3
8300 other comprehensive income:				
8310 Items not reclassified into profit and loss				
8311 Remeasurements from defined benefit plans (Note 6 (18))	4,564	-	(6,840)	-
8316 Unrealized gains and losses on equity instrument investments measured at fair value through other comprehensive income	(234,168)	(10)	161,638	10
8320 Share of other comprehensive income (loss) of associates accounted for using equity method – not reclassified to profit or loss (Note 6 (8))	(36,591)	(2)	568	-
8349 less: Income tax related to components not reclassified (Note 6 (19))	-	-	-	-
Total of components that will not be reclassified to profit or loss	(266,195)	(12)	155,366	10
8300 Other comprehensive income for the period (net after tax)	(266,195)	(12)	155,366	10
Total comprehensive income for the period	\$ (154,011)	(7)	197,483	13
Earnings per share (Note 6 (21))				
9750 Basic earnings per share	\$	0.56		0.21
9850 Diluted earnings per share	\$	0.56		0.21

Chairman:



Manager:



Accounting


Supervisor:





Kao Hsing Chang Iron & Steel Corp.
Statement of Changes in Equity
January 1 to December 31, 2022 and 2021

Unit: NTD Thousand

	Share capital	Additional paid in capital	Retained earnings			Unappropriated retained earnings	Other equity items	Total equity interest
			Statutory reserve	Special reserve	Gain (loss) from unrealized valuation of financial assets measured at fair value through other comprehensive income			
Balance on January 1, 2021	\$ 2,008,523	75,159	146,880	81,209	216,673	243,714	2,772,158	
Current net income	-	-	-	-	42,117	-	42,117	
Other comprehensive income for the period	-	-	-	-	(6,840)	162,206	155,366	
Total comprehensive income for the period	-	-	-	-	35,277	162,206	197,483	
Earnings appropriation and distribution:								
Statutory surplus reserve	-	-	257	-	(257)	-	-	
Reversal of special reserve	-	-	-	(81,209)	81,209	-	-	
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	194,935	(194,935)	-	
Balance on December 31, 2021	2,008,523	75,159	147,137	-	527,837	-	2,969,641	
Current net income	-	-	-	-	112,184	-	112,184	
Other comprehensive income for the period	-	-	-	-	4,564	(270,759)	(266,195)	
Total comprehensive income for the period	-	-	-	-	116,748	(270,759)	(154,011)	
Earnings appropriation and distribution:								
Statutory surplus reserve	-	-	23,021	-	(23,021)	-	-	
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	17,494	(17,494)	-	
Balance on December 31, 2022	\$ 2,008,523	75,159	170,158	-	639,058	(77,268)	2,815,630	


Chairman: 


Manager: 


Accounting Supervisor: 

Kao Hsing Chang Iron & Steel Corp.
Statement of Cash Flow
January 1 to December 31, 2022 and 2021

	Unit: NTD Thousand	
	2022	2021
Cash flow from operating activities:		
Profit before tax for the current period	\$ 119,559	_____
Adjustments:		
Income, expenses, and losses		
Depreciation	55,772	
Interest expenses	73,039	56,353
Interest income	(629)	(105)
Dividend income	(44,286)	(31,210)
Share of benefits of associates accounted for using equity method	(2,280)	(8,422)
Loss (gain) on disposal of property, plant and equipment	892	30
Unrealized gains on foreign currency exchange	-	(70)
Total income, expenses, and losses	82,508	71,061
Changes in operating assets and liabilities:		
Net changes in assets related to business activities:		
Increase in bills receivable	(4,291)	-
(Increase) decrease in accounts receivable	(6,900)	8,960
Increase in other receivables	(465)	(531)
Increase in inventories	(18,393)	(251,559)
Decrease (increase) in other current assets	922	(5,640)
Total net changes in operating assets	(29,127)	(248,770)
Net changes in liabilities related to operating activities:		
Increase in notes payable	11,906	8,104
(Decrease) increase in accounts payable	(13,814)	18,025
Increase in other payable	9,566	8,315
Increase in other current liabilities	925	4,314
Decrease in net defined benefit liability	(9,017)	(7,227)
Total net changes in operating liabilities	(434)	31,531
Total net changes in assets and liabilities related to business activities	(29,561)	(217,239)
Total adjustment items	52,947	(146,178)
Cash inflow (outflow) generated from operations	172,506	(83,609)
Interest received	582	105
Dividends received		30,935
Interest paid	(72,645)	(55,990)
Income taxes refund (paid)	(19,150)	2
Net cash inflow (outflow) from operating activities	124,547	(108,557)
Cash flow from investing activities:		
Acquisition of financial assets measured at fair value through other comprehensive income	(744,317)	(2,259,525)
Disposal of financial assets at fair value through other comprehensive income	374,434	2,304,661
Investments accounted for using equity method	(99,000)	(45,200)
Increase in prepaid investment	(33,000)	-
Acquisition of property, plant and equipment	(43,127)	(20,801)
Disposal of property, plant, and equipment	-	
Decrease in refundable deposits	1,294	3,636
Acquisition of investment real estate	(3,567)	-
Increase in other financial assets	(20,023)	-
Net cash flows (used in) investing activities	(567,306)	(17,166)
Cash flows from (used in) financing activities:		
Increase in short-term loan	5,206,814	4,616,045
Decrease in short-term loan	(5,234,084)	(4,206,357)
Increase in short-term notes and bills payable	230,000	-
Decrease in short-term notes and bills payable	(105,000)	-
Decrease in notes payable for refund of capital deduction	(39)	(94)
Net cash flows from financing activities	97,691	409,594
Increase (decrease) in current cash and cash equivalents	(345,068)	283,871
Beginning cash and cash equivalent balance	559,241	275,370
Cash and cash equivalents at the end of the period	\$ 214,173	559,241

Chairman: 

Manager: 

Accounting Supervisor: 

Proposal 2

(Proposed by the Board of Directors)

Subject: Please ratify the Company's distribution of 2022 earnings.

Explanation:

1. The proposal for earnings distribution is as follows:

Unit: NTD

Item	Amount
Unappropriated retained earnings, beginning of period	\$ 504,815,432
Add (subtract):	
Disposal of equity investments at fair value through other comprehensive income	17,493,573
Determine the remeasurement of the benefit plan in the current period	4,564,588
Net income during the year	112,183,576
Distributable retained earnings	639,057,169
Statutory surplus reserve	(13,424,174)
Less the recognition for special reserves	(77,268,026)
Dividends - cash	(100,426,147)
Unappropriated retained earnings, end of period	\$ 447,938,822

2. Net income was NT\$112,183,576 in 2022. It is proposed to distribute cash dividends at NT\$100,426,147, or NT\$0.5 per share, from the earnings available for distribution in 2022.
3. Chairman is authorized to determine the record date for cash dividends after approval from the shareholders' meeting for this earnings distribution. The distribution of cash dividends is calculated to the unit of one NT dollar (rounded off). Fractional amounts are recognized as the Company's other income.
4. The Chairman is authorized to make adjustments if the payout ratio is changed due to changes in the number of shares outstanding after the transfer, conversion or cancelation of

repurchased shares or other reasons.

5. This proposal was approved by the 8th meeting of the 2nd Audit Committee and the 8th meeting of the 21st Board on March 7, 2023.

Resolution:

V. Extraordinary motions:

VI. Adjournment.

Appendix

Appendix 1

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

Amendment 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 industrial chemicals manufacturing
 - X. C802120 Industrial catalyst manufacturing

- XI. CA02010 Manufacture of metal structure and architectural components
 - XII. I501010 Product design
 - XIII. I601010 Leasing
 - XIV. ZZ99999 Any business not prohibited or restricted by law, except those 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. Election of independent directors and non-independent directors shall be held together, with the elected numbers 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 In respect to directors' transportation expenses, independent directors' remuneration, and directors' performance of duties for the Company, the Company may pay remuneration authorize the Board of Directors to make decisions based on a director's

degree of participation and value of contribution to the operations of the Company, and to negotiate with reference to relevant peers and listed company standards.

Article 22 The Company may appoint managers, whose appointment, dismissal, and remuneration are to be in accordance with the provisions of the Company Act.

Article 23 The Board of Directors may, within the scope of the authorization of the Shareholders' Meeting, guarantee each other's business dealings with government agencies or financial institutions between related enterprises or peers.

Chapter V Accounting

Article 24 The Company shall conduct its final accounts once a year at the end of December.

Article 25 The Company uses January 1st to December 31st as its fiscal year. At the end of each fiscal year, the Board of Directors shall prepare the following reports and tables and submit them to the General Meeting of Shareholders for acknowledgment:

I. Business Report.

II. Financial Statements.

III. Proposals concerning profit distributions or loss make-up.

Article 26 The Company's industrial development is mature. Based on the needs of the Company's operations and the consideration of maximizing shareholders' equity, dividend distribution adopts a residual dividend policy. If the Company makes a profit for a year, no less than 0.5% shall be allocated as remuneration to employees and no more than 5% shall be allocated as remuneration to directors. However, if the Company has cumulative losses, it is necessary to offset such losses before calculation of remuneration to employees and directors.

Article 26-1 Where the Company makes a profit for a year, the profit shall be first used to pay taxes, offset the cumulative deficit and allocate 10% of the remaining as a legal reserve unless it has reached the same amount as the Company's paid-in capital. In addition to the payment of dividends, if there are

still surplus earnings then they shall be combined with undistributed earnings of prior years for the Board of Directors will draw up a profit distribution plan and submit to the Shareholders' Meeting a resolution to distribute shareholder dividends. Dividends shall be distributed at an appropriate ratio between cash dividends and stock dividends. Cash dividends shall not be lower than 50%.

Chapter VI Supplementary Provisions

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

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

The first amendment was made on December 27, 1965.

The second amendment was made on February 22, 1966.

The third amendment was made on September 15, 1966.

The fourth amendment was made on February 7, 1967.

The fifth amendment was made on August 14, 1970.

The sixth amendment was made on June 5, 1971.

The seventh amendment was made on October 20, 1971.

The eighth amendment was made on September 1, 1972.

The ninth amendment was made on August 10, 1973.

The tenth amendment was made on March 31, 1975.

The eleventh amendment was made on May 5, 1975.

The twelfth amendment was made on October 9, 1975.

The thirteenth amendment was made on December 25, 1975.

The fourteenth amendment was made on January 17, 1977.

The fifteenth amendment was made on July 18, 1977.

The sixteenth amendment was made on September 21, 1979.

The seventeenth amendment was made on June 30, 1980.

The eighteenth amendment was made on April 15, 1981.

The nineteenth amendment was made on June 12, 1981.

The twentieth amendment was made on June 15, 1984.

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

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

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

The twenty-fourth amendment was made on May 30, 1988.
The twenty-fifth amendment was made on October 11, 1988.
The twenty-sixth amendment was made on May 6, 1989.
The twenty-seventh amendment was made on June 16, 1989.
The twenty-eighth and twenty-ninth amendments were made on April 28, 1990.
The thirtieth amendment was made on May 11, 1991.
The thirty-first amendment was made on June 13, 1992.
The thirty-second and thirty-third amendments were made on June 12, 1993.
The thirty-fourth amendment was made on June 11, 1994.
The thirty-fifth amendment was made on June 20, 1995.
The thirty-sixth amendment was made on June 22, 1996.
The thirty-seventh amendment was made on June 22, 1996.
The thirty-eighth amendment was made on September 4, 1996.
The thirty-ninth amendment was made on June 21, 1997.
The fortieth amendment was made on May 7, 1998.
The forty-first amendment was made on June 8, 2000.
The forty-second amendment was made on May 16, 2001.
The forty-third amendment was made on June 21, 2002.
The forty-fourth amendment was made on May 30, 2003.
The forty-fifth amendment was made on June 20, 2006.
The forty-sixth amendment was made on June 23, 2010.
The forty-seventh amendment was made on November 12, 2012.
The forty-eighth amendment was made on June 25, 2014.
The forty-ninth amendment was made on June 17, 2016.
The fiftieth amendment was made on June 15, 2017.
The fifty-first amendment was made on June 27, 2018.

Appendix 2

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

Amendment by the shareholders' meeting on August 26, 2021

Article 1

To establish a strong governance system, robust supervisory and management functions for the Company's shareholders' meetings, these Rules are adopted pursuant to Article 5 of the Corporate Governance Best-Practice Principles for TWSE/GTSM- Listed Companies.

Article 2

Unless otherwise required by the laws, regulations or the Articles of Incorporation, these rules of procedures for the Company's shareholders' meetings shall apply.

Article 3

Unless otherwise required by the laws and regulations, the Company's shareholders' meetings shall be convened by the Board of Directors. Thirty days before an annual shareholders' meeting or fifteen days before an extraordinary shareholders' meeting, the Company shall prepare electronic files of the meeting notice, proxy form, information on proposals for ratification, matters for discussion, election or dismissal of directors, other matters on the agenda and explanatory materials and upload these electronic files to the Market Observation Post System (MOPS). Twenty one days before an annual shareholders' meeting or fifteen days before an extraordinary shareholders' meeting, the electronic files of the meeting handbook and supplementary materials shall be uploaded to the Market Observation Post System (MOPS). Fifteen days before a shareholders'

meeting, the meeting handbook and supplementary materials should be available for shareholders to review at any time, displayed at the Company and distributed at the shareholders' meeting.

Meeting notices and announcements shall state the reasons for convening the meeting. With the consent of the addressee, the meeting notice may be sent in electronic form.

Election or dismissal of directors; amendments to the Articles of Incorporation; reduction of capital; application for ceasing to be a public company; approval to remove the non-compete clause for directors; capitalization of earnings; capitalization of legal reserve; dissolution; merger or demerger; or any matter in each sub-paragraph of Paragraph 1 under Article 185 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act and Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, shall be listed with essential contents as reasons for convening in the meeting notice. None of the above matters may be raised by an extraordinary motion.

Where an election of all directors and their onboarding date are stated as reasons for convening the shareholders' meeting, the onboarding date may not be changed by an extraordinary motion or any other means at the same meeting once the election has been completed at the same shareholders' meeting.

A shareholder holding one percent or more of the total number of the issued shares may submit to the Company a proposal for discussion at a general shareholders' meeting. This is limited to one proposal only. Any more proposals will not be included in the meeting agenda. When the circumstances described in any sub-paragraph, paragraph 4 under Article 172-1 of the Company Act apply to a proposal from a shareholder, the Board of Directors may exclude it from the agenda. A shareholder may submit a

constructive proposal to urge the Company to enhance public interests or fulfill its social responsibilities, provided procedurally this is limited to one proposal according to Article 172-1 of the Company Act. No additional proposals will be included in the agenda.

Prior to the book closure date before a general shareholders' meeting is held, the Company shall publicly announce its acceptance of shareholders' proposals in writing or by electronic means and the location and time period for submission. The period for acceptance may not be fewer than 10 days. Each proposal 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 the discussion of the proposal. Prior to delivering the shareholders' meeting notice, the Company shall inform the proposing shareholders of the screening results and shall list in the meeting notice the proposals conforming to the requirements set out in this article. The Board of Directors should explain at the shareholders' meeting the reasons for not including certain proposals submitted by shareholders.

Article 4

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

A shareholder may issue only one proxy form and appoint only one representative and shall deliver the proxy form to the Company five days prior to the shareholders' meeting date. When duplicate proxy forms are delivered, the one received earliest shall prevail. However, this does not apply to the proxy form that has been cancelled via declaration.

After a proxy form 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 two business days before the meeting. If the cancellation notice is submitted after that time, votes exercised by the proxy shall prevail.

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

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

Article 6 (Preparation of documents such as the signature book)

The Company shall specify in its shareholders' meeting notices the time when registrations for attending shareholders will start, 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 or representatives authorized by shareholders (hereinafter collectively referred to as "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 proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with a signature book or attending shareholders may hand in a sign-in card in lieu of signing in.

The Company shall furnish attending shareholders with the meeting manual,

annual report, attendance card, speaker's slips, voting slips, and other meeting materials. Where there is an election of directors, pre-printed ballots shall also be furnished.

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

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

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

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

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

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

among themselves.

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

Article 8 (Audio or video recordings as evidence of shareholders' meetings)

The Company shall make an uninterrupted audio and video recording of the entire process of the shareholders' meeting from shareholders' sign-in, the proceedings of the meeting, as well as the process of voting and vote counting.

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

Article 9

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

The chair shall call the meeting to order at the appointed meeting time and announce information on the number of non-voting shares and number of shares represented by shareholders in attendance. When the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such postponements are made for a combined total of up to one hour. If the quorum of shareholders representing at least one-third of issued shares is not met after two postponements, the chair shall announce the cancelation of the meeting.

If the quorum of shareholders representing at least one- third of issued shares is not met after two postponements, tentative resolutions may be

passed in accordance with the first paragraph of Article 175 under the Company Act. Shareholders shall be notified of the tentative resolutions and the re-convening of the shareholders' meeting within one month.

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

Article 10

If a shareholders' meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors. Votes shall be cast on each proposal in the agenda (including extraordinary motions and amendments to the original proposals). The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

If the Shareholders' Meeting is convened by a convening party other than the Board of Directors, the provisions of the preceding paragraph shall apply. The chair may not declare the meeting adjourned prior to completion of deliberation on the agenda arranged according to the two preceding paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting. If the chair declares the meeting adjourned in violation of the rules of procedure, other members of the board shall promptly assist the attending shareholders in electing a new chair in accordance with statutory procedures, with a majority of the votes represented by the attending shareholders, and then continue the meeting. The chair shall allow an ample opportunity during the meeting for explanation and discussion of proposals, amendments or extraordinary motions put forward by shareholders. When the chair thinks 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 (Speeches by shareholders)

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

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

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

Attending shareholders may not interfere with the speaking shareholder without the consent from the chair and from the speaking shareholder. The chair shall stop any shareholders in violation.

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

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

Article 12 (Calculation of voting shares and recusal system)

Votes at shareholders' meetings shall be calculated based on numbers of shares.

The number of non-voting shares held by a shareholder shall not be counted

as part of the total number of outstanding shares when it comes to resolutions by the shareholders' meetings.

When a shareholder is an interested party to an agenda item and this may prejudice the interests of the Company, the shareholder concerned may not vote on that item and may not exercise voting rights on behalf of other shareholders.

The number of shares whose voting rights may not be exercised under the preceding paragraph shall not be counted toward the number of the voting rights represented by attending shareholders.

Except for trust enterprises or a shareholder service agency approved by the competent securities authority, when one person is concurrently appointed as a 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 the issued shares. The voting rights in excess of that percentage shall not be counted for.

Article 13

Shareholders are entitled to one vote for each share held, unless the shares are restricted or deemed non-voting shares under Article 179 of the Company Act.

When the Company convenes a shareholders' meeting, it shall adopt the exercise of voting rights by electronic means and may adopt the exercise of voting rights by correspondence. When voting rights are exercised in correspondence or electronic means, the method of exercise shall be specified in the shareholders' meeting notice. A shareholder who exercises voting rights by correspondence or electronic means will be deemed to have attended the meeting in person. However, it is deemed abstention on extraordinary motions and amendments to the original proposals of that meeting.

A shareholder intending to exercise voting rights by correspondence or electronic means under the preceding paragraph shall indicate such intent to the Company two days before the shareholders' meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. The first declaration of such intention received shall prevail unless an explicit statement to revoke the previous declaration is made in the declaration which comes later.

If shareholders would like to attend the shareholders' meeting in person after the exercise of voting rights by correspondence or by electronic means, it is necessary to indicate the withdrawal of the aforesaid exercise of voting rights two days before the shareholders' meeting in the same method with which the voting rights were exercised. If the request for withdrawal occurs after the deadline, the voting right exercised by correspondence or by electronic means shall prevail. If the shareholder exercises the voting rights by correspondence or by electronic means and appoints a proxy with a proxy form to attend the shareholders' meeting, the voting right exercised by the attending proxy at the meeting shall prevail.

Except as otherwise provided in the Company Act and in the Articles of Incorporation of the Company, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. When voting for each proposal, the chair or a person designated by the chair shall first announce the total number of voting rights represented by the attending shareholders, followed by a vote by the shareholders. After the conclusion of the meeting, the results for each proposal based on the numbers of votes for and against and the number of abstentions, shall be entered on the MOPS on the same day when the meeting is held.

When there is an amendment or an alternative to a proposal, the chair shall determine the order in which they will be put to a vote. When any one among them is passed, the other proposals shall be deemed rejected and no further

voting shall be required.

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

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the venue of the shareholders' meeting. After vote counting has been completed, the results (including the numbers of votes) shall be announced onsite and recorded in minutes.

Article 14 (Election matters)

The election of directors at a shareholders' meeting shall be held in accordance with the applicable election and appointment rules adopted by the Company and the voting results shall be announced onsite immediately, including the names of those elected and the number of votes received and the names of those not elected and the number of votes received.

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

Article 15

Matters relating to the resolutions by a shareholders' meeting shall be recorded in the meeting minutes. The meeting minutes shall be signed or sealed by the chair and distributed to each shareholder within 20 days after 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.

Meeting minutes shall accurately record the year, month, day, the meeting

venue, the chair's name, the methods by which resolutions are adopted and a summary of the deliberations and voting results (including the number of votes), and disclose the number of votes received by each candidate in the event of an election of directors. It should be kept permanently throughout the existence of the Company.

Article 16 (Announcements)

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)

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 (Intermissions and resumption of 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 and depending on the circumstances, announce a time to resume the meeting.

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

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

Article 19

These Rules take effect upon approval from the shareholders' meeting. This also applies to the amendments.

Appendix 3

Director shareholdings of Kao Hsing Chang Iron & Steel Corp.

Record date: April 22, 2023

Title	Name or designation	Legal person Representative	Upon 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'lex Company Limited	Sheng Lu Rong Feng	121,621	0.06	121,621	0.06
Director	Huida Investment Co., Ltd.	Huang Li-Chun	40,999,312	20.41	40,999,312	20.41
Director	You Chang Co., Ltd.	Wu Hsien-Ming	380,000	0.19	380,000	0.19
Director	You Chang Co., Ltd.	Lin Tzu-Hui	380,000		380,000	
Director	Hong Well Company Limited	Lu En-Chang	107,418	0.05	107,418	0.05
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			69,159,680	34.43	69,159,680	34.43

Note:

1. The Company's paid-in capital is NT\$2,008,522,930m divided into 200,852,293 shares. According to Article 26 of the Securities and Exchange Act and the Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies, the aggregate shareholdings by all directors may not fall below 4% of the total issued shares. This equates to 8,034,092 shares.

2. As of April 22, 2023, the Company's directors held an aggregate of 69,159,680 shares, or 34.43% of the total issued shares, in adherence to the regulation.

Appendix 4

Other matters:

Explanations on how proposals from shareholders for this shareholders' meeting have been processed.

Explanation:

1. According to Article 172-1 of the Company Act, a shareholder holding one percent or more of the total number of issued shares may submit in writing to the Company a proposal for discussion at a general shareholders' meeting. This is limited to one proposal only and each proposal is limited to 300 words.
2. The Company accepted proposals from shareholders for this year's shareholders' meeting from April 14, 2023 to April 24, 2023. This was announced via the Market Observation Post System according to the laws.
3. The Company did not receive any proposals from shareholders during the acceptance period.