

Stock Code: 2002



# **China Steel Corporation**

## **2023 Annual General Meeting Meeting Handbook**

Form of meeting: Physical AGM

June 16, 2023

CSC, No. 1, Chung-Kang Rd., Hsiao Kang Dist., Kaohsiung City, Taiwan

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**China Steel Corporation**  
**2023 Annual General Meeting**  
**Meeting Procedures**

1. Call the Meeting to Order
2. Chairman Takes the Chair
3. All Arise in Silence
4. Sing the National Anthem
5. Three Bows to the National Flag and the Portrait of  
Dr. Sun Yat-Sen
6. Chairman's Remarks
7. Report Items
8. Proposals for Ratification
9. Extraordinary Motions
10. Meeting Adjourned

# **China Steel Corporation 2023 Annual General Meeting Meeting Agenda**

Form of meeting: Physical AGM

Time: 9:00 a.m., June 16, 2023 (Friday)

Venue: CSC, No. 1, Chung-Kang Rd., Hsiao Kang Dist., Kaohsiung City,  
Taiwan

Attendants: shareholders and proxies entrusted by shareholders

Chairman: Chairman of the Board, Mr. Chao-Tung Wong

1. Chairman's Remarks
2. Report Items
  - (1) Report on the Operations of 2022.
  - (2) Report on Audit Committee's audit report of 2022.
  - (3) Report on the distribution of remuneration for employees and directors of 2022.
3. Proposals for Ratification
  - (1) Adoption of the 2022 Business Report and Financial Statements.
  - (2) Adoption of the proposal for distribution of 2022 profits.
4. Extraordinary Motions
5. Meeting Adjourned

# **Report Items**

**1. Report on the Operations of 2022.**

**2. Report on Audit Committee's audit report of 2022.**

**(Please refer to Page 15 in this handbook)**

### **3. Report on the distribution of remuneration for employees and directors of 2022**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) The distribution is pursuant to Article 6 of the Company's Articles of Incorporation and Letter No. Economics-Commerce-10402436190 dated January 4, 2016 issued by the Ministry of Economic Affairs, R. O. C.
- (2) The explanation in the comparison table concerning the amendment to Article 6 of the Articles of Incorporation adopted by the Shareholders' Meeting on June 23, 2016 states the following: The Company refers to the actual amount of the remunerations based on the previous post-tax calculation basis (8% for employees and 0.15% for directors) and adjusts the percentage to pre-tax basis accordingly.
- (3) According to Letter No. Economic-Commerce-10402436190 dated January 4, 2016 issued by the Ministry of Economic Affairs, R. O. C., the term "profit" is defined as the earnings before taxes and remunerations for employees and directors
- (4) The amount of remuneration for employees of 2022 calculated based on 8% of profit after taxes was NT\$1,265,029,602, which was equivalent to 5.842% of the amount of earnings before taxes and remunerations for employees and directors, thereby complying with Article 6 of the Articles of Incorporation; whereas the amount of remuneration for directors of 2022 calculated based on 0.15% of profit

after taxes was NT\$23,719,305, which was equivalent to 0.110% of the amount of earnings before taxes and remunerations for employees and directors. These amounts are to be fully distributed in cash.

# **Proposals for Ratification**

## **1. Proposal:**

**Adoption of the 2022 Business Report and Financial Statements**

**Proposed by the Board of Directors**

## **Explanatory Note:**

Please refer to Attachment 1 and 2 for the 2022 Business Report and the financial statements for the year ended December 31st, 2022.

## **Resolution:**



## **Attachment 1**

### **China Steel Corporation 2022 Business Report**

#### **I. Operating Directives**

- Becoming a high value-added steel mill with enhanced resilience
- Engaging in energy saving and carbon reduction towards circularity and sustainability
- Building an intelligent steel mill aimed at transformation and upgrading
- Seizing green energy business opportunities to open up new horizons

#### **II. Implementation of Operating Targets**

- (I) The Company continued to implement the "Cost Reduction and Higher Profitability Program" in 2022 and integrated internal and external R&D resources with open innovation to accelerate the development of highly competitive products, low-cost processes, and value-added application technologies in order to improve product cost performance and create differentiated competitive advantages. The 2022 target achievement rate was 118%.
- (II) Despite lower-than-expected shipments of steel products and sales of high-end steel/ Advanced Premium Steel (APS) due to the poor global macroeconomic environment and the sluggish global market in 2022, market sentiment is expected to improve gradually as countries around the world slow their pace of interest rate hikes. In addition to market strategies like keeping abreast of market trends, acquiring new customers, and expanding its high-end and APS markets, the Company has also initiated a diverse range of flexible projects to increase order volume while prioritizing supply for customers with demand for APS and establishing strategic partnerships with customers to ramp up orders.
- (III) The reduced production of slabs caused by the low utilization of equipment amid a market downturn in 2022 has made it difficult for the Company to achieve its target for the carbon emission intensity targets of slabs. The Company will

continue to roll out large-scale carbon reduction programs and draw up carbon reduction action plans with concerted efforts to achieve its targets.

- (IV) The Company continues to promote a host of measures to enhance workplace safety, including strengthening the safety awareness among employees, promoting effective audits as well as sharing of industrial safety within the Group, and implementing medium- and long-term plans for road traffic safety inspections in the factory. The goal of zero major occupational accident was achieved.

### **III. Business Results**

#### **(I) Production**

The Company's production volume of steel products (excluding secondary and salvage products) was 7.96 million metric tons in 2022, a decrease of 1.15 million metric tons or approximately 13% from 9.11 million metric tons in 2021.

#### **(II) Sales**

The Company's sales volume of steel products was 8.59 million metric tons in 2022, a decrease of 0.97 million metric tons or approximately 10% from 9.56 million metric tons in 2021.

### **IV. Profit Comparison with Last Year**

#### **(I) Operating revenues**

The Company's operating revenues in 2022 was NT\$250,600,629 thousand, a decrease of NT\$9,181,842 thousand from NT\$259,782,471 thousand in 2021. This was mainly due to the combined effect of the increase in average selling price of steel products and the decrease in sales volume of steel products.

#### **(II) Gross profit**

The Company's gross profit in 2022 was NT\$18,256,491 thousand, a decrease

of NT\$31,959,743 thousand from NT\$50,216,234 thousand in 2021. This was mainly because the increase in the average selling price of steel products was smaller than the increase in the average cost of goods sold and the sales volume of steel products also decreased.

(III) Profit from operations

The Company's profit from operations in 2022 was NT\$10,881,622 thousand, a decrease of NT\$29,522,651 thousand from NT\$40,404,273 thousand in 2021. This was mainly due to the decrease in gross profit.

(IV) Net non-operating income and expenses

The Company's net non-operating income in 2022 was NT\$9,484,947 thousand, a decrease of NT\$21,162,127 thousand from NT\$30,647,074 thousand in 2021. This was mainly due to the decrease in share of profit of subsidiaries and associates.

(V) Income tax expense

The Company's income tax expense in 2022 was NT\$2,582,794 thousand, a decrease of NT\$6,415,520 thousand from NT\$8,998,314 thousand in 2021. This was mainly due to the decrease in net profit before income tax.

(VI) In summary, the Company's net profit in 2022 was NT\$17,783,775 thousand, a decrease of NT\$44,269,258 thousand from NT\$62,053,033 thousand in 2021.

**V. Research and Development**

The Company enjoyed a fruitful year in the area of R&D with a total of 30 new product development projects completed in 2022, 14 of which were classified as new Advanced Premium Steel (APS). The proportion of orders for APS and high-end steel reached 6.84% and 55.76% respectively. The Company will continue the efforts towards enhancing competitive advantage through

product differentiation.

Based on the operational and developmental cores, “the high value-added steel mill” and “development of green energy industry,” the current R&D strategy of the Company is to enhance core capabilities, including developing APS and establishing intelligent manufacturing technologies as well as energy saving, carbon reduction, and environmental protection technologies. R&D resources are mainly invested in key research projects, in the hope of cultivating technologies and achieving sustainable development. In 2022, the Company has accomplished outstanding R&D results; major R&D outcomes are listed as follows:

(I) Development of Advanced Premium Steel

A. Ultra-High Efficiency Electrical Steel: In response to demand for drive motors in electric vehicles, the Company keeps developing ultra-thin sheets with low iron loss and high strength to meet high-efficiency motor operations with low loss and high speed. Through the establishment of key technologies, the Company has developed ultra-thin electrical sheets, such as 20CS1200FY, 25CS1200FY, and 25CS1150AFY, which are characterized by lower iron loss, higher magnetic flux and higher strength for drive motors in electric vehicles. The Company has successfully made such products sourced by major electric vehicle manufacturers and has become a critical supplier of electrical sheets.

B. Cross-Generational Automotive Steel: To meet lightweight and safety requirements, advanced high-strength steel has become the most important technology development trend of vehicle structural components. Aside from developing a series of advanced ultra-high strength steels with excellent functions for automotive application, such as ultra-high strength cold-rolled CSC CR1300T cold working auto steel, hot-rolled 80 kg hole-expansion steel, and hot-rolled CP780 complex-phase steel, the Company also

endeavors to develop steel products with higher strength and hole-expansion to fill the gap in the industry's supply chain by supplying domestic and overseas automobile brands.

C. **Advanced Alloy Steels:** In response to demand of high-quality products for mechanical hardware and automotive parts, the Company has increased the carbon content of steels and added chrome alloy and molybdenum alloy to steels with the aim of enhancing its heat treatment and hardibility. To meet the demand of customers for materials that are easy to process, the Company also actively engaged in the development of differentiated products with low hardness and high spheroidization rates, such as SK85 and SK95 high-carbon tool steels, chrome-molybdenum steel, 6150 chrome-vanadium steel, high-alloy chain steel, and fine-blanked steel with high dimensional accuracy, which is to keep leading the industrial upgrading and expanding business opportunities in the customization segment.

(II) **Intelligent manufacturing technologies**

A. In addition to completing the construction of 11 base stations at outdoor and indoor 5G Artificial Intelligence of Things (AIoT) demonstration sites, the Company has also developed nine 5G AIoT application technologies, including remote control of dangerous equipment, driver assistance for railway slag cars, virtual collaboration with foreign experts, and digital guide, thereby becoming the first large corporation in Taiwan to introduce 5G private networks. The Company will expand the domains for 5G AIoT application and develop more application technologies to speed up the growth of intelligent manufacturing.

B. The Company has completed the development of online real-time sinter particle size analysis technology, which applies deep learning-based object detection technology and computer vision algorithms to realize intelligent analysis of sinter particle size. With large-scale sampling and real-time

analysis online, this intelligent technology is able to overcome various problems with manual detection conducted every 4 hours, such as slow feedback and susceptibility to distortion. In addition, it can also provide a wide range of particle size data such as size distribution and ratios for operator's reference. Upon testing, the average sinter particle size identified by the intelligent model is found to be about 8.6% different from manual measurement results. The Company will officially introduce the intelligent model, continue to improve its accuracy of identification and expand it to other sinter plant.

C. The Company has completed the development of intelligent mechanical property prediction technology for Thermo Mechanical Control Process (TMCP) plates, which combines physical metallurgy theory and artificial intelligence (AI) technology to analyze the relationships between process parameters and the mechanical properties of plates. From the composition of incoming materials in the upstream sector to the tempering and rectification of abnormal plates in the final stage, the Company has established four intelligent technologies, which are able to predict the mechanical properties of TMCP plates and optimize the corresponding parameters according to different compositions and variations in the environment. By dynamically adjusting the process parameters, the rejection rate for plates due to non-compliance of mechanical properties has been successfully reduced from 0.87% to 0.37%.

(III) Energy saving, carbon reduction and environmental protection technologies

A. The Company has completed the construction of Taiwan's first pilot line for the project "Co-production of Steel and Chemicals," which can not only be used for the development of production technologies in "Co-production of Steel and Chemicals," such as BF & BOF gas pressure swing adsorption technology for CO and CO<sub>2</sub> capture and key adsorbent development and

process prediction models, but also serve as a platform for technical cooperation with the Industrial Technology Research Institute (ITRI) and collaboration with partners in the petrochemical industry. The Company is currently working with partners in the petrochemical industry to form the “Steel-Chemical Co-production Alliance” and plan the demonstration site for “Co-production of Steel and Chemicals.”

- B. In an effort to implement a diverse range of carbon reduction pathways, the Company has collaborated with National Cheng Kung University on the National Science and Technology Council’s Forward-looking Technology Industry-Academia Collaboration Project titled “Development of Low-carbon Ironmaking Technology in Blast Furnace,” which was approved for implementation in November 2022. Aimed at gathering domestic R&D capabilities of the industry, academia, and research institutions to develop next-generation low-carbon ironmaking technologies that are suitable for Taiwan, this project plans to develop three categories of technology: (1) low-carbon material operation, (2) injection of hydrogen-rich gases, (3) increase of reducing gas concentration through CO<sub>2</sub> removal of top gas for re-injection, and apply them to the Company’s blast furnaces to realize the benefits of carbon reduction.
- C. The Company has completed the filing of the Innovation Program titled “Development of Low-energy Carbon Capture and Utilization Technology,” which will involve the construction of a pilot site capable of capturing 500 tons of CO<sub>2</sub> each year as a R&D platform to develop high-efficiency operations and low-energy carbon capture technology. This project can not only reduce energy consumption and carbon emissions, enhance the effectiveness of carbon reduction, and reduce the cost of carbon capture on the basis of existing commercial carbon capture processes, but also ensure that the CO<sub>2</sub> produced can meet carbon storage requirements.

## Attachment 2

### **China Steel Corporation Audit Committee's Audit Report**

The Board of Directors has prepared the Company's 2022 Financial Statements audited by Deloitte & Touche Taiwan, earnings distribution plan and business report. The Audit Committee has reviewed the aforementioned financial statements and documents, and concluded all information is presented fairly. We hereby submit this report pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

2023 Annual General Shareholders' Meeting

China Steel Corporation

Convener of the Audit Committee:



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Lan-Feng Kao

February 24, 2023



## **China Steel Corporation and Subsidiaries**

**Consolidated** Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditors' Report

## **INDEPENDENT AUDITORS' REPORT**

China Steel Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of China Steel Corporation (the "Corporation") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

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

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 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.

Key audit matters of the Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2022 are stated as follows:

#### **Recognition of Revenue from Sale of Goods of Steel Department**

The Corporation and its subsidiaries manufacture and sell steel products and engage in mechanical, communications, and electrical engineering. Revenue from sale of goods of steel department represented over 70% of the total operating revenue. Revenue recognition is presumed to be significant risk as revenue is subject to fluctuation in terms of market demand and it is the main focus of the users of financial report; therefore, revenue recognition was deemed to be a key audit matter. Refer to Notes 4, 24 and 35 to the consolidated financial statements for the related accounting policies and disclosures on sales revenue.

Our audit procedures performed included the following:

1. We understood the design and implementation of the procedures regarding approval of sales order, shipping and cash collection process of the Corporation's steel department.
2. We evaluated the appropriateness of the recorded sales amounts by checking the nature, quantities, unit price, sales to major customers and sales of major goods of the Corporation's steel department sales; we also reviewed comparative information of a two-year period.
3. We verified the occurrence and validity of the specific goods and customers by confirming the customer information, the correctness on the shipping documents or bill of lading and cash collection receipts.
4. We obtained subsequent details of the abovementioned specific goods and customers and checked whether there were any material and unusual sales returns and allowances and confirmed the appropriateness of accounting treatment and presentation.

### **Other Matter**

We have also audited the standalone financial statements of China Steel Corporation as of and for the years ended December 31, 2022 and 2021 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee or supervisors, are responsible for overseeing the Corporation and its subsidiaries' financial reporting process.

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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.

The engagement partners on the audits resulting in this independent auditors' report are Jui-Hsuan Hsu and Jr-Shian Ke.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 24, 2023

Notice to Readers

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

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

# CHINA STEEL CORPORATION AND SUBSIDIARIES

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

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 29,197,614	5	\$ 23,969,128	4
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,629,089	-	2,610,451	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 5 and 8)	5,428,806	1	6,228,593	1
Financial assets for hedging - current (Notes 4 and 9)	3,125,323	-	1,483,163	-
Contract assets - current (Notes 4 and 24)	7,172,302	1	8,298,068	1
Notes receivable (Notes 4 and 10)	1,906,064	-	2,241,592	-
Notes receivable - related parties (Notes 4, 10 and 30)	272	-	557	-
Accounts receivable, net (Notes 4 and 10)	11,315,075	2	15,519,834	2
Accounts receivable - related parties (Notes 4, 10 and 30)	114,832	-	416,810	-
Other receivables (Notes 4 and 30)	2,075,383	-	4,118,509	1
Current tax assets	79,688	-	628,373	-
Inventories (Notes 4, 5 and 11)	131,515,763	20	129,532,646	20
Non-current assets held for sale (Note 4)	-	-	315,557	-
Other financial assets - current (Notes 13 and 31)	9,130,272	1	10,152,556	1
Other current assets	6,674,611	1	4,499,511	1
Total current assets	<u>210,365,094</u>	<u>31</u>	<u>210,015,348</u>	<u>31</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	869,532	-	921,949	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	48,614,893	7	53,673,631	8
Financial assets for hedging - noncurrent (Notes 4 and 9)	814,630	-	224	-
Investments accounted for using the equity method (Notes 4 and 12)	14,565,313	2	13,419,640	2
Property, plant and equipment (Notes 4, 14 and 31)	370,248,034	56	370,663,701	55
Right-of-use assets (Notes 4, 15 and 31)	12,323,990	2	12,488,317	2
Investment properties (Notes 4, 16 and 31)	9,759,107	1	9,438,554	1
Intangible assets (Note 4)	1,343,993	-	1,478,279	-
Deferred tax assets (Notes 4 and 26)	8,262,336	1	8,881,613	1
Refundable deposits	1,070,477	-	1,104,101	-
Other financial assets - noncurrent (Notes 13 and 31)	3,185,310	-	3,012,629	-
Other noncurrent assets	2,346,688	-	2,896,983	-
Total noncurrent assets	<u>473,404,303</u>	<u>69</u>	<u>477,979,621</u>	<u>69</u>
<b>TOTAL</b>	<u>\$ 683,769,397</u>	<u>100</u>	<u>\$ 687,994,969</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings and bank overdraft (Notes 17 and 31)	\$ 49,668,589	7	\$ 33,061,226	5
Short-term bills payable (Note 17)	37,980,878	6	15,836,410	2
Financial liabilities for hedging - current (Notes 4 and 9)	243,447	-	1,283,279	-
Contract liabilities - current (Notes 4 and 24)	4,297,357	1	5,385,147	1
Notes payable	1,545,218	-	1,570,913	-
Accounts payable (Note 19)	14,588,899	2	22,235,715	3
Accounts payable - related parties (Notes 19 and 30)	23,600	-	175,204	-
Other payables (Notes 20 and 30)	26,024,196	4	34,065,602	5
Current tax liabilities	3,772,877	1	13,331,213	2
Provisions - current (Notes 4 and 21)	5,737,290	1	6,831,852	1
Lease liabilities - current (Notes 4 and 15)	1,255,361	-	963,887	-
Current portion of bonds payable (Note 18)	12,224,635	2	17,474,085	3
Current portion of long-term bank borrowings (Notes 17 and 31)	5,220,738	1	4,647,406	1
Refund liabilities - current	2,466,410	-	3,698,912	1
Other current liabilities	1,396,851	-	1,369,894	-
Total current liabilities	<u>166,446,346</u>	<u>25</u>	<u>161,930,745</u>	<u>24</u>
<b>NONCURRENT LIABILITIES</b>				
Financial liabilities for hedging - noncurrent (Notes 4 and 9)	1,046,631	-	139,082	-
Contract liabilities - noncurrent (Note 24)	37,575	-	72,086	-
Bonds payable (Note 18)	50,122,943	7	62,336,121	9
Long-term bank borrowings (Notes 17 and 31)	51,571,254	8	26,442,943	4
Long-term bills payable (Note 17)	26,557,580	4	14,392,922	2
Provisions - noncurrent (Notes 4 and 21)	821,937	-	1,074,359	-
Deferred tax liabilities (Notes 4 and 26)	13,757,387	2	14,583,004	2
Lease liabilities - noncurrent (Notes 4 and 15)	9,727,326	1	10,112,044	1
Net defined benefit liabilities (Notes 4 and 22)	5,605,470	1	8,761,472	1
Other noncurrent liabilities	1,229,504	-	1,195,171	-
Total noncurrent liabilities	<u>160,477,607</u>	<u>23</u>	<u>139,109,204</u>	<u>19</u>
Total liabilities	<u>326,923,953</u>	<u>48</u>	<u>301,039,949</u>	<u>43</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23)</b>				
Share capital				
Ordinary shares	157,348,610	23	157,348,610	23
Preference shares	382,680	-	382,680	-
Total share capital	<u>157,731,290</u>	<u>23</u>	<u>157,731,290</u>	<u>23</u>
Capital surplus	40,275,115	6	39,238,636	6
Retained earnings				
Legal reserve	72,765,975	11	66,611,343	10
Special reserve	26,914,657	4	27,639,574	4
Unappropriated earnings	35,708,731	5	70,863,295	10
Total retained earnings	<u>135,389,363</u>	<u>20</u>	<u>165,114,212</u>	<u>24</u>
Other equity	(4,844,120)	(1)	(4,405,952)	(1)
Treasury shares	(8,649,421)	(1)	(8,649,421)	(1)
Total equity attributable to owners of the Corporation	319,902,227	47	349,028,765	51
<b>NON-CONTROLLING INTERESTS</b>	<u>36,943,217</u>	<u>5</u>	<u>37,926,255</u>	<u>6</u>
Total equity	<u>356,845,444</u>	<u>52</u>	<u>386,955,020</u>	<u>57</u>
<b>TOTAL</b>	<u>\$ 683,769,397</u>	<u>100</u>	<u>\$ 687,994,969</u>	<u>100</u>

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

# CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24, 30 and 35)	\$ 449,567,488	100	\$ 468,327,501	100
OPERATING COSTS (Notes 11, 25 and 30)	<u>417,665,025</u>	<u>93</u>	<u>373,012,890</u>	<u>80</u>
GROSS PROFIT	<u>31,902,463</u>	<u>7</u>	<u>95,314,611</u>	<u>20</u>
OPERATING EXPENSES				
Selling and marketing expenses	4,535,448	1	5,102,276	1
General and administrative expenses	6,942,993	2	7,894,624	2
Research and development expenses	2,155,001	-	2,435,385	-
Expected credit loss	<u>3,668</u>	<u>-</u>	<u>125,053</u>	<u>-</u>
Total operating expenses	<u>13,637,110</u>	<u>3</u>	<u>15,557,338</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>18,265,353</u>	<u>4</u>	<u>79,757,273</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 25)	469,573	-	228,589	-
Other income (Notes 25 and 30)	3,398,133	1	4,320,278	1
Other gains and losses (Note 25)	2,040,211	1	690,795	-
Finance costs (Notes 4 and 25)	(2,493,407)	(1)	(1,761,141)	-
Share of the profit of associates	<u>1,578,733</u>	<u>-</u>	<u>1,177,854</u>	<u>-</u>
Total non-operating income and expenses	<u>4,993,243</u>	<u>1</u>	<u>4,656,375</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	23,258,596	5	84,413,648	18
INCOME TAX (Notes 4 and 26)	<u>5,263,537</u>	<u>1</u>	<u>15,507,576</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>17,995,059</u>	<u>4</u>	<u>68,906,072</u>	<u>15</u>
OTHER COMPREHENSIVE INCOME (Notes 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	2,130,361	-	(863,212)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(5,476,493)	(1)	(376,646)	-
Gains and losses on hedging instruments	1,012,013	-	43,796	-

(Continued)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Share of the other comprehensive income (loss) of associates	\$ (19,497)	-	\$ 39,462	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	1,089,780	-	963,854	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	3,636,755	1	(2,182,474)	-
Unrealized gains and losses on investments in debt instruments designated as at fair value through other comprehensive income	5	-	(494)	-
Gains and losses on hedging instruments	58,485	-	-	-
Share of the other comprehensive income of associates	450,815	-	399,121	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	(102,446)	-	4,310	-
Other comprehensive income (loss) for the year, net of income tax	<u>2,779,778</u>	<u>-</u>	<u>(1,972,283)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 20,774,837</u>	<u>4</u>	<u>\$ 66,933,789</u>	<u>15</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 17,783,775	4	\$ 62,053,033	13
Non-controlling interests	<u>211,284</u>	<u>-</u>	<u>6,853,039</u>	<u>2</u>
	<u>\$ 17,995,059</u>	<u>4</u>	<u>\$ 68,906,072</u>	<u>15</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 18,802,851	4	\$ 60,327,896	14
Non-controlling interests	<u>1,971,986</u>	<u>-</u>	<u>6,605,893</u>	<u>1</u>
	<u>\$ 20,774,837</u>	<u>4</u>	<u>\$ 66,933,789</u>	<u>15</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 1.15</u>		<u>\$ 4.02</u>	
Diluted	<u>\$ 1.15</u>		<u>\$ 3.98</u>	

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

(Concluded)



# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Corporation							Other Equity				Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
	Share Capital			Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Gains and Losses on Hedging Instruments	Total Other Equity	Treasury Shares			
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings								
BALANCE AT JANUARY 1, 2021	\$ 157,348,610	\$ 382,680	\$ 39,077,456	\$ 66,532,412	\$ 27,912,065	\$ 13,897,589	\$ (7,528,950)	\$ 543,417	\$ 3,797,864	\$ (3,187,669)	\$ (8,664,198)	\$ 293,298,945	\$ 29,808,036	\$ 323,106,981
Appropriation of 2020 earnings (Note 23)	-	-	-	78,931	-	(78,931)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	78,931	-	(78,931)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(272,355)	272,355	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NTS\$0.3 per share	-	-	-	-	-	(4,720,458)	-	-	-	-	-	(4,720,458)	-	(4,720,458)
Cash dividends to preference shareholders - NTS\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(136)	136	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	62,053,033	-	-	-	-	-	62,053,033	6,853,039	68,906,072
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(612,252)	(1,638,132)	513,958	11,289	(1,112,885)	-	(1,725,137)	(247,146)	(1,972,283)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	61,440,781	(1,638,132)	513,958	11,289	(1,112,885)	-	60,327,896	6,605,893	66,933,789
Disposal of the Corporation's shares held by subsidiaries	-	-	760	-	-	-	-	-	-	-	11,241	12,001	-	12,001
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	96,122	-	-	-	-	-	-	-	-	96,122	-	96,122
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,512,326	1,512,326
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	105,398	-	(105,398)	-	(105,398)	-	-	-	-
Adjustment of other equity	-	-	64,298	-	-	-	-	-	-	-	3,536	67,834	-	67,834
BALANCE AT DECEMBER 31, 2021	\$ 157,348,610	\$ 382,680	\$ 39,238,636	\$ 66,611,343	\$ 27,639,574	\$ 70,863,295	\$ (9,167,082)	\$ 951,977	\$ 3,809,153	\$ (4,405,952)	\$ (8,649,421)	\$ 349,028,765	\$ 37,926,255	\$ 386,955,020
BALANCE AT JANUARY 1, 2022	\$ 157,348,610	\$ 382,680	\$ 39,238,636	\$ 66,611,343	\$ 27,639,574	\$ 70,863,295	\$ (9,167,082)	\$ 951,977	\$ 3,809,153	\$ (4,405,952)	\$ (8,649,421)	\$ 349,028,765	\$ 37,926,255	\$ 386,955,020
Appropriation of 2021 earnings (Note 23)	-	-	-	6,154,632	-	(6,154,632)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	6,154,632	-	(6,154,632)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(723,473)	723,473	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NTS\$3.1 per share	-	-	-	-	-	(48,778,069)	-	-	-	-	-	(48,778,069)	-	(48,778,069)
Cash dividends to preference shareholders - NTS\$3.1 per share	-	-	-	-	-	(118,631)	-	-	-	-	-	(118,631)	-	(118,631)
Reversal of special reserve	-	-	-	-	(1,444)	1,444	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2022	-	-	-	-	-	17,783,775	-	-	-	-	-	17,783,775	211,284	17,995,059
Other comprehensive income for the year ended December 31, 2022, net of income tax	-	-	-	-	-	1,510,147	2,858,316	(4,051,776)	702,389	(491,071)	-	1,019,076	1,760,702	2,779,778
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	-	19,293,922	2,858,316	(4,051,776)	702,389	(491,071)	-	18,802,851	1,971,986	20,774,837
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	992,493	-	-	-	-	-	-	-	-	992,493	-	992,493
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	36,424	-	-	-	-	-	-	-	-	36,424	-	36,424
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,955,024)	(2,955,024)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(52,903)	-	52,903	-	52,903	-	-	-	-
Adjustment of other equity	-	-	7,562	-	-	(69,168)	-	-	-	-	-	(61,606)	-	(61,606)
BALANCE AT DECEMBER 31, 2022	\$ 157,348,610	\$ 382,680	\$ 40,275,115	\$ 72,765,975	\$ 26,914,657	\$ 35,708,731	\$ (6,308,766)	\$ (3,046,896)	\$ 4,511,542	\$ (4,844,120)	\$ (8,649,421)	\$ 319,902,227	\$ 36,943,217	\$ 356,845,444

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

# CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 23,258,596	\$ 84,413,648
Adjustments for:		
Depreciation expense	34,090,752	32,461,671
Amortization expense	258,594	265,436
Expected credit loss recognized	3,668	125,053
Net gain on financial assets and liabilities at fair value through profit or loss	(1,819)	(541,576)
Finance costs	2,493,407	1,761,141
Interest income	(469,573)	(228,589)
Dividend income	(2,019,682)	(3,610,743)
Share of the profit of associates	(1,592,744)	(1,215,491)
Gain (loss) on disposal of property, plant and equipment	(386,983)	178,139
Gain on disposal of investment properties	-	(26,755)
Gain on disposal of right-of-use assets	(787,950)	-
Gain on disposal of non-current assets held for sale	(44,561)	(33,545)
Gain on disposal of investments	(51,704)	(33,033)
Impairment loss recognized on financial assets	-	3,878
Write-down of inventories	5,881,807	2,014,820
Impairment loss recognized on non-financial assets	26,491	3,369,085
Recognition (reversal) of provisions	(1,178,039)	576,180
Others	29,046	30,785
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	188,578	(228,664)
Financial assets for hedging	(1,457,522)	(97,173)
Contract assets	1,134,982	1,893,484
Notes receivable	335,528	(638,699)
Notes receivable - related parties	285	118,432
Accounts receivable	4,206,931	(4,144,546)
Accounts receivable - related parties	301,978	(217,186)
Other receivables	2,199,970	(2,275,959)
Inventories	(7,900,052)	(55,361,848)
Other current assets	(2,191,189)	(1,107,903)
Financial liabilities for hedging	63,619	(62,883)
Contract liabilities	(1,122,301)	(107,352)
Notes payable	(25,695)	9,605
Accounts payable	(7,646,816)	5,097,188
Accounts payable - related parties	(151,604)	137,616
Other payables	(7,205,716)	10,559,172
Provisions	(173,717)	(216,228)
Other current liabilities	26,957	(31,018)
Net defined benefit liabilities	(1,025,641)	(1,369,636)
Refund liabilities	(1,232,502)	1,549,963

(Continued)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Cash generated from operations	\$ 37,835,379	\$ 73,016,469
Income taxes paid	<u>(13,492,194)</u>	<u>(1,712,720)</u>
Net cash generated from operating activities	<u>24,343,185</u>	<u>71,303,749</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(2,872,659)	(8,194,697)
Proceeds from disposal of financial assets at fair value through other comprehensive income	3,498,590	7,687,917
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	8,749	-
Acquisition of financial assets at fair value through profit or loss	(4,960,110)	(7,472,949)
Proceeds from disposal of financial assets at fair value through profit or loss	4,960,232	9,886,910
Derecognition of financial liabilities for hedging	-	(631,020)
Acquisition of investments accounted for using the equity method	(507,433)	-
Proceeds from disposal of investments accounted for using the equity method	197,250	83,438
Disposal of subsidiaries	11,880	28,856
Proceeds from the capital reduction on investments accounted for using the equity method	424,680	20,647
Proceeds from disposal of non-current assets held for sale	367,807	176,233
Acquisition of property, plant and equipment	(31,878,166)	(21,065,106)
Proceeds from disposal of property, plant and equipment	1,219,665	121,631
Decrease (increase) in refundable deposits	38,831	(457,003)
Acquisition of intangible assets	(79,745)	(39,328)
Acquisition of right-of-use assets	-	(1,397)
Disposal of right-of-use assets	679,912	-
Acquisition of investment properties	(188,553)	-
Proceeds from disposal of investment properties	-	60,185
Decrease (increase) in other financial assets	849,603	(1,483,908)
Decrease in other noncurrent assets	486,654	187,375
Interest received	459,870	234,316
Dividends received from associates	1,203,980	1,087,867
Dividends received from others	<u>2,026,356</u>	<u>3,600,701</u>
Net cash used in investing activities	<u>(24,052,607)</u>	<u>(16,169,332)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	329,562,535	248,531,047
Repayments of short-term borrowings	(312,470,686)	(239,606,200)
Proceeds from short-term bills payable	128,244,634	129,521,775
Repayments of short-term bills payable	(106,100,166)	(145,757,683)

(Continued)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Repayments of bonds payable	\$ (17,475,000)	\$ (17,400,000)
Proceeds from long-term bank borrowings	101,422,458	34,937,675
Repayments of long-term bank borrowings	(76,329,911)	(48,101,224)
Proceeds from long-term bills payable	31,391,876	3,979,156
Repayments of long-term bills payable	(19,227,219)	(8,259,891)
Repayment of principal of lease liabilities	(1,198,577)	(992,141)
Increase in other noncurrent liabilities	34,333	60,084
Dividends paid to owners of the Corporation	(48,872,707)	(4,778,721)
Acquisition of additional interests in subsidiary	(386,303)	-
Partial disposal of interests in subsidiaries without loss of control	3,916	32,655
Interest paid	(2,841,083)	(2,238,443)
Decrease (increase) in non-controlling interests	<u>(2,955,024)</u>	<u>1,512,326</u>
Net cash generate (used) in financing activities	<u>2,803,076</u>	<u>(48,559,585)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>3,137,477</u>	<u>(410,591)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,231,131	6,164,241
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>18,970,605</u>	<u>12,806,364</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 25,201,736</u>	<u>\$ 18,970,605</u>
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2022 and 2021:		
Cash and cash equivalents in the consolidated balance sheets	\$ 29,197,614	\$ 23,969,128
Bank overdraft	<u>(3,995,878)</u>	<u>(4,998,523)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 25,201,736</u>	<u>\$ 18,970,605</u>

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

(Concluded)

## **China Steel Corporation**

**Standalone** Financial Statements for the  
Years Ended December 31, 2022 and 2021 and  
Independent Auditors' Report

## **INDEPENDENT AUDITORS' REPORT**

China Steel Corporation

### **Opinion**

We have audited the accompanying standalone financial statements of China Steel Corporation (the "Corporation"), which comprise the standalone balance sheets as of December 31, 2022 and 2021, the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the standalone financial statements, including a summary of significant accounting policies (collectively referred to as the "standalone financial statements").

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2022 and 2021, its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Corporation's standalone financial statements for the year ended December 31, 2022 are stated as follows:

#### **Recognition of Revenue from Sale of Goods of Steel Department**

The Corporation manufactures and sells steel products and engages in mechanical, communications, and electrical engineering. Revenue from sale of goods of steel department represented over 90% of the total operating revenue. Revenue recognition is presumed to be significant risk as revenue is subject to fluctuation in terms of market demand and it is the main focus of the users of financial report; therefore, revenue recognition was deemed to be a key audit matter. Refer to Notes 4 and 23 to the Corporation's standalone financial statements for the related accounting policies and disclosures on sales revenue.

Our audit procedures performed included the following:

1. We understood the design and implementation of the procedures regarding approval of sales order, shipping and cash collection process of the Corporation's steel department.
2. We evaluated the appropriateness of the recorded sales amounts by checking the nature, quantities, unit price, sales to major customers and sales of major goods of the Corporation's steel department sales; we also reviewed comparative information of a two-year period.
3. We verified the occurrence and validity of the specific goods and customers by confirming the customer information, the correctness on the shipping documents or bill of lading and cash collection receipts.
4. We obtained subsequent details of the abovementioned specific goods and customers and checked whether there were any material and unusual sales returns and allowances and confirmed the appropriateness of accounting treatment and presentation.

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

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the Corporation's financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 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.

The engagement partners on the audits resulting in this independent auditors' report are Jui-Hsuan Hsu and Jr-Shian Ke.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 24, 2023

Notice to Readers

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

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



# China Steel Corporation

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

ASSETS	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,561,255	1	\$ 3,755,569	1
Financial assets for hedging - current (Notes 4, 9 and 28)	1,044,981	-	382,328	-
Contract assets - current (Notes 4 and 23)	839,682	-	179,901	-
Notes receivable (Notes 4 and 10)	627,670	-	998,439	-
Accounts receivable, net (Notes 4 and 10)	2,670,527	1	3,666,782	1
Accounts receivable - related parties (Notes 4, 10 and 29)	910,033	-	2,245,295	1
Other receivables	2,133,633	1	2,742,493	1
Other receivables - loans to related parties (Note 29)	5,960,000	1	6,962,000	1
Current tax assets	7,675	-	285,201	-
Inventories (Notes 4, 5 and 11)	67,110,255	14	68,933,671	14
Other financial assets - current (Notes 13 and 30)	6,289,568	1	6,681,289	1
Other current assets	1,187,304	-	896,757	-
Total current assets	92,342,583	19	97,729,725	20
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	712,241	-	731,198	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	39,490,069	8	39,251,278	8
Financial assets for hedging - noncurrent (Notes 4, 9 and 28)	59,177	-	210	-
Investments accounted for using the equity method (Notes 4, 12 and 30)	189,718,151	40	201,220,220	40
Property, plant and equipment (Notes 4, 14 and 29)	144,919,933	30	147,119,445	29
Right-of-use assets (Notes 4 and 15)	1,173,620	-	1,158,745	-
Investment properties (Notes 4 and 16)	7,316,012	2	7,336,879	2
Intangible assets	-	-	4,978	-
Deferred tax assets (Notes 4 and 25)	2,948,391	1	3,472,579	1
Refundable deposits	442,230	-	705,129	-
Prepayments for investments (Note 12)	-	-	1,250,000	-
Total noncurrent assets	386,779,824	81	402,250,661	80
<b>TOTAL</b>	<b>\$ 479,122,407</b>	<b>100</b>	<b>\$ 499,980,386</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings and bank overdraft (Notes 17, 29 and 30)	\$ 25,365,690	5	\$ 12,891,338	3
Short-term bills payable (Note 17)	13,476,961	3	-	-
Financial liabilities for hedging - current (Notes 4, 9, 17 and 28)	1,242	-	1,096,047	-
Contract liabilities - current (Notes 4 and 23)	1,452,353	-	1,701,331	-
Accounts payable	4,468,055	1	6,447,758	1
Accounts payable - related parties (Note 29)	954,646	-	3,298,103	1
Other payables (Notes 19 and 29)	15,931,393	3	22,824,106	5
Current tax liabilities (Note 25)	2,135,370	-	7,266,069	1
Provisions - current (Notes 4 and 20)	2,990,709	1	4,318,852	1
Lease liabilities - current (Notes 4 and 15)	353,725	-	269,303	-
Current portion of bonds payable (Note 18)	8,349,635	2	12,349,085	3
Long-term bank borrowings (Note 17)	-	-	1,500,000	-
Refund liabilities - current	2,275,656	1	3,456,564	1
Other current liabilities	406,548	-	482,572	-
Total current liabilities	78,161,983	16	77,901,128	16
<b>NONCURRENT LIABILITIES</b>				
Financial liabilities for hedging - noncurrent (Notes 4, 9, 17 and 28)	1,046,139	-	17,167	-
Bonds payable (Note 18)	39,880,933	8	48,224,053	10
Long-term bank borrowings (Note 17)	11,500,000	3	-	-
Long-term bills payable (Note 17)	11,495,715	2	5,897,934	1
Deferred tax liabilities (Notes 4 and 25)	11,992,858	3	11,712,835	2
Lease liabilities - noncurrent (Notes 4 and 15)	820,848	-	896,263	-
Net defined benefit liabilities (Note 21)	4,321,704	1	6,302,241	1
Total noncurrent liabilities	81,058,197	17	73,050,493	14
Total liabilities	159,220,180	33	150,951,621	30
<b>EQUITY (Notes 4 and 22)</b>				
Share capital				
Ordinary shares	157,348,610	33	157,348,610	32
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	33	157,731,290	32
Capital surplus	40,275,115	9	39,238,636	8
Retained earnings				
Legal reserve	72,765,975	15	66,611,343	13
Special reserve	26,914,657	6	27,639,574	6
Unappropriated earnings	35,708,731	7	70,863,295	14
Total retained earnings	135,389,363	28	165,114,212	33
Other equity	(4,844,120)	(1)	(4,405,952)	(1)
Treasury shares	(8,649,421)	(2)	(8,649,421)	(2)
Total equity	319,902,227	67	349,028,765	70
<b>TOTAL</b>	<b>\$ 479,122,407</b>	<b>100</b>	<b>\$ 499,980,386</b>	<b>100</b>

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

# China Steel Corporation

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 29)	\$ 250,600,629	100	\$ 259,782,471	100
OPERATING COSTS (Notes 11 and 29)	<u>232,344,138</u>	<u>93</u>	<u>209,566,237</u>	<u>81</u>
GROSS PROFIT	18,256,491	7	50,216,234	19
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>583,055</u>	<u>-</u>	<u>(299,640)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>18,839,546</u>	<u>7</u>	<u>49,916,594</u>	<u>19</u>
OPERATING EXPENSES				
Selling and marketing expenses	2,693,404	1	2,975,236	1
General and administrative expenses	3,116,084	1	4,141,417	2
Research and development expenses	<u>2,148,436</u>	<u>1</u>	<u>2,395,668</u>	<u>1</u>
Total operating expenses	<u>7,957,924</u>	<u>3</u>	<u>9,512,321</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>10,881,622</u>	<u>4</u>	<u>40,404,273</u>	<u>15</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 24 and 29)	167,477	-	80,141	-
Other income (Notes 24 and 29)	1,893,385	1	1,490,174	1
Other gains and losses (Notes 24 and 29)	199,705	-	201,065	-
Finance costs (Notes 24 and 29)	(996,693)	-	(795,980)	-
Share of profit or loss of subsidiaries and associates	<u>8,221,073</u>	<u>3</u>	<u>29,671,674</u>	<u>11</u>
Total non-operating income and expenses	<u>9,484,947</u>	<u>4</u>	<u>30,647,074</u>	<u>12</u>
PROFIT BEFORE INCOME TAX	20,366,569	8	71,051,347	27
INCOME TAX EXPENSE (Notes 4 and 25)	<u>2,582,794</u>	<u>1</u>	<u>8,998,314</u>	<u>3</u>
NET PROFIT FOR THE YEAR	<u>17,783,775</u>	<u>7</u>	<u>62,053,033</u>	<u>24</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	1,292,493	1	(628,138)	-

(Continued)

## China Steel Corporation

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

	For the Year Ended December 31			
	2022		2021	
	Amount	%	Amount	%
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	\$ 238,791	-	\$ 1,024,622	-
Gains and losses on hedging instruments	224,031	-	98,087	-
Share of the other comprehensive income of subsidiaries and associates	(3,293,217)	(1)	(714,062)	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	(301,338)	-	132,486	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	2,256,946	1	(1,508,504)	(1)
Share of the other comprehensive income of subsidiaries and associates	<u>601,370</u>	<u>-</u>	<u>(129,628)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>1,019,076</u>	<u>1</u>	<u>(1,725,137)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 18,802,851</u>	<u>8</u>	<u>\$ 60,327,896</u>	<u>23</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 1.15</u>		<u>\$ 4.02</u>	
Diluted	<u>\$ 1.15</u>		<u>\$ 3.98</u>	

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

(Concluded)

# CHINA STEEL CORPORATION

## STANDALONE STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Share Capital		Capital Surplus	Retained Earnings			Other Equity					
	Ordinary Shares	Preference Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Gains and Losses on Hedging Instruments	Total Other Equity	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2021	\$ 157,348,610	\$ 382,680	\$ 39,077,456	\$ 66,532,412	\$ 27,912,065	\$ 13,897,589	\$ (7,528,950)	\$ 543,417	\$ 3,797,864	\$ (3,187,669)	\$ (8,664,198)	\$ 293,298,945
Appropriation of 2020 earnings (Note 22)												
Legal reserve	-	-	-	78,931	-	(78,931)	-	-	-	-	-	-
Special reserve	-	-	-	-	(272,355)	272,355	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.3 per share	-	-	-	-	-	(4,720,458)	-	-	-	-	-	(4,720,458)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(136)	136	-	-	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	62,053,033	-	-	-	-	-	62,053,033
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(612,252)	(1,638,132)	513,958	11,289	(1,112,885)	-	(1,725,137)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	61,440,781	(1,638,132)	513,958	11,289	(1,112,885)	-	60,327,896
Disposal of the Corporation's shares held by subsidiaries	-	-	760	-	-	-	-	-	-	-	11,241	12,001
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	96,122	-	-	-	-	-	-	-	-	96,122
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	105,398	-	(105,398)	-	(105,398)	-	-
Adjustment from changes in equity of subsidiaries and associates	-	-	64,298	-	-	-	-	-	-	-	3,536	67,834
BALANCE AT DECEMBER 31, 2021	157,348,610	382,680	39,238,636	66,611,343	27,639,574	70,863,295	(9,167,082)	951,977	3,809,153	(4,405,952)	(8,649,421)	349,028,765
Appropriation of 2021 earnings (Note 22)												
Legal reserve	-	-	-	6,154,632	-	(6,154,632)	-	-	-	-	-	-
Special reserve	-	-	-	-	(723,473)	723,473	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$3.1 per share	-	-	-	-	-	(48,778,069)	-	-	-	-	-	(48,778,069)
Cash dividends to preference shareholders - NT\$3.1 per share	-	-	-	-	-	(118,631)	-	-	-	-	-	(118,631)
Reversal of special reserve	-	-	-	-	(1,444)	1,444	-	-	-	-	-	-
Net profit for the year ended December 31, 2022	-	-	-	-	-	17,783,775	-	-	-	-	-	17,783,775
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	-	1,510,147	2,858,316	(4,051,776)	702,389	(491,071)	-	1,019,076
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	-	19,293,922	2,858,316	(4,051,776)	702,389	(491,071)	-	18,802,851
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	992,493	-	-	-	-	-	-	-	-	992,493
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	-	36,424	-	-	-	-	-	-	-	-	36,424
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(52,903)	-	52,903	-	52,903	-	-
Adjustment from changes in equity of subsidiaries and associates	-	-	7,562	-	-	(69,168)	-	-	-	-	-	(61,606)
BALANCE AT DECEMBER 31, 2022	\$ 157,348,610	\$ 382,680	\$ 40,275,115	\$ 72,765,975	\$ 26,914,657	\$ 35,708,731	\$ (6,308,766)	\$ (3,046,896)	\$ 4,511,542	\$ (4,844,120)	\$ (8,649,421)	\$ 319,902,227

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

# China Steel Corporation

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 20,366,569	\$ 71,051,347
Adjustments for:		
Depreciation expense	15,236,313	15,118,366
Amortization expense	4,978	9,956
Net gain on financial assets at fair value through profit or loss	(7,640)	(4,930)
Finance costs	996,693	795,980
Interest income	(167,477)	(80,141)
Dividend income	(428,438)	(451,620)
Share of profit of subsidiaries and associates	(8,221,073)	(29,671,674)
Loss on disposal of property, plant and equipment	19,298	42,792
Gain on disposal of investments	(28,415)	-
Write-down of inventories	1,827,517	1,258,710
Impairment loss on non-financial assets	-	663,904
Unrealized (realized) gain on the transactions with subsidiaries and associates	(583,055)	299,640
Recognition (reversal) of provisions	(1,328,143)	30,860
Others	(110,620)	180,798
Changes in operating assets and liabilities		
Financial assets for hedging	(536,825)	92,845
Contract assets	(621,077)	320,982
Notes receivable	370,769	(567,791)
Notes receivable - related parties	-	111,592
Accounts receivable	996,255	(978,654)
Accounts receivable - related parties	1,335,262	(190,840)
Other receivables	613,631	(1,529,279)
Inventories	113,976	(30,815,057)
Other current assets	(290,547)	(132,140)
Contract liabilities	(248,978)	501,089
Accounts payable	(1,979,703)	2,306,618
Accounts payable - related parties	(2,343,457)	2,231,118
Other payables	(6,186,646)	7,173,005
Other current liabilities	(76,024)	(26,117)
Net defined benefit liabilities	(688,044)	(1,115,946)
Refund liabilities	(1,180,908)	1,541,882
Cash generated from operations	16,854,191	38,167,295
Income taxes paid	(6,933,089)	(109,328)
Net cash generated from operating activities	<u>9,921,102</u>	<u>38,057,967</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Derecognition of financial liabilities for hedging	-	(631,020)
Acquisition of property, plant and equipment	(13,246,704)	(14,050,610)
Proceeds from disposal of property, plant and equipment	45	88,503

(Continued)

# China Steel Corporation

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

	<b>For the Year Ended December 31</b>	
	<b>2022</b>	<b>2021</b>
Increase in refundable deposits	\$ -	\$ (459,564)
Decrease in refundable deposits	262,899	-
Increase in other receivables - loans to related parties	-	(1,268,000)
Decrease in other receivables - loans to related parties	1,002,000	-
Net cash inflow on acquisition of subsidiary	-	46,173
Increase in other financial assets	-	(644,101)
Decrease in other financial assets	391,721	-
Interest received	155,397	78,449
Dividends received from subsidiaries and associates	21,349,387	9,586,658
Dividends received from others	435,748	442,182
Proceeds from liquidation of subsidiaries	408,554	-
Proceeds from the capital reduction of associates	<u>233,361</u>	<u>-</u>
Net cash generated (used in) investing activities	<u>10,992,408</u>	<u>(6,811,330)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	63,264,960	10,007,707
Repayments of short-term borrowings	(49,474,183)	(8,855,043)
Proceeds from short-term bills payable	34,876,961	22,950,908
Repayments of short-term bills payable	(21,400,000)	(26,950,000)
Repayments of bonds payable	(12,350,000)	(10,950,000)
Issuance of long-term bank borrowings	19,500,000	6,000,000
Repayments of long-term bank borrowings	(9,500,000)	(11,500,000)
Proceeds from long-term bills payable	8,597,781	426
Repayments of long-term bills payable	(3,000,000)	(1,000,000)
Repayments of principal of lease liabilities	(356,283)	(318,148)
Dividends paid	(48,872,707)	(4,778,721)
Acquisition of subsidiaries	-	(2,750,430)
Interest paid	(1,203,648)	(1,159,777)
Proceeds from the capital reduction of subsidiaries	125,720	139,350
Increase in prepayments for investments of subsidiaries	<u>-</u>	<u>(1,250,000)</u>
Net cash used in financing activities	<u>(19,791,399)</u>	<u>(30,413,728)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,122,111	832,909
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>(576,563)</u>	<u>(1,409,472)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 545,548</u>	<u>\$ (576,563)</u>

(Continued)

# China Steel Corporation

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

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	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Reconciliation of the amounts in the standalone statements of cash flows with the equivalent items reported in the standalone balance sheets as of December 31, 2022 and 2021:		
Cash and cash equivalents in the standalone balance sheets	\$ 3,561,255	\$ 3,755,569
Bank overdraft	<u>(3,015,707)</u>	<u>(4,332,132)</u>
Cash and cash equivalents in the standalone statements of cash flows	<u>\$ 545,548</u>	<u>\$ (576,563)</u>

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

(Concluded)

## **2. Proposal:**

### **Adoption of the Proposal for Distribution of 2022 Profits**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) The Company's earnings distribution of 2022, as shown in the attached table, is proposed in accordance with the provisions in Article 6 of the Articles of Incorporation of the Company.
- (2) The proposed dividend distribution for preferred shares totaled NT\$1.4 per share in cash. The proposed bonus distribution for common shares totaled NT\$1 per share in cash.
- (3) Upon approval of this earnings distribution by resolution of Shareholders' Meeting, Chairman of the Board will be authorized to set the record date for cash dividend distribution. When distributing cash dividends, the total amount paid to each shareholder shall be in whole NT dollars and any fractional amount less than an NT dollar shall be rounded up to the next NT dollar. The resulting difference shall be recognized as a Company expense.

#### **Resolution:**



### Attachment 3

<b>China Steel Corporation</b>		
<b>2022 Earnings Distribution Table</b>		Unit: NT\$
Undistributed earnings at the beginning of the period		16,535,437,312.39
After-tax earnings of 2022	17,783,774,673.70	
Reverse of special reserve: disposal of fixed assets	1,443,091.00	
Actuarial gains (losses) from defined benefit pension plans (included in retained earnings)	1,033,994,477.00	
Effects resulting from changes in long-term equity investment	354,082,320.00	
Amount to be included in undistributed earnings by adding up after-tax earnings of 2022 and other items (A)		19,173,294,561.70
Deduct: Legal reserve = (A) *10%		(1,917,329,456.00)
Subtotal of distributable earnings		33,791,402,418.09
Distribution of dividends for preferred shares - NT\$1.4 per share (NT\$1.4 in cash)	53,575,199.00	
Distribution of bonus for common shares - NT\$1 per share (NT\$1 in cash)	15,734,860,997.00	
Subtotal of distribution items		(15,788,436,196.00)
Undistributed earnings at the end of the period		18,002,966,222.09

# Extraordinary Motions

# Rules and Regulations

1.

## China Steel Corporation Rules Governing Procedures for Shareholders' Meeting

The Rules are agreed and signed on 1975, firstly amended on 1982, secondly amended on 1984, thirdly amended on 1997, fourthly amended on 2004, fifthly amended on 2006, sixthly amended on 2008, seventhly amended on 2011, eighthly amended on 2012, ninthly amended on 2015, tenthly amended on 2016, eleventhly amended on 2019, twelfthly amended on 2021.

Article 1 Shareholders' Meeting of the Company (the "Meeting"), except as otherwise stipulated by law or the Articles of Incorporation, shall be conducted in accordance with these Rules.

Article 2 Unless relevant laws and regulations provide otherwise, the Company's Meeting shall be convened by the Board of Directors.

Reasons for convening the Regular Meeting or Extraordinary Meeting shall be specified in the notice and announcement given to the shareholders at least thirty days or fifteen days prior to the Meeting date. The notice may be given by means of electronic communication if the Company obtains prior consent by the recipients. The announcement for shareholders who own less than 1,000 shares of nominal stocks may be made as referred to the next paragraph of this Article.

Thirty days before the Company convenes a Regular Meeting or fifteen days before an Extraordinary Meeting, the Company shall prepare electronic files of the Meeting announcement, proxy form, explanatory materials relating to proposals for ratification, matters for deliberation, election or dismissal of directors, and other matters on the Meeting agenda, and upload them to the Market Observation Post System.

Where there are proposals relating to election or dismissal of directors, amendments to the Articles, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, dissolution, merger or spin-off of the Company, or relating to Paragraph 1, Article 185 of the Company Act, Article 43-6 of the Securities Exchange Act, Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, these proposals shall be enumerated in the notice of the reasons for convening the Meeting and extraordinary motions for such proposals shall be prohibited. The essential contents of the above proposals may be posted on the website designated by the competent authority in charge of securities affairs or the Company, and such website shall be indicated in the above notice.

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, such inauguration date shall not be altered by any extraordinary motion or otherwise in the said meeting after the completion of the re-election in the same meeting.

Shareholders holding one percent or more of the total number of outstanding shares may propose in writing to the Company a proposal for discussion at a Regular Meeting, provided only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. Proposals that are under the circumstances as specified in Paragraph 4, Article 172-1 of the Company Act may not be included in the agenda by the Board of Directors.

Prior to the date on which share transfer registration is suspended before convening the Regular

Meeting, the Company shall give a public notice announcing the place and the period for shareholders to submit proposals in writing or by way of electronic transmission. The period for accepting such proposals shall be no less than ten days.

The number of words of a proposal to be submitted by a shareholder shall be limited to no more than three hundred. The shareholder who has submitted a proposal shall attend, in person or by proxy, the Meeting where his/her proposal is to be discussed and shall take part in the discussion of such proposal.

The Company shall, prior to preparing and delivering the Meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the Meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the Meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the Meeting to be convened.

Article 2-1 The Company shall prepare the agenda handbook for the Meeting in compliance with the rules by the competent authorities.

Twenty-one days before the Company is to convene a Regular Meeting, or 15 days before an Extraordinary Meeting, it shall prepare an electronic file of the annual report, annual financial statements, the Meeting notice, the Meeting agenda handbook and the supplemental materials in both Chinese and English, and upload it to the Market Observation Post System. Fifteen days before the Company is to convene a Meeting, it shall prepare the Meeting agenda handbook and supplemental materials and make them available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the Company and the professional stock registrar and transfer agent designated by the Company, and distributed on-site at the Meeting.

Article 3 A shareholder may appoint a proxy to attend a Meeting in his/her behalf by executing a proxy form printed and issued by the Company stating therein the scope of power authorized to the proxy.

A shareholder may only execute one proxy form and appoint one proxy only, and shall serve such written proxy form on the Company no later than five days prior to the date of the Meeting. When two or more written proxy forms are received from one shareholder, the first one received by the Company shall prevail; unless an explicit statement to rescind the previous written proxy form is made in the proxy form which comes later.

After the service of the proxy form on the Company, in case the shareholder issuing the said proxy form intends to attend the Meeting in person or to exercise his/her voting rights in writing or by way of electronic transmission, a proxy rescission notice shall be filed with the Company two days prior to the date of the Meeting. Otherwise, the voting rights exercised by the authorized proxy at the Meeting shall prevail.

Article 3-1 The Company shall state in the Meeting notice that a shareholder who does not attend the Meeting nor authorize a proxy to attend the Meeting may exercise his/her voting rights in writing or by way of electronic transmission. A shareholder who exercises voting rights at a Meeting in writing or by way of electronic transmission shall be deemed to have attended the said Meeting in person, but shall be deemed to have waived his/her voting rights with respect to any extraordinary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said Meeting.

A shareholder who intends to exercise voting rights in writing or by way of electronic transmission as in the preceding paragraph shall serve a declaration of intent on the Company

two days prior to the date of the Meeting, whereas if two or more declarations of the same intention are served on the Company, the first declaration of such intention received shall prevail; unless an explicit statement to rescind the previous declaration is made in the declaration which comes later.

In case a shareholder who has exercised voting rights in writing or by way of electronic transmission intends to attend the Meeting in person, he/she shall, two days prior to the date of the Meeting and in the same manner previously used in exercising his/her voting rights, serve a separate declaration of intent to rescind previous declaration of intent made in exercising the voting rights under the preceding paragraph. In the absence of a timely rescission of the previous declaration of intent, the voting rights exercised in writing or by way of electronic transmission shall prevail. In case a shareholder has exercised voting rights in writing or by way of electronic transmission, and has also authorized a proxy to attend the Meeting, then the voting rights exercised by the authorized proxy for the said shareholder shall prevail.

Article 4 The Meeting shall be convened at the location of the Company or at any place that facilitates shareholder attendance and is suitable for the convening of a Meeting. Starting times of Meetings shall not be earlier than nine o'clock in the morning or later than three o'clock in the afternoon.

Article 5 The Company shall specify the timeframe and location for shareholders' attendance registration, and other important notes.

The aforementioned timeframe for shareholders' attendance registration shall be at least thirty minutes before the time scheduled to start the Meeting. The Company shall set clear sign and assign sufficient numbers of suitable personnel to handle attendance registrations at the location.

Shareholders themselves or the proxies designated by the shareholders (hereinafter, "shareholders") shall be admitted to attend Meetings based on the attendance badge, the attendance sign-in card, and other evidentiary documents. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Solicitors soliciting proxy forms shall also carry proof of identification and have such proof ready for checking.

The Company shall deliver the agenda booklet, the annual report, the attendance badge, the attendance sign-in card, the comments form, the ballot and other Meeting materials to shareholders who attend the Meeting; if Directors are being elected, election ballots should also be enclosed.

For government and corporate shareholders, the number of representatives present at a Meeting is not limited to one person. When a juristic person is commissioned to attend a Meeting, it may only appoint one representative to attend.

Article 6 If the Board of Directors convenes a Meeting, the position of the Chairman of the Meeting is filled by the Chairman of the Board. If the Chairman of the Board takes leave or is unable to exercise functional responsibilities with cause, the Chairman of the Board shall appoint one Director to act as agent. In cases where the Chairman of the Board has not appointed an agent, the Directors will nominate one person from among themselves to act on his/her behalf.

In the case that a Director is appointed to act as the aforementioned Chairman of the Meeting, the Director shall be the one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same provision shall apply mutatis mutandis to the case that the Chairman of the Meeting is acted by the representative of a Juristic Director.

If the Meeting is convened by a person with convening authority other than the Chairman of the

Board, the position of the Chairman of the Meeting is filled by the said authorized convener. If there are two or more authorized conveners, they shall nominate one person from among themselves to fill the position.

Article 7 Meetings convened by the Board of Directors shall be hosted by the Chairman of the Board and attended in person by a majority of the Directors on the Board, the convener of the Audit Committee, and at least one representative from each Board Committees. The attendance shall be recorded in minutes of the Meeting.

The Company may designate retained attorneys, accountants or relevant personnel as nonvoting attendees at Meetings.

Article 8 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the Meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained 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 The calculation basis for attendance at the Meeting shall be shares. Number of shares of shareholders present at the meeting shall be calculated based on the sign-in cards submitted. Should the voting rights at the Meeting be exercised in writing or by way of electronic transmission as in Paragraph 1, Article 3-1, the number of votes thereof shall be included.

During the course of Meetings, the number of votes of shareholders present at the meeting shall be continuously projected on a screen located on the rostrum. If the total number increases, the number should be updated real-time.

Article 10 When the Meeting time arrives, the Chairman of the Meeting shall immediately announce the start of the Meeting and the information on shares with no voting rights as well as the number of shares in attendance, except when a quorum of shareholders representing more than half of the outstanding shares is not present, in which case the Chairman of the Meeting shall announce a postponement of the Meeting. The number of postponements is limited to two, and the total time of the postponements must not exceed one hour. If, after two postponements, there is still not a quorum of shareholders representing more than half of the number of outstanding shares present, with the exception of instances handled in accordance with Paragraph 2, the Chairman of the Meeting shall announce failure to convene the Meeting due to the lack of a quorum.

If, after the two postponements in the preceding paragraph, there is still an insufficient quorum, but shareholders representing one-third or more of outstanding shares are present, the Meeting may be stipulated as a tentative resolution in accordance with Paragraph 1, Article 175 of the Company Act; all shareholders shall be notified of the tentative resolution and another Meeting shall be reconvened within one month. However, special resolution matters stipulated by the Company Act and other regulations or Articles are not applicable in this case.

Prior to the conclusion of the current Meeting, if the number of shares represented by the shareholders present reaches a majority of outstanding shares, the Chairman of the Meeting may resubmit tentative resolutions already made for a vote by the shareholders in accordance with the provisions of Article 174 of the Company Act.

Article 11 For Meetings convened by the Board of Directors, the Meeting agenda shall be set by the Board of Directors. Meetings shall proceed according to the arranged agenda, which must not be changed without a resolution of the Meeting.

For Meetings convened by authorized conveners other than the Board of Directors, the provisions of the preceding paragraph shall apply mutatis mutandis.

Prior to the conclusion of proceedings for the arranged agendas in the preceding two paragraphs (including extraordinary motions), without a resolution, the Chairman of the Meeting must not declare the Meeting adjourned; in the event that the Chairman of the Meeting declares the Meeting adjourned in violation of these rules, the other members of the Board of Directors shall quickly assist shareholders present to follow legal procedures to elect someone to serve as Chairman of the Meeting by a majority vote of the number of votes of shareholders present at the Meeting, in order to continue with the Meeting.

When procedures conclude, after the Chairman of the Meeting has declared the Meeting adjourned in accordance with these rules, shareholders must not elect another Chairman of the Meeting to hold a Meeting at the same site or another site.

Article 12 The Chairman of the Meeting shall strictly enforce these rules from a position of impartiality and detachment to enable the Meeting to proceed smoothly.

Shareholders present are obligated to adhere to these rules, to take the floor politely, and to maintain order in the Meeting venue.

Article 13 Prior to taking the floor, shareholders present must complete a speech note stating the key points to be expressed and the account number and name of the shareholder. The sequence of speakers will be arranged by the Chairman of the Meeting.

Shareholders present that only submit speech notes but do not speak shall be deemed as not having spoken. In the event that the content expressed does not match that of the speech note, the content expressed shall prevail.

Without the consent of the Chairman of the Meeting, each shareholder may speak no more than two times on the same agenda item, and each time may not exceed five minutes. If shareholders' speeches violate provisions or exceed the scope of the agenda item, the Chairman of the Meeting may restrain shareholders from speaking.

When shareholders present take the floor, the other shareholders must not speak to interrupt them unless they have solicited and received the consent of the Chairman of the Meeting and the speaking shareholder; the Chairman of the Meeting shall restrain violators.

In the event that corporate shareholders have designated two or more representatives to attend the Meeting, only one person may speak on the same agenda item.

After the shareholders present have spoken, the Chairman of the Meeting may reply personally or designate the relevant personnel to reply.

Article 14 When the agenda items and the amended and substitute items thereof or extraordinary motions have been well discussed, the Chairman of the Meeting may end the discussion and put them to a vote if he/she deems it appropriate.

Article 15 Each share in a shareholder's possession shall have one voting right, except for shares having restricted/ no voting rights as regulated in Subparagraph 3, Paragraph 1, Article 157 and Paragraph 2, Article 179 of the Company Act, and other related laws and regulations.

For the purposes of resolutions by the Meeting, the number of shares owned by shareholders bearing no voting rights shall be excluded from the calculation of the total number of shares outstanding.

Except when exercising their right to elect Directors, when shareholders have personal interests

in meeting matters, such that there is concern that they may damage the Company's interest, they must not participate in voting, and must not exercise voting rights on behalf of other shareholders. Therefore, the number of such shares not permitted to exercise voting rights is not counted in the number of votes of shareholders present at the Meeting.

With the exception of trust enterprises or stock affairs agency institutions approved by the competent securities authority, the number of voting rights represented by any one person commissioned by two or more shareholders must not exceed three percent of the voting rights for total outstanding shares; when exceeded, the voting rights in excess of the limit will not be counted, but they will still be counted among the number of votes of shareholders present at the Meeting.

Article 15-1 Except for the exercise of voting rights in writing or by way of electronic transmission as regulated in Paragraph 1 of Article 3-1, the means of voting will be determined by the Chairman of the Meeting at one of the following methods:

- (1) Ballot voting
- (2) Voting by means of electronic transmission, such as key in by barcode and keyboard.

Article 16 Unless otherwise stipulated in the Company Act, other regulations, and the Articles of Incorporation, resolutions shall be adopted by a majority of the number of votes of shareholders present at the Meeting.

When proposals are putting to the vote, the Chairman of the Meeting or the one who is designated by the Chairman of the Meeting shall announce the number of votes of shareholders present at the Meeting and arrange for shareholders to vote on each separate proposal in the Meeting agenda. Following conclusion of the meeting, the Company shall enter the voting results on the same day, namely the numbers of votes cast for and against and the number of abstentions, through the Market Observation Post System.

Article 17 If amended proposals or substitute proposals exist for the same proposal, the Chairman of the Meeting will determine the sequence of voting together with the original proposal. If one of these proposals has already passed, the other proposals shall be deemed rejected, therefore unnecessary to put them to a vote.

Article 18 Before voting, three ballot examiners appointed by the Chairman of the Meeting and several ballot counters shall be ready to perform their related duties. The ballot examiners shall be the Company's shareholders.

Ballot counting for proposals or election shall proceed publicly in the meeting venue. On counting ballots, the results shall be reported, including the number of votes, and recorded on site.

Article 19 Where there is an election of Directors, elections shall be handled in accordance with Rules Governing the Election of Directors formulated separately by the Company.

Article 20 Resolutions adopted at a Meeting shall be recorded in the minutes of the Meeting, which shall be affixed with the signature or seal of the Chairman of the Meeting and distributed to all shareholders within twenty days after the close of the Meeting.

The minutes of the Meeting as required in the preceding paragraph may be prepared by means of electronic transmission; the minutes may be distributed by means of a public notice via Market Observation Post System.

The minutes of the Meeting shall record the date and venue of the Meeting, the name of the



Chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the Meeting. The minutes shall be kept permanently throughout the life of the Company and fully disclosed on the Company's official website.

The method of adopting resolutions in the preceding paragraph where the shareholders' opinions are solicited and the proposal are unanimously agreed, the minutes of the Meeting shall state "the resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the Chairman inquires all attending shareholders' opinion". However, as to any proposal that has received any dissent and been adopted in Meeting, the minutes of the Meeting shall record the method and result of the voting. With respect to the election of Directors, the minutes of the Meeting shall record the method of voting adopted and the total number of votes for the Directors who were elected.

Article 21 The Company shall, on the date of the Meeting, draw up a statistics table of the number of shares obtained by solicitors and the number of shares represented by proxy, in accordance with the required format, and display it prominently in the Meeting venue.

Article 22 If matters resolved by the Meetings include material information as stipulated by law or the regulations of the Taiwan Stock Exchange Corporation, the Company shall enter the contents into the Market Observation Post System within the required time limit.

Article 23 Meeting affairs personnel shall wear identification badges or armbands.

The Chairman of the Meeting may direct the sergeants at arms or security guards to assist in maintaining order in the Meeting venue. When assisting in maintaining on-site order, the sergeants at arms or security guards shall wear armbands or badges with the words "Sergeant at Arms".

If the Meeting venue is equipped with amplification equipment, and shareholders use their own amplification equipment rather than the equipment provided by the Company, the Chairman of the Meeting may stop them.

In the event that shareholders violate these rules by failing to take corrective action as instructed by the Chairman of the Meeting, thereby obstructing the proceedings, or exhibit other conduct that is obstructive to Meeting venue order, the Chairman of the Meeting may direct the sergeant at arms or security guards to ask those failing to comply with the Chairman's efforts to stop such conduct to leave the Meeting venue.

Article 24 While the Meeting is in progress, the Chairman of the Meeting may announce at his/her own discretion a recess time; should force majeure events occur, the Chairman of the Meeting may exercise his/her judgment to temporarily suspend the Meeting, and to announce the time at which the Meeting will continue.

In the event that use of the Meeting venue cannot be continued before the agenda (including extraordinary motions) is concluded, the Meeting may resolve to find another venue to continue the Meeting.

The Meeting may resolve to postpone or continue the Meeting within five days, in accordance with the provisions of Article 182 of the Company Act.

Article 25 These Rules shall be implemented upon approval by a Shareholders' Meeting; the same shall apply when amendments are made hereto.

## 2.

### CHINA STEEL CORPORATION ARTICLES OF INCORPORATION

#### CHAPTER ONE GENERAL PROVISIONS

Article 1 This company is organized and established under the provisions of "Company Limited by Shares" of the R.O.C Company Act, and is named CHINA STEEL CORPORATION (hereinafter referred to as "the Company").

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

1. CA01010 Iron and steel refining;
2. CA01030 Steel casting;
3. CA01020 Iron and steel rolls over extends and crowding;
4. CA01050 Iron and steel Rolling, drawing, and extruding;
5. CA02080 Metal forging industry;
6. CA03010 Metal Heat treating;
7. CA04010 Metal Surface treating;
8. E103101 Environmental protection construction ;
9. E602011 Refrigeration and air conditioning engineering;
10. CB01010 Machinery and Equipment Manufacturing;
11. CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing;
12. E604010 Machinery Installation Construction;
13. ZZ99999Any other businesses that are not prohibited or restricted by laws, except for businesses requiring special approvals.

Article 2-1The Company may endorse and guarantee for business needs according to its operation procedure of endorsement and guaranty.

Article 2-2The Company's total investment in other companies as one of their limited liability shareholders shall not exceed one hundred and eighty percent of the Company's paid-in capital, and that among such investments, those made in non-steel-related businesses shall not exceed twenty percent of the Company's paid-in capital.

Article 3 The Company is located in Kaohsiung, Taiwan, Republic of China, and may establish branch offices at proper places in domestic area or overseas.

Article 4 Unless otherwise stipulated by the competent authority in charge of securities affairs, any announcement of the Company shall be made in the prominent section of vernacular daily newspaper issued at where the Company is located.

#### CHAPTER TWO SHARES

Article 5 The total capital of the Company is one hundred and seventy billion New Taiwan Dollars (NT\$170,000,000,000), which is divided into seventeen billion shares (17,000,000,000), at a par value of ten New Taiwan Dollars (NT\$10) per share. The shares shall be issued in installments. Preferred shares may be issued within the number of aforementioned shares.

Article 6 If there is profit in any given fiscal year, the Company shall set aside no less than 0.1% as the remuneration in stock or cash for employees, and no more than 0.15% as the remuneration for

Directors under the resolution of the Meeting of the Board of Directors and shall be reported in the shareholders' meeting. Nevertheless, accumulated losses shall be offset in advance.

In case of any earnings earned in any given fiscal year being reported from the Company's final annual accounting, the Company shall appropriate or reverse a special reserve firstly after taxes, losses and legal reserves have been paid, made up and set aside respectively. Secondly, a preferred share dividend shall be distributed at 14% of the par value, and a common share bonus shall be distributed at no more than 14% of the par value. In case the account still remains any distributable earnings, additional bonuses shall be distributed according to the percentage of shares held by each shareholder of preferred and common shares.

When necessary, the Company may, upon a resolution by a shareholders' meeting, set aside special reserved earnings surplus or retained earnings first after distribution of dividends for preferred shares. In case of no earnings in a given year or in the event that the earnings are insufficient to cover the distribution of dividends for preferred shares, the outstanding dividends for distributable preferred shares shall accrue and be made up firstly when there are earnings in any subsequent year.

When distributing the annual earnings, the Company may first consider the financial status and other operational factors of the Company, and may allocate partial or all of the reserves in accordance with laws and regulations.

The Company's business life cycle is in the stage of steady growth. Pursuant to the distribution of the dividends and shareholders' bonuses provided in the preceding paragraph, cash distributed shall be no less than 75% and shares distributed no more than 25%.

The priority and proportions for distributing the remaining company properties for preferred shares shall be the same as those for common shares.

Shareholders of preferred shares shall have no right to vote for members of the Boards of Directors, and their other rights and obligations shall be the same as those of shareholders of common shares.

Preferred shares issued by the Company may be redeemable.

Shareholders of preferred shares may request a conversion of preferred shares into common shares.

Article 7 Except for shares not physically printed, shares of the Company shall be numbered and more than three members of the Board of Directors shall affix their names or seals thereto. Shares shall then be issued upon certification by competent authorities or issuance registration authorities approved thereby.

For shares of the Company not physically printed, the central securities depository business agencies shall be contacted to record them.

Article 8 Except for shares of the Company not physically printed, all shares shall be nominal stocks. The true names of shareholders shall be indicated on the shares. Where the government or a juristic person is a shareholder, the addresses and true names of the government, the juristic person, or the representative thereof shall be recorded on the shareholder roster of the Company. In the event that a share shall be jointly owned by two or more shareholders, one of the persons shall be elected as a representative.

Article 9 Anything in relation to transfer/assignment, loss or destruction of share certificates shall be handled in accordance with the Company Act and the Criteria for Handling Stock Affairs of Public Company promulgated by the Authority concerned.

Article 10 The Company may charge the necessary fees and costs for replacement or re-issue of share certificates due to detachment, stain/damage, loss or destruction, or conversion of preferred shares into common shares.

Article 11 The shareholder of the Company shall submit specimens of signature or registered seal (chop) to the Company for the purpose of transferring/assigning share certificates and exercising shareholder's right specified in Part 3, Chapter 5 of the Company Act.

Article 12 In case the registered seal (chop) as recorded in the Company is lost, destroyed or replaced by another seal style for other reasons, the Shareholder shall take a new seal for replacing the original one in accordance with the Criteria for Handling Stock Affairs of Public Company promulgated by the Authority concerned.

Article 13 The register of share transfer shall not be made within sixty (60) days prior to a shareholders' regular meeting or within thirty (30) days prior to a shareholders' extraordinary meeting or within five (5) days prior to the date fixed for allocating dividends, bonuses or other benefits.

### **CHAPTER THREE          SHAREHOLDERS' MEETING**

Article 14 The Company shall hold the following two types of shareholders' meetings:

1. A regular shareholders' meeting.
2. An extraordinary shareholders' meeting.

A regular shareholders' meeting shall be convened by the Board of Directors in accordance with law within six months after the end of each fiscal year, and an extraordinary shareholders' meeting shall be held in accordance with law when necessary.

Article 15 The procedure for convening shareholders' meeting is in accordance with the Company Act, Securities and Exchange Law, and other regulations concerned.

Article 16 Unless otherwise provided by the Company Act and other laws or this Articles of Incorporation, a shareholders' meeting shall only be held when shareholders representing a majority of total number of outstanding shares are present. A resolution at such a meeting shall be adopted by a majority vote of shareholders present, who represent more than one-half of the total number of voting shares.

Article 17 In the event that the shareholders present at a shareholders' meeting fall short of representing the required number of shares in the preceding paragraph, provided, however, that where shareholders representing more than one-third of the total number of outstanding shares are present, upon consent of shareholders representing more than one-half of the voting shares present, a tentative resolution may be adopted. This tentative resolution may be sent to the shareholders in writing at the latest addresses of the shareholders on the shareholders' directory. Another shareholders' meeting shall be convened within one month. In the event that at the reconvened shareholders' meeting, shareholders representing more than one-third of the total number of outstanding shares are again present, upon consent of shareholders representing more than half of the voting shares present, an official resolution may be adopted.

The tentative resolution in the preceding paragraph shall not apply to any special item for resolution as provided in the Company Act and other laws or this Articles of Incorporation.

Article 18 Each shareholder of the Company shall have one vote per share, unless otherwise the vote is subject to restrictions or the voting power does not exist pursuant to item 3 of Article 157, Paragraph 2 of Article 179 of the Company Act and any other related laws and regulations.

Article 19 In case a shareholder is unable to attend the shareholders' meeting, he may delegate an agent to attend and to exercise all rights at the meeting for him by submitting a letter of consignor signed or sealed by the shareholder himself. A proxy needs not to be a shareholder of the Company.

Article 20 Chairman of the Board shall preside at the shareholders' meeting. When Chairman of the Board is on leave or absent, he may designate a Director to act on his behalf, and if no proxy is designated, one Director shall be elected from among the Directors to preside the meeting. When a shareholders' meeting is convened by any person who is not a member of Board of Directors but has the convening right, he/she shall act as the chairman of that meeting; provided, however, that if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

Article 21 The resolution of the shareholders' meeting shall be recorded in the minutes, and such minutes which are kept in the record of the Company shall be signed by the chairman of the meeting and shall be sent, together with attendance list and letter of consignor, to the Board of Directors.

#### **CHAPTER FOUR DIRECTORS**

Article 22 The Company shall have nine to fifteen Directors, who shall be nominated as candidates and elected by shareholders from a list of candidates.

When Directors are elected at a shareholders' meeting, the number of votes exercisable per share shall be the same as the number of Directors to be elected. Such votes may be cast collectively to elect one person or allocated to elect several persons, and the person(s) who receive(s) ballots representing a plurality of votes shall be elected as Directors.

The number of Independent Directors among the number of Directors to be elected in each term in accordance with the paragraph 1 of this article shall be no less than three and no less than one-fifth of the number of persons to be elected

The professional qualifications, restriction on the number of shares held and simultaneous positions served, the determination of independence, the methods of nomination, and other matters to be observed by the Independent Directors shall be governed by applicable provisions of the securities-related laws.

Independent Directors and non-Independent Directors shall be separately nominated and elected together, and the number of Directors elected shall be calculated separately.

Article 23 Directors shall be elected for a term of three years and may be reappointed upon reelection.

Article 24 The Board of Directors shall elect its Chairman of the Board from among the Directors by a majority of the Directors in a meeting attended by over two-third of all Directors. The Chairman of the Board shall externally represent the Company to handle all related business.

Article 25 Except for the first meeting of a newly elected Board of Directors, which shall be convened by the Director who has won votes representing the largest number of the voting power at a shareholders' meeting, meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors.

Meetings of the Board of Directors shall be convened once every quarter. However, the frequency of convening the meetings may increase when necessary.

When convening a Board meeting, members of the Board of Directors shall be notified of the date, location, agenda of the meeting and sufficient meeting materials seven days in advance. In the event of an emergency, such a meeting may be convened at any time.

The notice set forth in the preceding paragraph may be effected by means of writing or electronic transmission. In the event of an emergency, such a meeting may be notified by any other appropriate means. Any member of the Board of Directors may declare a waiver of the notice in writing.

Article 26 The Chairman of the Board shall preside at all meetings of the Board of Directors. In case of his absence, Chairman of the Board may designate a Director to act on his behalf; if no Director is designated, the Directors may designate one from among themselves.

Article 27 Unless otherwise provided by the Company Act and other laws, a meeting of the Board of Directors shall only be held when a majority of incumbent Directors present and a resolution shall be adopted upon consents by a majority of the Directors present.

Article 28 Unless otherwise provided by securities-related laws, a Director may authorize another Director to attend a meeting of the Board of Directors by a letter of consignor, and to exercise his right to vote with respect to all matters submitted to the meeting, provided, however, each Director may not act as proxy for more than one other director.

Article 29 The Board of Directors shall perform its duties in compliance with the statutes, the Article of Incorporation, and the resolution of the shareholders' meeting.

Article 30 The powers of the Board of Directors are listed as follows:

1. To increase or decrease capital;
2. To approve the Company's organization rules;
3. To establish or abolish the branch offices;
4. To review and approve the annual directives and operational budgets;
5. To review and approve the annual Business Report and Financial Reports;
6. To review and approve the project-type capital expenditure budget;
7. To appropriate the earnings or make up the loss;
8. To approve the borrowing money from domestic or foreign loans of which the amount and term are over the delegated power of the Board of Directors;
9. To approve the offering, issuance or private placement of any equity-type securities as well as the issuance of non equity-type corporate bonds;
10. To adopt or amend the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others, and the internal control system as well as to approve other important by-laws;
11. To approve the primary rights and obligation of important agreements;
12. To approve the appointment or discharge of Vice President and higher position, and financial, accounting and internal audit officers;
13. To approve the standards of salary for employees;
14. To approve investments and other equity interests;
15. To approve endorsement and guaranty within the Company's operation procedure of endorsement and guaranty;
16. To approve loaning of funds to other parties within the Company's procedures for loaning of funds to other parties; and
17. To review and approve the authorities which are empowered by other statutes

Article30-1The Company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise. Other matters not mentioned in Article shall be handled in accordance with Company Act, Securities Exchange Act, other relevant laws or regulations, and procedures of the Company.

The provisions regarding the power of supervisors in the Securities and Exchange Act, the Company Act, and other laws and regulations shall apply to the audit committee, except the provisions listed in Paragraph 4 of Article 14-4 of the Securities and Exchange Act. A resolution of the audit committee shall have the concurrence of one-half or more of all members; the convener of audit committee shall externally on behalf of the committee.

Article 30-2 (Has been deleted)

Article 31 (Has been deleted)

Article 32 (Has been deleted)

Article32-1The traveling allowance of Directors, the remuneration of Independent Directors and the salary of Chairman of Board are discussed and approved by the Board of the Directors referring to the standard payments of related crafts and listing companies. Other payments shall also be given to Chairman of Board pursuant to related by-laws in respect of employee’s compensation.

The retirement provisions referred to in the “Labor Standards Act” shall apply mutatis mutandis to Chairman of the Board in calculating the severance or retirement payment, and are not restricted by age, or tenure of the Chairman himself.

Article32-2In the event that any Director is engaged in any act in competition with the Company, such a Director shall report to the shareholders’ meeting in advance and obtain shareholders’ approval in accordance with the provisions of Article 209 of the Company Act.

Article32-3The Company may take out liability insurance for directors with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoings or negligence of a Director .

## **CHAPTER FIVE      MANAGERIAL PERSONNEL AND EMPLOYEES**

Article 33 The Company shall have one President, one Executive Vice President, and several Vice Presidents.

The appointment, discharge and remuneration of managerial personnel as enumerated in the preceding paragraph shall be pursuant to the Article 29 of the Company Act.

The Directors may concurrently act as managerial personnel as enumerated in the first paragraph of this Article.

Article 34 President manages the execution of the Company’s all businesses in accordance with the resolutions of the Board of Directors, as well as has the right of signature for the Company. Executive Vice President and Vice Presidents have their respective rights of signature for the

Company within the scope of the Company's rules or written authorization approved by President.

Article 35 Assistant Vice Presidents and the same ranking personnel, and the first echelon supervisors shall be appointed by the Chairman of the Board under the proposal of President. The other employees shall be appointed or employed by President. If such appointment shall be approved by the Board of Directors as provided by law, it shall be pursuant to the law.

Article 36 Unless otherwise provided by laws, ordinances, or employment contracts, the discharge or employment of employees shall be handled in accordance with the Personnel Administration Rules or other relevant work regulations of the Company.

## **CHAPTER SIX FINANCIAL REPORTS**

Article 37 The fiscal year for the Company shall be from January 1 to December 31 of every calendar year. The name of the operation year shall be the calendar year of Republic of China. After the close of every operation year, the following reports shall be prepared by the Board of Directors, and shall be submitted by the Board of Directors to the regular shareholders' meeting for acceptance:

1. The business report;
2. The financial statements; and
3. The surplus earning distribution or loss off-setting proposals.

Article 38 (Has been deleted)

## **CHAPTER SEVEN SUPPLEMENTARY PROVISIONS**

Article 39 Any person made a party to any action, suit or proceeding by reason of the fact that he, his testator or intestate, is or was a Director, official or employee of the Company, or any corporation which he services as such position at the request of the Company, shall be indemnified by the Company against any loss, liability or other reasonable expenses, including attorney's fees, actually and necessarily incurred by him in connection with the defense of such action, suit or filing appeal. However, such a Director, official or employee is personally liable for negligence or misconduct in the performance of his duties. Such right of indemnification shall not be deemed exclusive of any other rights which such a Director, official or employee may be entitled to.

Article 40 (Has been deleted)

Article 41 In regard to any matters not provided in this Articles of Incorporation, they shall be in pursuance of Company Act and other related laws or regulations.

Article 42 This Articles of Incorporation are agreed and signed on Nov. 2, 1971, firstly amended on Dec. 28, 1973, secondly amended on Jun. 25, 1974, thirdly amended on Oct. 5, 1974, fourthly amended on Jun. 28, 1975, fifthly amended on Jun. 6, 1976, sixthly amended on Jun. 25, 1977, seventhly amended on Oct. 14, 1978, eighthly amended on Oct. 20, 1979, ninthly amended on Sep. 20, 1980, tenthly amended on Sep. 26, 1981, eleventh amended on Nov. 20, 1982, twelfth amended on Sep. 22, 1984, thirteenth amended on Feb. 16, 1985, fourteenth amended on Nov. 23, 1985, fifteenth amended on Dec. 20, 1986, sixteenth amended on Sep. 17, 1988, seventeenth amended on Sep. 27, 1989, eighteenth amended on Sep. 27, 1990, nineteenth amended on Sep. 26, 1991, twentieth amended on Sep. 25, 1992, twenty-firstly amended on Sep. 24, 1993, twenty-secondly amended on Sep. 22, 1994, twenty-thirdly amended on May 26, 1995, twenty-fourthly amended on Oct. 20, 1995, twenty-fifthly amended on Nov. 6, 1996, twenty-sixthly amended on



Dec. 30, 1997, twenty-seventhly amended on Apr. 30, 1999, twenty-eighthly amended on Jun. 8, 2000, twenty-ninthly amended on May 31, 2001, thirtieth amended on Jun. 20, 2002, thirty-firstly amended on Jun. 18, 2003, thirty-secondly amended on Jun. 17, 2004, thirty-thirdly amended on Jun. 14, 2005, thirty-fourthly amended on Jun. 15, 2006, thirty-fifthly amended on Jun. 21, 2007, thirty-sixthly amended on Jun. 19, 2008, thirty-seventhly amended on Jun. 19, 2009, thirty-eighthly amended on June 23, 2010, thirty-ninthly amended on June 15, 2011 and fortieth amended on June 15, 2012, and forty-firstly amended on June 19th, 2013, forty-secondly amended on June 18th, 2014, forty-thirdly amended on June 23rd, 2015, forty-fourthly amended on June 23rd, 2016 and forty-fifthly amended on June 21st, 2018.

## List of Shareholding by Current Directors

(As of the start date of suspension of share registration, April 18, 2023)

Title	Name		Number of Shares Held (Common shares)	Percentage Held (%)
Chairman	Chao-Tung Wong	The representative of Ministry of Economic Affairs	3,154,709,357	20.00
Director	Wen-Sheng Tseng			
Director	Ming-Jong Liou			
Director	Shyi-Chin Wang	The representative of Chiun Yu Investment Corporation	1,623,289	0.01
Director	Chien-Chih Hwang	The representative of Ever Wealthy International Corporation	4,226,265	0.03
Director	Cheng-I Weng	The representative of Hung Kao Investment Corporation	1,003,980	0.01
Director	Yueh-Kun Yang	The representative of Gau Ruei Investment Corporation	1,493,318	0.01
Director	Chun-Sheng Chen	The representative of Labor Union of China Steel Corporation, Kaohsiung City	7,221,487	0.05
Independent Director	Shyue-Bin Chang		0	0
Independent Director	Min-Hsiung Hon		0	0
Independent Director	Lan-Feng Kao		4,216	0
Total number of shares held by all Directors			3,170,281,912	20.11
Required minimum number of shares held by all Directors			160,000,000	

Note: The Company has issued 15,734,860,997 common shares and 38,267,999 preferred shares, with a total of 15,773,128,996 shares.