

Stock Code: 2002



# **China Steel Corporation**

## **2024 Annual General Meeting Meeting Handbook**

Form of meeting: Physical AGM

June 19, 2024

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

# Table of Contents

	Page
I. Meeting Procedures .....	2
II. Meeting Agenda .....	3
1. Report Items .....	5
2. Proposals for Ratification .....	13
3. Other Proposals .....	49
4. Extraordinary Motions .....	51
III. Rules and Regulations	
1. Rules Governing Procedures for Shareholders' Meeting ..	52
2. Articles of Incorporation .....	59
IV. List of Shareholding by Current Directors .....	66

**China Steel Corporation**  
**2024 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. Other Proposals
10. Extraordinary Motions
11. Meeting Adjourned

# **China Steel Corporation 2024 Annual General Meeting Meeting Agenda**

Form of meeting: Physical AGM

Time: 9:00 a.m., June 19, 2024 (Wednesday)

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

1. Chairman's Remarks
2. Report Items
  - (1) Report on the Operations of 2023.
  - (2) Report on Audit Committee's audit report of 2023.
  - (3) Report on the distribution of remuneration for employees and directors of 2023.
  - (4) Report on the issuance of domestic unsecured corporate bonds in 2023.
  - (5) Report on the implementation of the fourth share repurchase.
3. Proposals for Ratification
  - (1) Adoption of the 2023 Business Report and Financial Statements.
  - (2) Adoption of the proposal for distribution of 2023 profits.
4. Other Proposals
  - (1) Proposal to release the prohibition on Mr. Chien-Chih Hwang from

holding the position of Director of Taiwan High Speed Rail Corporation.

- (2) Proposal to release the prohibition on Mr. Shou-Tao Chen from holding the position of Director of China Steel Machinery Corporation and Tang Eng Iron Works Co., Ltd.

5. Extraordinary Motions

6. Meeting Adjourned

# **Report Items**

**1. Report on the Operations of 2023.**

**2. Report on Audit Committee's audit report of 2023.**

**(Please refer to Page 24 in this handbook)**

### **3. Report on the distribution of remuneration for employees and directors of 2023**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) The distribution is pursuant to Paragraph 1, 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 2023 calculated based on 8% of profit after taxes was NT\$117,131,900, which was equivalent to 5.261% 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 2023 calculated based on 0.15% of profit

after taxes was NT\$2,196,223, which was equivalent to 0.099% of the amount of earnings before taxes and remunerations for employees and directors. These amounts are to be fully distributed in cash.



#### **4. Report on the issuance of domestic unsecured corporate bonds in 2023**

**Proposed by the Board of Directors**

##### **Explanatory Note:**

- (1) The report is proposed in accordance with Article 246 of the Company Act.
- (2) For the purpose of working capital expansion and repayment of debts, the Company completed the issuance of 1<sup>st</sup> unsecured corporate bond of 2023 worth NT\$11 billion on July 5, 2023. The condition for the issuance of corporate bonds is reported as follows:
  - A. Total amount: Divided into Bond A and Bond B. Bond A - NT\$7.2 billion; Bond B - NT\$3.8 billion.
  - B. Issuance period: Bond A - 3 years, from July 5, 2023 to July 5, 2026; Bond B - 5 years, from July 5, 2023 to July 5, 2028.
  - C. Par value: NT\$1 million.
  - D. Issue price: Fully issued at par value.
  - E. Coupon rate: Bond A - Fixed rate at 1.50%; Bond B - Fixed rate at 1.57%.
  - F. Interest payment method: Simple interest will be paid once a year based on the coupon rate from the issue date.
  - G. Principal repayment method: Bond A - 100% of the principal will be paid at the maturity date from the issue date; Bond B - 50% and 50% of the principal will be paid at the end of the 4<sup>th</sup> and 5<sup>th</sup> years from the issue date, respectively.

## **5. Report on the implementation of the fourth share repurchase**

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

#### **Explanatory Note:**

- (1) The report is proposed in accordance with Article 28-2 of the Securities and Exchange Act.
- (2) On November 3, 2023, the Board of Directors resolved to repurchase the Company's shares. The content of the resolution is as follows:
  - A. Purpose of the share repurchase: To transfer shares to employees. Rules Governing the Transfer of the Shares Repurchased to Employees is as attached.
  - B. Type of shares repurchased: Common shares.
  - C. Estimated ceiling on total monetary amount of the share repurchase: NT\$137,923,043,786.
  - D. Estimated period for the repurchase: November 6, 2023 to January 5, 2024.
  - E. Estimated number of shares to be repurchased: 150,000,000 shares, accounting for 0.95% of the Company's issued shares.
  - F. Estimated price range of the repurchase: NT\$16.98~NT\$37.26.
  - G. Method for the repurchase: To repurchase in the centralized securities exchange market.
- (3) The execution of the share repurchase is as follows:
  - A. Actual period of the repurchase: November 6, 2023 to January 5, 2024.
  - B. Number of shares actually repurchased: 150,000,000 shares,

accounting for 0.95% of the Company's issued shares.

- C. Total monetary amount of shares actually repurchased:  
NT\$3,898,319,552.
- D. Average repurchase price per share: NT\$25.99.

## Attachment 1

### Rules Governing the Transfer of the 4<sup>th</sup> Shares Repurchased to Employees

Established on November 3, 2023

Amended on December 29, 2023

#### Article 1

To motivate employees and enhance cohesion in the Company, the Company stipulates “Rules Governing the Transfer of the 4<sup>th</sup> Shares Repurchased to Employees ” (hereinafter “the Rules”) in accordance with subparagraph 1, paragraph 1, Article 28-2 of the Securities and Exchange Act and the ”Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies” enacted by the Financial Supervisory Commission, Executive Yuan. The transfer of repurchased shares to employees by the Company, in addition to complying with applicable laws and regulations, shall be conducted in accordance with the Rules.

(Type of shares to be transferred, content of rights and restrictions on rights)

#### Article 2

The shares to be transferred to employees hereunder are common shares. Unless otherwise regulated by applicable laws and regulations and the Rules, the rights and obligations of such shares are the same as other outstanding common shares.

(Transfer period)

#### Article 3

The repurchased shares can be transferred to employees in a lump sum or in installments in accordance with the Rules, and such transfer shall be completed within five years from the date of share repurchase.

(Eligibility requirements for transferees)

#### Article 4

Full-time and current employees of the Company on the subscription date that have served for one year, and employees that are not in service due to military service, unpaid parental leave for raising children, or expatriation assignment to controlling companies or subsidiaries of the Company which fall within the Article 369-2 or 369-3 of the Company Act, are entitled to subscribe the amount specified in Article 5 hereof.

If the transferee resigns during the period between the subscription date and the deadline of the payment period, and resigns for a reason other than retirement, death, position retained without pay due to being conscripted, unpaid parental leave for raising children or expatriation assignment to controlling companies or subsidiaries of the Company which fall within the Article 369-2 and 369-3 of the Company Act, the transferee loses his or her eligibility to subscribe.

(Transfer procedure)

#### Article 5

The upper limit of number of shares available for subscription is the number of repurchased shares as approved by the Board of Directors, but subject to the actual number repurchased by the Company. The number of shares for each eligible employee to subscribe shall be determined by factors including employee’s seniority (including seniority before privatization), job title, basic salary, personal performance and willingness to transfer the shares into the Employee Stock

Ownership Trust. The actual specific subscription qualifications and number of shares will be subject to the Board of Directors' resolution. However, if the transferee holds a management position, the share subscription shall first be submitted to the Remuneration Committee for adoption and then to the Board of Directors for final resolution; if the transferee does not hold a management position, the share subscription shall first be submitted to the Audit Committee for adoption and then to the Board of Directors for final resolution. The details of transfer procedure will be regulated separately by another internal rule made by the Human Resources Department authorized by the Board of Directors.

#### Article 6

The transfer procedure of shares repurchased is as follows:

- (1)The Company is to publicly announce, file and execute such share repurchase within the implementation period subject to the Board of Directors' resolution.
- (2)Operational matters such as the subscription date, criteria to decide the number of shares for each eligible employee to subscribe, the period for payment, content of rights and restrictions on rights shall be legislated and promulgated by the Board of Directors subject to the Rules.
- (3)The Company is to calculate the actual share subscription with payment received, transfer and register the shares accordingly.

(The agreed transfer price per share)

#### Article 7

The transfer price is determined by the average price of actual repurchased shares and rounded up to the nearest NTD cents. If the number of outstanding common shares increases prior to such transfer, the number of shares to be transferred shall be adjusted according to the increase rate of issued shares.

(Rights and obligations subsequent to execution of the transfer)

#### Article 8

After the repurchased shares are transferred and registered under the employees' names, unless otherwise specified, the rights and obligations of the shares are the same as the original common shares.

(Others)

#### Article 9

Any matters not stipulated in the Rules shall be conducted in accordance with applicable laws and regulations.

#### Article 10

The Rules, and any amendments hereafter, shall take effect subject to the Board of Directors' approval.

# **Proposals for Ratification**

## **1. Proposal:**

**Adoption of the 2023 Business Report and Financial Statements**

**Proposed by the Board of Directors**

## **Explanatory Note:**

Please refer to Attachment 2 and 3 for the 2023 Business Report and the financial statements for the year ended December 31st, 2023.

## **Resolution:**

## **Attachment 2**

### **China Steel Corporation 2023 Business Report**

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

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

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

- (I) Throughout this year, the focus has been on advancing the “Cost Reduction and Profit Enhancement Initiative.” Given the challenging market conditions, efforts have been intensified in cost reduction during the second half of the year. Simultaneously, open innovation has been leveraged to connect internal and external research and development resources, accelerating the development of products with high competitiveness, low-cost manufacturing processes, and value-added application technologies. This strategic approach aims to enhance the cost-effectiveness of products, creating a differentiating competitive advantage and achieving the annual goals of cost reduction and profit enhancement.
- (II) The market condition remains subdued owing to sluggish global macroeconomic recovery and the high interest rate environment, contributing to the lower-than-expected shipments of steel products and sales of high-end/advanced premium steel products. However, the market sentiment is anticipated to improve gradually as countries around the world slow the pace of interest rate hikes. In addition to keeping abreast of market trends, acquiring new customers, and expanding its market strategies to the high-end and advanced premium steel markets on an ongoing basis, the Company has also initiated a diverse range of

flexible projects to increase order volume while prioritizing supply of materials for customers with demand for APS products in order to establish strategic partnerships with customers and to ramp up order capacity.

- (III) The market downturn this year has led to a low equipment utilization rate, resulting in a decrease in slab production and hindering the achievement of carbon emission intensity targets for steel slabs. We have already implemented a computerized system for cap control, which aids in energy and material management. Moving forward, we will continue to implement large-scale carbon reduction initiatives and devise action plans to achieve our carbon reduction goals.
- (IV) To achieve the goal of establishing high-quality smart manufacturing capabilities, we employ system intelligence focusing on intelligent production lines, smart energy resources, and intelligent scheduling. Starting from past modeling feedback, we digitize the process and further optimize the digitalization through collaborative efforts across departments. Ultimately, we accomplish digital transformation by integrating operations across divisions into a cloud-based platform. This aims to drive the development of high value-added steel mill and the construction of intelligent production lines.
- (V) The Company continues to promote the refinement of occupational safety, enhancing the safety awareness of all employees through effective inspections, group safety exchanges, and on-site safety observations as to strengthen the occupational safety awareness of supervisory personnel from contractors. To enhance compliance and defensive driving concepts among road users, the Company implements medium and long-term plans for road traffic safety inspections at its factory areas, and introduces a traffic safety VR training module, thereby achieving the goal of zero major occupational accidents in this year.



### **III. Business Results**

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

The Company's production volume of steel products (excluding secondary and salvage products) was 7.32 million metric tons in 2023, a decrease of 0.64 million metric tons or approximately 8% from 7.96 million metric tons in 2022.

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

The Company's sales volume of steel products was 7.75 million metric tons in 2023, a decrease of 0.84 million metric tons or approximately 10% from 8.59 million metric tons in 2022.

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

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

The Company's operating revenues in 2023 was NT\$197,149,158 thousand, a decrease of NT\$53,451,471 thousand from NT\$250,600,629 thousand in 2022. This was mainly due to the combined effect of the decrease 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 2023 was NT\$7,055,285 thousand, a decrease of NT\$11,201,206 thousand from NT\$18,256,491 thousand in 2022. This was mainly because the decrease in the average selling price of steel products was bigger than the decrease in the average cost of goods sold and the sales volume of steel products also decreased.

#### **(III) Profit from operations**

The Company's loss from operations in 2023 was NT\$238,709 thousand, a decrease of NT\$11,120,331 thousand from NT\$10,881,622 thousand profit from operations in 2022. 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 2023 was NT\$2,345,935 thousand, a decrease of NT\$7,139,012 thousand from NT\$9,484,947 thousand in 2022. 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 2023 was NT\$425,547 thousand, a decrease of NT\$2,157,247 thousand from NT\$2,582,794 thousand in 2022. This was mainly due to the decrease in net profit before income tax.

(VI) In summary, the Company's net profit in 2023 was NT\$1,681,679 thousand, a decrease of NT\$16,102,096 thousand from NT\$17,783,775 thousand in 2022.

## 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 2023, 14 of which were classified as Advanced Premium Steel (APS). The proportion of orders for APS and high-end steel reached 8.0% and 49.8% respectively. The Company will continue the efforts towards enhancing competitive advantage through product differentiation.

Based on the Company's new vision - "We aspire to be a sustainable growth enterprise that distinguishes itself through a firm commitment to smart innovation, green energy, carbon reduction, and value co-creation," the Company's current R&D strategy is not only to refine its core capabilities while achieving its operational and developmental cores, namely "becoming a high value-added steel mill" and "developing the green energy industry," but also focuses on three transformative endeavors: "Digital Transformation, Low-Carbon Transformation, Supply Chain Transformation." These initiatives encompass the development of APS, establishing intelligent manufacturing

technologies, energy saving, carbon reduction, and environmental protection technologies. R&D resources are mainly invested in key research projects, in the hope of cultivating technology and achieving sustainable development. In 2023, notable research and development achievements include the following significant projects:

(I) Development of Advanced Premium Steel

- A. Superior Hand Tool Steels: In response to the upgrading demands of domestic customers, we have successfully developed BT9885V steel for screwdriver heads with high hardness, high torsion strength, and high fatigue life by employing unique components such as high silicon and high nickel. The hardness of the produced screwdriver heads reaches 62HRC, with a fatigue life exceeding 150,000 cycles, surpassing the traditional S2-1 product with 58HRC and a life expectancy of 15,000 cycles. The outstanding performance of the product facilitates the advancement of the screwdriver head industry towards cutting-edge product development.
- B. High Performance Structural Steels: In response to the trend towards “high piers, large spans, deep foundations” in bridge design, we have successively developed SBHS400, SBHS500, and weather-resistant type A709 Gr. HPS 70W high performance steel for bridge construction. These steels feature not only higher strength and toughness compared to traditional steel materials, facilitating lightweight bridge design, but also excellent weldability benefited from low-carbon composition design. This ensures reliable welding quality, making bridge construction more efficient and enhancing industrial competitiveness.
- C. Steel for Green Energy & Home Appliance: With the rise of global environmental awareness and the trend towards carbon neutrality, hot-dip galvanized steel users from computer and server chassis industries have requested the supply of high recycled content material. Through

advancements in steel making technology and breakthroughs in critical bottlenecks, we have established a revolutionary steel making method to use more scrap in basic oxygen furnace, successfully producing high-grade low-carbon steel SGCC RC20 with a high proportion of scrap used. The product's properties have been assessed to be comparable to those of general non-recycled materials, and it has obtained UL 2809 certification.

D. Advanced Alloy Steels: In response to the demand of high-quality products for mechanical hardware and automotive parts, the Company has increased the carbon content of steels and added hardening alloy elements such as chromium and molybdenum with the aim of enhancing its heat treatment property and hardenability. 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, high spheroidization rates, and high dimensional accuracy, such as high-carbon tool steel, chromium-molybdenum steel, chromium-vanadium steel, manganese-boron steel, steel for link plate, and precision stamping materials. We are moving towards the development of thicker and more customized products to continually lead industrial upgrading and expand business opportunities.

E. Cross-Generational Automotive Steels: To meet lightweight and safety requirements, automotive bodies are continuously developed towards high-strength, thin, and lightweight. 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 automotive steels with excellent functions for automotive application, such as ultra-high strength cold-rolled CSC CR1400T cold working auto steel, hot-rolled 80 kg hole-expansion steel, and complex-phase steel, the Company also endeavors to develop steel products with higher strength,

hole-expansion, and ductility to fill the gap in the industry's supply chain by supplying domestic and overseas automobile brands.

F. Ultra-High Efficiency Electrical steels: 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 25CS1200FY, 25CS1200AFY, and 20CS1100AFY, which are characterized by lower iron loss, higher magnetic flux and higher strength. The Company has successfully made such products sourced by major electric vehicle manufacturers and has become a critical supplier of electrical sheets.

(II) Intelligent manufacturing technology

A. The development of intelligent steel strip offset monitoring technology has been completed, enhancing the precision of dimensional measurements between finishing mills, improving image measurement techniques, and establishing a steel strip offset monitoring system in the down coiler area. With the new functionality online, it has the potential to reduce the rolling failure rate in the finishing mill area, decrease the proportion of head-end collision damage to steel strips, and minimize the delay time in addressing production anomalies in the down coiler area. Moreover, related visualization and statistical analysis functions have been developed, which will accelerate problem-solving and process improvement.

B. The development and application of steel strip intelligent plate shape dynamic control system at No.3 Hot Dip Galvanizing Line have been completed. This system integrates AI dynamic roll bending force prediction model, which incorporates laser plate shape measurement technology and experience of operators, with automatic control logic developed for the temper mill. This system enables real-time measurement of the steel strip and

dynamic control of edge waves. Since the system went online, the average rejection rate due to edge wave has decreased from 0.143% to 0.053%. Subsequently, the application will be expanded to other hot-dip galvanizing production lines.

C. The development and on-site application of the AI-based detection system for surface defects in billets have been completed. This system not only enhances the detection efficiency and real-time warning capability for surface cracks in billets but also provides functionalities such as defect quantity and location information, as well as historical data retrieval. Apart from preventing defective products from being delivered to customers and avoiding potential compensation claims, this system also saves costs associated with outsourcing equipment. Furthermore, it contributes to ensuring product quality, marketing efforts, and boosting customer confidence in using products from CSC. The application of this technology will continue to be expanded.

### (III) Energy and environmental protection technologies

A. On the “Development of Blast Furnace Low-Carbon Iron Making Technology” project, the Company successfully completed the test of charging 6,000 tons of hot briquetted iron (HBI) into blast furnace in 2023, through appropriate slagging and burden charging operations. The consumption of carbon-based fuel decreased significantly from 485 kilograms to 419 kilograms per ton of hot metal. To expand the variety of low-carbon burden materials and reduce raw material costs, ongoing evaluations of the high-temperature softening and melting properties of pellet and slagging are being conducted. These evaluations serve as the basis for adding pellet of different specifications. Furthermore, the technology of injecting hydrogen-rich gas into blast furnace is being developed to achieve the goal of reducing CO<sub>2</sub> emissions by substituting coal with hydrogen.

Collaboration with professors through industry-academia projects is ongoing to evaluate the combustion characteristics of hydrogen-rich gas injection and finalize the specifications for the technology. These research will serve as references for testing in blast furnace.

- B. Ongoing development of “By-Product Gas Carbon Capture and High-Value Utilization Technology” includes establishing optimal operating conditions for the pilot line of co-production of steel and chemicals to ensure CO product quality meets the specifications of acetic acid plants and establishing product quality prediction model to assist the production process operation; developing alternative desulfurization and deoxygenation adsorbent formulations with performance similar to commercial products; and collaborating with petrochemical industry partners to assess the feasibility of constructing acetic acid plant with 600,000 tons annual capacity.
- C. To reduce carbon capture process energy consumption and costs, the innovative forward-looking IP project “Low Energy Consumption Carbon Capture and Utilization Technology Development” has been established. Additionally, the development of a low-temperature sensible heat recovery system for the No. 2 sinter plant has been completed, along with the development of a long-lasting carbon capture absorbent.
- D. To maximize the power generation efficiency per unit of fuel gas, neural network algorithms have been utilized to establish models for boiler steam production and generator power generation. Additionally, with the integration of differential evolution algorithms, the “Optimal Allocation Technology for Boiler Fuel Consumption and Generator Load” has been developed. This assists power plant in effectively increasing self-generated power while reducing expenditures on purchased electricity under the same fuel gas consumption.

- E. The “Biological Filtration Water Treatment Technology” has been successfully established, which alleviates the impact of organic matter and ammonia nitrogen in the inlet water of industrial wastewater treatment plant on RO membranes, thereby increasing the recovery rate of industrial wastewater. Since the implementation of the biological filtration system in February 2023, the quality of inlet water at the industrial wastewater treatment plant has significantly improved. As a result, the frequency of RO membrane cleaning per month has been greatly reduced, extending the lifespan of RO membranes and reducing consumables and chemical costs. Additionally, it has enhanced the flexibility of water production at the industrial wastewater treatment plant.
- F. CSC adheres to the concept of circular economy with a focus on beginning with the end in mind, dedicating efforts to the recycling and reuse of used refractories. This strategy achieves comprehensive energy saving and carbon reduction effects, while enhancing import substitution through the implementation of domestically produced refractories and self-supply modes. The Group has completed the construction of two mass production lines for unshaped refractories, two for tap hole clay, and one for ramming mass, as part of its self-supply development for refractories. Various efforts in refractory development and mass production are underway to assist in stabilizing the Group’s refractory supply and quality.



## Attachment 3

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

The Board of Directors has prepared the Company's 2023 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:

2024 Annual General Shareholders' Meeting

China Steel Corporation

Convener of the Audit Committee:



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Lan-Feng Kao

February 29, 2024

## **China Steel Corporation and Subsidiaries**

**Consolidated** Financial Statements for the  
Years Ended December 31, 2023 and 2022 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, 2023 and 2022, 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, 2023 and 2022, 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 Financial Statement Audit and Attestation Engagements of Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the 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, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2023 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 36 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 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 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, 2023 and 2022 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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, 2023, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 29, 2024

Notice to Readers

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

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

# CHINA STEEL CORPORATION AND SUBSIDIARIES

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

ASSETS	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 16,417,322	2	\$ 30,419,297	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,547,380	1	2,629,089	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	7,869,663	1	5,428,806	1
Financial assets for hedging - current (Notes 4 and 9)	4,750,248	1	3,125,323	-
Contract assets - current (Notes 4 and 24)	8,925,903	1	7,172,302	1
Notes receivable (Notes 4 and 10)	2,107,041	-	1,906,064	-
Notes receivable - related parties (Notes 4, 10 and 31)	-	-	272	-
Accounts receivable, net (Notes 4 and 10)	10,634,221	2	11,315,075	2
Accounts receivable - related parties (Notes 4, 10 and 31)	150,588	-	114,832	-
Other receivables (Notes 4 and 31)	1,329,886	-	2,075,383	-
Current tax assets	69,316	-	79,688	-
Inventories (Notes 4, 5 and 11)	120,350,416	18	131,515,763	20
Other financial assets - current (Notes 13 and 32)	16,365,286	2	8,742,058	1
Other current assets	4,843,160	1	6,674,611	1
Total current assets	197,360,430	29	211,198,563	31
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	806,416	-	869,532	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	51,596,610	8	48,614,893	7
Financial assets at amortized cost - noncurrent	20,000	-	-	-
Financial assets for hedging - noncurrent (Notes 4 and 9)	1,009,417	-	814,630	-
Investments accounted for using the equity method (Notes 4 and 12)	13,886,283	2	14,565,313	2
Property, plant and equipment (Notes 4, 14 and 32)	375,609,342	55	370,248,034	56
Right-of-use assets (Notes 4, 15 and 32)	12,443,142	2	12,323,990	2
Investment properties (Notes 4, 16 and 32)	9,765,146	1	9,759,107	1
Intangible assets (Note 4)	1,223,326	-	1,343,993	-
Deferred tax assets (Notes 4 and 26)	9,150,007	2	8,262,336	1
Refundable deposits	669,864	-	1,070,477	-
Other financial assets - noncurrent (Notes 13 and 32)	2,568,649	-	2,351,841	-
Other noncurrent assets	2,648,699	1	2,346,688	-
Total noncurrent assets	481,396,901	71	472,570,834	69
<b>TOTAL</b>	<b>\$ 678,757,331</b>	<b>100</b>	<b>\$ 683,769,397</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings and bank overdraft (Notes 17 and 32)	\$ 33,811,068	5	\$ 49,668,589	7
Short-term bills payable (Note 17)	62,945,799	9	37,980,878	6
Financial liabilities for hedging - current (Notes 4 and 9)	91,676	-	243,447	-
Contract liabilities - current (Notes 4 and 24)	3,864,261	1	4,297,357	1
Notes payable	1,120,155	-	1,545,218	-
Accounts payable (Note 19)	17,218,448	3	14,588,899	2
Accounts payable - related parties (Notes 19 and 31)	88,779	-	23,600	-
Other payables (Notes 20 and 31)	19,550,224	3	26,024,196	4
Current tax liabilities	1,301,176	-	3,772,877	1
Provisions - current (Notes 4 and 21)	6,210,206	1	5,737,290	1
Lease liabilities - current (Notes 4 and 15)	1,021,341	-	1,255,361	-
Current portion of bonds payable (Note 18)	11,961,585	2	12,224,635	2
Current portion of long-term bank borrowings (Notes 17 and 32)	5,459,281	1	5,220,738	1
Refund liabilities - current	1,613,902	-	2,466,410	-
Other current liabilities	1,466,538	-	1,396,851	-
Total current liabilities	167,724,439	25	166,446,346	25
<b>NONCURRENT LIABILITIES</b>				
Financial liabilities for hedging - noncurrent (Notes 4 and 9)	978,252	-	1,046,631	-
Contract liabilities - noncurrent (Note 24)	48,399	-	37,575	-
Bonds payable (Note 18)	58,838,793	9	50,122,943	7
Long-term bank borrowings (Notes 17 and 32)	52,165,054	8	51,571,254	8
Long-term bills payable (Note 17)	24,700,264	4	26,557,580	4
Provisions - noncurrent (Notes 4 and 21)	947,916	-	821,937	-
Deferred tax liabilities (Notes 4 and 26)	14,162,362	2	13,757,387	2
Lease liabilities - noncurrent (Notes 4 and 15)	10,226,901	1	9,727,326	1
Net defined benefit liabilities (Notes 4 and 22)	5,513,544	1	5,605,470	1
Other noncurrent liabilities	1,199,909	-	1,229,504	-
Total noncurrent liabilities	168,781,394	25	160,477,607	23
Total liabilities	336,505,833	50	326,923,953	48
<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	157,731,290	23	157,731,290	23
Capital surplus	40,688,818	6	40,275,115	6
Retained earnings				
Legal reserve	74,683,304	11	72,765,975	11
Special reserve	26,913,635	4	26,914,657	4
Unappropriated earnings	19,642,513	3	35,708,731	5
Total retained earnings	121,239,452	18	135,389,363	20
Other equity	(1,498,330)	-	(4,844,120)	(1)
Treasury shares	(12,394,740)	(2)	(8,649,421)	(1)
Total equity attributable to owners of the Corporation	305,766,490	45	319,902,227	47
<b>NON-CONTROLLING INTERESTS</b>				
Total equity	36,485,008	5	36,943,217	5
Total equity	342,251,498	50	356,845,444	52
<b>TOTAL</b>	<b>\$ 678,757,331</b>	<b>100</b>	<b>\$ 683,769,397</b>	<b>100</b>

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			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 24, 31 and 36)	\$ 363,326,498	100	\$ 449,567,488	100
OPERATING COSTS (Notes 11, 25 and 31)	<u>346,553,753</u>	<u>95</u>	<u>417,665,025</u>	<u>93</u>
GROSS PROFIT	<u>16,772,745</u>	<u>5</u>	<u>31,902,463</u>	<u>7</u>
OPERATING EXPENSES				
Selling and marketing expenses	4,325,020	1	4,535,448	1
General and administrative expenses	6,731,382	2	6,942,993	2
Research and development expenses	2,132,186	1	2,155,001	-
Expected credit loss recognized (reversed)	<u>(1,785)</u>	<u>-</u>	<u>3,668</u>	<u>-</u>
Total operating expenses	<u>13,186,803</u>	<u>4</u>	<u>13,637,110</u>	<u>3</u>
PROFIT FROM OPERATIONS	<u>3,585,942</u>	<u>1</u>	<u>18,265,353</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 25)	906,213	-	469,573	-
Other income (Notes 25 and 31)	3,002,420	1	3,398,133	1
Other gains and losses (Note 25)	152,090	-	2,040,211	1
Finance costs (Notes 4 and 25)	(3,623,661)	(1)	(2,493,407)	(1)
Share of the profit of associates	<u>567,090</u>	<u>-</u>	<u>1,578,733</u>	<u>-</u>
Total non-operating income and expenses	<u>1,004,152</u>	<u>-</u>	<u>4,993,243</u>	<u>1</u>
PROFIT BEFORE INCOME TAX	4,590,094	1	23,258,596	5
INCOME TAX EXPENSE (Notes 4 and 26)	<u>1,058,889</u>	<u>-</u>	<u>5,263,537</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>3,531,205</u>	<u>1</u>	<u>17,995,059</u>	<u>4</u>
OTHER COMPREHENSIVE INCOME (Notes 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(246,799)	-	2,130,361	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	4,092,938	1	(5,476,493)	(1)

(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			
	2023		2022	
	Amount	%	Amount	%
Gains and losses on hedging instruments	\$ (5,098)	-	\$ 1,012,013	-
Share of the other comprehensive income of associates	(48,709)	-	(19,497)	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	(177,320)	-	1,089,780	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(121,107)	-	3,636,755	1
Unrealized gains and losses on investments in debt instruments designated as at fair value through other comprehensive income	2,464	-	5	-
Gains and losses on hedging instruments	120,708	-	58,485	-
Share of the other comprehensive income of associates	(20,620)	-	450,815	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	<u>4,318</u>	<u>-</u>	<u>(102,446)</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>3,600,775</u>	<u>1</u>	<u>2,779,778</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 7,131,980</u>	<u>2</u>	<u>\$ 20,774,837</u>	<u>4</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,681,679	-	\$ 17,783,775	4
Non-controlling interests	<u>1,849,526</u>	<u>1</u>	<u>211,284</u>	<u>-</u>
	<u>\$ 3,531,205</u>	<u>1</u>	<u>\$ 17,995,059</u>	<u>4</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 5,126,953	1	\$ 18,802,851	4
Non-controlling interests	<u>2,005,027</u>	<u>1</u>	<u>1,971,986</u>	<u>-</u>
	<u>\$ 7,131,980</u>	<u>2</u>	<u>\$ 20,774,837</u>	<u>4</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 0.11</u>		<u>\$ 1.15</u>	
Diluted	<u>\$ 0.11</u>		<u>\$ 1.15</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, 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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reversal of 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
BALANCE AT JANUARY 1, 2023	\$ 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
Appropriation of 2022 earnings (Note 23)	-	-	-	1,917,329	-	(1,917,329)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NTS\$1.0 per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	(15,734,861)	-	(15,734,861)
Cash dividends to preference shareholders - NTS\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(1,022)	1,022	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	-	1,681,679	-	-	-	-	-	1,681,679	1,849,526	3,531,205
Other comprehensive income for the year ended December 31, 2023, net of income tax	-	-	-	-	-	(130,319)	12,577	3,550,681	12,335	3,575,593	-	3,445,274	155,501	3,600,775
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	-	1,551,360	12,577	3,550,681	12,335	3,575,593	-	5,126,953	2,005,027	7,131,980
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	(3,564,348)	(3,564,348)	-	(3,564,348)
Acquisition of the Corporation's shares held by subsidiaries	-	-	-	-	-	-	-	-	-	-	(74,939)	(74,939)	-	(74,939)
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	320,186	-	-	-	-	-	-	-	-	320,186	-	320,186
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,463,236)	(2,463,236)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	229,803	-	(229,803)	-	(229,803)	-	-	-	-
Adjustment of other equity	-	-	93,517	-	-	(142,638)	-	-	-	-	(106,032)	(155,153)	-	(155,153)
BALANCE AT DECEMBER 31, 2023	\$ 157,348,610	\$ 382,680	\$ 40,688,818	\$ 74,683,304	\$ 26,913,635	\$ 19,642,513	\$ (6,296,189)	\$ 273,982	\$ 4,523,877	\$ (1,498,330)	\$ (12,394,740)	\$ 305,766,490	\$ 36,485,008	\$ 342,251,498

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>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 4,590,094	\$ 23,258,596
Adjustments for:		
Depreciation expense	32,043,661	34,090,752
Amortization expense	234,858	258,594
Expected credit loss recognized (reversed)	(1,785)	3,668
Net gain on financial assets and liabilities at fair value through profit or loss	(62,110)	(1,819)
Finance costs	3,623,661	2,493,407
Interest income	(906,213)	(469,573)
Dividend income	(2,303,920)	(2,019,682)
Share of the profit of associates	(524,282)	(1,592,744)
Gain on disposal of property, plant and equipment	(509,525)	(386,983)
Gain on disposal of right-of-use assets	-	(787,950)
Gain on disposal of non-current assets held for sale	(33,742)	(44,561)
Loss (gain) on disposal of investments	130,762	(51,704)
Write-down (reversal) of inventories	(4,723,294)	5,881,807
Impairment loss recognized (reversed) on non-financial assets	(85,072)	26,491
Recognition (reversal) of provisions	685,044	(1,178,039)
Others	(22,761)	29,046
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(501,290)	188,578
Financial assets for hedging	(1,811,813)	(1,457,522)
Contract assets	(1,522,806)	1,134,982
Notes receivable	(200,977)	335,528
Notes receivable - related parties	272	285
Accounts receivable	692,098	4,206,931
Accounts receivable - related parties	(35,756)	301,978
Other receivables	806,810	2,199,970
Inventories	15,895,113	(7,900,052)
Other current assets	1,724,793	(2,191,189)
Financial liabilities for hedging	(160,869)	63,619
Contract liabilities	(469,296)	(1,122,301)
Notes payable	(425,063)	(25,695)
Accounts payable	2,629,549	(7,646,816)
Accounts payable - related parties	65,179	(151,604)
Other payables	(4,790,148)	(7,205,716)
Provisions	(43,920)	(173,717)
Other current liabilities	69,687	26,957
Net defined benefit liabilities	(338,725)	(1,025,641)
Refund liabilities	(852,508)	(1,232,502)
Cash generated from operations	42,865,706	37,835,379
Income taxes paid	(4,175,916)	(13,492,194)
Net cash generated from operating activities	<u>38,689,790</u>	<u>24,343,185</u>

(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>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ (5,033,796)	\$ (2,872,659)
Proceeds from disposal of financial assets at fair value through other comprehensive income	3,661,054	3,498,590
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	-	8,749
Acquisition of financial assets at amortized cost	(20,000)	-
Acquisition of financial assets at fair value through profit or loss	(4,345,764)	(4,960,110)
Proceeds from disposal of financial assets at fair value through profit or loss	3,914,449	4,960,232
Acquisition of investments accounted for using the equity method	-	(507,433)
Proceeds from disposal of investments accounted for using the equity method	379,245	197,250
Disposal of subsidiaries	(29,832)	11,880
Proceeds from the capital reduction on investments accounted for using the equity method	105,000	424,680
Proceeds from disposal of non-current assets held for sale	62,293	367,807
Acquisition of property, plant and equipment	(37,595,610)	(31,878,166)
Proceeds from disposal of property, plant and equipment	1,236,781	1,219,665
Decrease in refundable deposits	508,586	38,831
Acquisition of intangible assets	(52,875)	(79,745)
Acquisition of right-of-use assets	(120)	-
Proceeds from right-of-use assets	-	679,912
Acquisition of investment properties	(1,191)	(188,553)
Decrease (increase) in other financial assets	(7,840,036)	313,711
Decrease (increase) in other noncurrent assets	(231,005)	486,654
Interest received	871,889	459,870
Dividends received from associates	852,925	1,203,980
Dividends received from others	2,289,210	2,026,356
Net cash used in investing activities	<u>(41,268,797)</u>	<u>(24,588,499)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	283,628,333	329,562,535
Repayments of short-term borrowings	(300,955,244)	(312,470,686)
Proceeds from short-term bills payable	181,096,886	128,244,634
Repayments of short-term bills payable	(156,131,965)	(106,100,166)
Proceeds from bonds payable	20,714,263	-
Repayments of bonds payable	(12,225,000)	(17,475,000)
Proceeds from long-term bank borrowings	73,698,105	101,422,458
Repayments of long-term bank borrowings	(72,868,850)	(76,329,911)
Proceeds from long-term bills payable	12,691,823	31,391,876
Repayments of long-term bills payable	(14,549,139)	(19,227,219)

(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>2023</b>	<b>2022</b>
Repayments of principal of lease liabilities	\$ (1,338,743)	\$ (1,198,577)
Increase (decrease) in other noncurrent liabilities	(29,595)	34,333
Dividends paid to owners of the Corporation	(15,759,055)	(48,872,707)
Payments for buy-back of ordinary shares	(3,564,348)	-
Acquisition of the Corporation's shares held by subsidiaries	(74,939)	-
Acquisition of additional interests in subsidiary	(403,117)	(386,303)
Partial disposal of interests in subsidiaries without loss of control	-	3,916
Interest paid	(4,569,955)	(2,841,083)
Decrease in non-controlling interests	<u>(2,281,830)</u>	<u>(3,156,163)</u>
Net cash generated from (used in) financing activities	<u>(12,922,370)</u>	<u>2,601,937</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(2,527)</u>	<u>3,338,616</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,503,904)	5,695,239
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>26,423,419</u>	<u>20,728,180</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 10,919,515</u>	<u>\$ 26,423,419</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, 2023 and 2022:		
Cash and cash equivalents in the consolidated balance sheets	\$ 16,417,322	\$ 30,419,297
Bank overdraft	<u>(5,497,807)</u>	<u>(3,995,878)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 10,919,515</u>	<u>\$ 26,423,419</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, 2023 and 2022 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, 2023 and 2022, 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, 2023 and 2022, its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

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

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

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 29, 2024

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, 2023		December 31, 2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,761,956	-	\$ 3,900,823	1
Financial assets for hedging - current (Notes 4, 9 and 28)	3,271,645	1	1,044,981	-
Contract assets - current (Notes 4 and 23)	621,028	-	839,682	-
Notes receivable (Notes 4 and 10)	505,960	-	627,670	-
Accounts receivable, net (Notes 4 and 10)	1,739,257	-	2,670,527	1
Accounts receivable - related parties (Notes 4, 10 and 29)	1,080,698	-	910,033	-
Other receivables	1,746,724	-	2,133,633	1
Other receivables - loans to related parties (Note 29)	4,500,000	1	5,960,000	1
Current tax assets	51,255	-	7,675	-
Inventories (Notes 4, 5 and 11)	62,085,674	13	67,110,255	14
Other financial assets - current (Notes 13 and 30)	6,006,067	2	5,950,000	1
Other current assets	994,644	-	1,187,304	-
Total current assets	84,364,908	17	92,342,583	19
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	658,398	-	712,241	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	42,500,958	9	39,490,069	8
Financial assets for hedging - noncurrent (Notes 4, 9 and 28)	14,207	-	59,177	-
Investments accounted for using the equity method (Notes 4, 12 and 30)	185,908,051	40	189,718,151	40
Property, plant and equipment (Notes 4, 14 and 29)	147,681,864	31	144,919,933	30
Right-of-use assets (Notes 4 and 15)	1,004,907	-	1,173,620	-
Investment properties (Notes 4 and 16)	7,292,007	2	7,316,012	2
Intangible assets	107	-	-	-
Deferred tax assets (Notes 4 and 25)	2,697,266	1	2,948,391	1
Refundable deposits	169,182	-	442,230	-
Total noncurrent assets	387,926,947	83	386,779,824	81
<b>TOTAL</b>	<b>\$ 472,291,855</b>	<b>100</b>	<b>\$ 479,122,407</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings and bank overdraft (Notes 17, 29 and 30)	\$ 15,569,648	3	\$ 25,365,690	5
Short-term bills payable (Note 17)	36,528,507	8	13,476,961	3
Financial liabilities for hedging - current (Notes 4, 9, 17 and 28)	-	-	1,242	-
Contract liabilities - current (Notes 4 and 23)	1,099,953	-	1,452,353	-
Accounts payable	5,671,295	1	4,468,055	1
Accounts payable - related parties (Note 29)	929,631	-	954,646	-
Other payables (Notes 19 and 29)	11,974,448	3	15,931,393	3
Current tax liabilities	316	-	2,135,370	-
Provisions - current (Notes 4 and 20)	4,018,876	1	2,990,709	1
Lease liabilities - current (Notes 4 and 15)	309,201	-	353,725	-
Current portion of bonds payable (Note 18)	8,336,585	2	8,349,635	2
Refund liabilities - current	1,452,514	-	2,275,656	1
Other current liabilities	486,188	-	406,548	-
Total current liabilities	86,377,162	18	78,161,983	16
<b>NONCURRENT LIABILITIES</b>				
Financial liabilities for hedging - noncurrent (Notes 4, 9, 17 and 28)	978,033	-	1,046,139	-
Bonds payable (Note 18)	42,538,962	9	39,880,933	8
Long-term bank borrowings (Note 17)	5,500,000	1	11,500,000	3
Long-term bills payable (Note 17)	13,984,428	3	11,495,715	2
Deferred tax liabilities (Notes 4 and 25)	12,190,455	3	11,992,858	3
Lease liabilities - noncurrent (Notes 4 and 15)	688,449	-	820,848	-
Net defined benefit liabilities (Note 21)	4,267,876	1	4,321,704	1
Total noncurrent liabilities	80,148,203	17	81,058,197	17
Total liabilities	166,525,365	35	159,220,180	33
<b>EQUITY (Notes 4 and 22)</b>				
Share capital				
Ordinary shares	157,348,610	33	157,348,610	33
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	33	157,731,290	33
Capital surplus	40,688,818	9	40,275,115	9
Retained earnings				
Legal reserve	74,683,304	16	72,765,975	15
Special reserve	26,913,635	6	26,914,657	6
Unappropriated earnings	19,642,513	4	35,708,731	7
Total retained earnings	121,239,452	26	135,389,363	28
Other equity	(1,498,330)	-	(4,844,120)	(1)
Treasury shares	(12,394,740)	(3)	(8,649,421)	(2)
Total equity	305,766,490	65	319,902,227	67
<b>TOTAL</b>	<b>\$ 472,291,855</b>	<b>100</b>	<b>\$ 479,122,407</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			
	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 23 and 29)	\$ 197,149,158	100	\$ 250,600,629	100
OPERATING COSTS (Notes 11 and 29)	<u>190,093,873</u>	<u>96</u>	<u>232,344,138</u>	<u>93</u>
GROSS PROFIT	7,055,285	4	18,256,491	7
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>(34,951)</u>	<u>-</u>	<u>583,055</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>7,020,334</u>	<u>4</u>	<u>18,839,546</u>	<u>7</u>
OPERATING EXPENSES				
Selling and marketing expenses	2,499,891	1	2,693,404	1
General and administrative expenses	2,725,903	2	3,116,084	1
Research and development expenses	<u>2,033,249</u>	<u>1</u>	<u>2,148,436</u>	<u>1</u>
Total operating expenses	<u>7,259,043</u>	<u>4</u>	<u>7,957,924</u>	<u>3</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(238,709)</u>	<u>-</u>	<u>10,881,622</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 24 and 29)	258,627	-	167,477	-
Other income (Notes 24 and 29)	1,343,660	1	1,893,385	1
Other gains and losses (Notes 24 and 29)	80,023	-	199,705	-
Finance costs (Notes 24 and 29)	(1,394,276)	(1)	(996,693)	-
Share of profit or loss of subsidiaries and associates	<u>2,057,901</u>	<u>1</u>	<u>8,221,073</u>	<u>3</u>
Total non-operating income and expenses	<u>2,345,935</u>	<u>1</u>	<u>9,484,947</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	2,107,226	1	20,366,569	8
INCOME TAX EXPENSE (Notes 4 and 25)	<u>425,547</u>	<u>-</u>	<u>2,582,794</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>1,681,679</u>	<u>1</u>	<u>17,783,775</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(50,635)	-	1,292,493	1

(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			
	2023		2022	
	Amount	%	Amount	%
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	\$ 3,010,889	2	\$ 238,791	-
Gains and losses on hedging instruments	(189,919)	-	224,031	-
Share of the other comprehensive income of subsidiaries and associates	610,561	-	(3,293,217)	(1)
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	51,801	-	(301,338)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	45,795	-	2,256,946	1
Share of the other comprehensive income of subsidiaries and associates	<u>(33,218)</u>	<u>-</u>	<u>601,370</u>	<u>-</u>
Other comprehensive income for the year, net of income tax	<u>3,445,274</u>	<u>2</u>	<u>1,019,076</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,126,953</u>	<u>3</u>	<u>\$ 18,802,851</u>	<u>8</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 0.11</u>		<u>\$ 1.15</u>	
Diluted	<u>\$ 0.11</u>		<u>\$ 1.15</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, 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
Appropriation of 2021 earnings (Note 22)												
Legal reserve	-	-	-	6,154,632	-	(6,154,632)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(723,473)	723,473	-	-	-	-	-	-
Cash dividends to ordinary shareholders – NTS\$3.1 per share	-	-	-	-	-	(48,778,069)	-	-	-	-	-	(48,778,069)
Cash dividends to preference shareholders – NTS\$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
Appropriation of 2022 earnings (Note 22)												
Legal reserve	-	-	-	1,917,329	-	(1,917,329)	-	-	-	-	-	-
Cash dividends to ordinary shareholders – NTS\$1.0 per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	(15,734,861)
Cash dividends to preference shareholders – NTS\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(1,022)	1,022	-	-	-	-	-	-
Net profit for the year ended December 31, 2023	-	-	-	-	-	1,681,679	-	-	-	-	-	1,681,679
Other comprehensive income (loss) for the year ended December 31, 2023, net of income tax	-	-	-	-	-	(130,319)	12,577	3,550,681	12,335	3,575,593	-	3,445,274
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	1,551,360	12,577	3,550,681	12,335	3,575,593	-	5,126,953
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	-	-	(3,564,348)	(3,564,348)
Acquisition of the Corporation's shares held by subsidiaries	-	-	-	-	-	-	-	-	-	-	(74,939)	(74,939)
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	320,186	-	-	-	-	-	-	-	-	320,186
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	229,803	-	(229,803)	-	(229,803)	-	-
Adjustment from changes in equity of subsidiaries and associates	-	-	93,517	-	-	(142,638)	-	-	-	-	(106,032)	(155,153)
BALANCE AT DECEMBER 31, 2023	\$ 157,348,610	\$ 382,680	\$ 40,688,818	\$ 74,683,304	\$ 26,913,635	\$ 19,642,513	\$ (6,296,189)	\$ 273,982	\$ 4,523,877	\$ (1,498,330)	\$ (12,394,740)	\$ 305,766,490

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>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 2,107,226	\$ 20,366,569
Adjustments for:		
Depreciation expense	13,516,027	15,236,313
Amortization expense	-	4,978
Net loss (gain) on financial assets at fair value through profit or loss	3,934	(7,640)
Finance costs	1,394,276	996,693
Interest income	(258,627)	(167,477)
Dividend income	(397,495)	(428,438)
Share of profit of subsidiaries and associates	(2,057,901)	(8,221,073)
Loss on disposal of property, plant and equipment	91,124	19,298
Gain on disposal of investments	(15,364)	(28,415)
Write-down (reversal) of inventories	(2,318,492)	1,827,517
Unrealized (realized) gain on the transactions with subsidiaries and associates	34,951	(583,055)
Recognition (reversal) of provisions	1,035,741	(1,328,143)
Others	162,127	(110,620)
Changes in operating assets and liabilities		
Financial assets for hedging	(2,391,052)	(536,825)
Contract assets	239,237	(621,077)
Notes receivable	121,710	370,769
Accounts receivable	931,270	996,255
Accounts receivable – related parties	(170,665)	1,335,262
Other receivables	400,230	613,631
Inventories	7,184,772	113,976
Other current assets	192,660	(290,547)
Contract liabilities	(352,400)	(248,978)
Accounts payable	1,203,240	(1,979,703)
Accounts payable – related parties	(25,015)	(2,343,457)
Other payables	(2,162,108)	(6,186,646)
Provisions	(7,574)	-
Other current liabilities	79,640	(76,024)
Net defined benefit liabilities	(104,463)	(688,044)
Refund liabilities	(823,142)	(1,180,908)
Cash generated from operations	17,613,867	16,854,191
Income taxes paid	(2,103,658)	(6,933,089)
Net cash generated from operating activities	<u>15,510,209</u>	<u>9,921,102</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of investments accounted for using the equity method	247,256	-
Acquisition of property, plant and equipment	(17,486,149)	(13,246,704)
Proceeds from disposal of property, plant and equipment	24	45
Acquisition of intangible assets	(107)	-

(Continued)

# China Steel Corporation

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Decrease in refundable deposits	\$ 273,048	\$ 262,899
Decrease in other receivables – loans to related parties	1,460,000	1,002,000
Increase in other financial assets	(56,067)	-
Interest received	254,545	155,397
Dividends received from subsidiaries and associates	6,066,860	21,349,387
Dividends received from others	388,256	435,748
Proceeds from liquidation of subsidiaries	-	408,554
Proceeds from the capital reduction of associates	<u>105,000</u>	<u>233,361</u>
Net cash generated from (used in) investing activities	<u>(8,747,334)</u>	<u>10,600,687</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	45,080,000	63,264,960
Repayments of short-term borrowings	(56,588,671)	(49,474,183)
Proceeds from short-term bills payable	86,651,546	34,876,961
Repayments of short-term bills payable	(63,600,000)	(21,400,000)
Proceeds from bonds payable	11,000,000	-
Repayments of bonds payable	(8,350,000)	(12,350,000)
Proceeds from long-term bank borrowings	19,500,000	19,500,000
Repayments of long-term bank borrowings	(25,500,000)	(9,500,000)
Proceeds from long-term bills payable	11,588,713	8,597,781
Repayments of long-term bills payable	(9,100,000)	(3,000,000)
Repayments of principal of lease liabilities	(402,333)	(356,283)
Dividends paid	(15,759,055)	(48,872,707)
Payments for buy-back of ordinary shares	(3,564,348)	-
Acquisition of additional interests in subsidiaries	(418,710)	-
Interest paid	(1,712,753)	(1,203,648)
Proceeds from the capital reduction of subsidiaries	<u>561,240</u>	<u>125,720</u>
Net cash used in financing activities	<u>(10,614,371)</u>	<u>(19,791,399)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,851,496)</b>	<b>730,390</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>885,116</u></b>	<b><u>154,726</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ (2,966,380)</u></b>	<b><u>\$ 885,116</u></b>
Reconciliation of the amounts in the standalone statements of cash flows with the equivalent items reported in the standalone balance sheets as of December 31, 2023 and 2022:		
Cash and cash equivalents in the standalone balance sheets	\$ 1,761,956	\$ 3,900,823
Bank overdraft	<u>(4,728,336)</u>	<u>(3,015,707)</u>
Cash and cash equivalents in the standalone statements of cash flows	<u>\$ (2,966,380)</u>	<u>\$ 885,116</u>

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

(Concluded)

## **2. Proposal:**

### **Adoption of the Proposal for Distribution of 2023 Profits**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) The Company's earnings distribution of 2023, 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\$0.35 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 4

<b>China Steel Corporation</b>		
<b>2023 Earnings Distribution Table</b>		Unit: NT\$
Undistributed earnings at the beginning of the period		18,002,966,222.09
After-tax earnings of 2023	1,681,678,668.39	
Reverse of special reserve: disposal of fixed assets	1,021,750.00	
Actuarial gains (losses) from defined benefit pension plans (included in retained earnings)	(40,507,915.00)	
Effects resulting from changes in long-term equity investment	(2,645,279.00)	
Amount to be included in undistributed earnings by adding up after-tax earnings of 2023 and other items (A)		1,639,547,224.39
Deduct: Legal reserve = (A) *10%		(163,954,722.00)
Subtotal of distributable earnings		19,478,558,724.48
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\$0.35 per share (NT\$0.35 in cash)	5,454,701,349.00	
Subtotal of distribution items		(5,508,276,548.00)
Undistributed earnings at the end of the period		13,970,282,176.48

## Other Proposals

### 1. Proposal:

**To release the prohibition on Mr. Chien-Chih Hwang from holding the position in Taiwan High Speed Rail Corporation to protect the investment rights of the Company.**

**Proposed by the Board of Directors**

### Explanatory Note:

- (1) The agenda is proposed in compliance with Paragraph 1, Article 209 of the Company Act: A director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) Mr. Chien-Chih Hwang is holding the following position:

Invested Company	Concurrent Post	Business Relationship with CSC
Taiwan High Speed Rail Corporation	Director	Machinery installation

- (3) Although the Company is related to the aforesaid company in part of its business, the products and services provided by the two companies belong to different market segments. The Company may thereby benefit from Mr. Chien-Chih Hwang's serving in the board of the aforesaid company by monitoring the execution of the Company's business strategies with his expertise.

### Resolution:

## 2. Proposal:

**To release the prohibition on Mr. Shou-Tao Chen from holding the positions in China Steel Machinery Corporation and Tang Eng Iron Works Co., Ltd. to protect the investment rights of the Company.**

**Proposed by the Board of Directors**

### Explanatory Note:

- (1) The agenda is proposed in compliance with Paragraph 1, Article 209 of the Company Act: A director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
- (2) Mr. Shou-Tao Chen is holding the following positions in these two companies:

Company	Concurrent Post	Business Relationship with CSC
China Steel Machinery Corporation	Chairman	Iron and steel rolling, drawing, and extruding; Machinery and equipment manufacturing
Tang Eng Iron Works Co., Ltd.	Director	Iron and steel rolls over extends and crowding; Iron and steel rolling, drawing, and extruding

- (3) Although the Company is related to the aforesaid companies in part of its business, the products and services provided by the Company and these companies belong to different market segments. The Company may thereby protect its investment rights and benefit from Mr. Shou-Tao Chen's serving in the board of these aforesaid companies by participating in important operating decisions and monitoring the execution of business strategies.

### Resolution:

# 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 need 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

Article 30-1 The 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)

Article 32-1 The 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.

Article 32-2 In 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.

Article 32-3 The 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 21, 2024)

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	Shou-Tao Chen	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 (including 150,000,000 treasury shares) and 38,267,999 preferred shares, with a total of 15,773,128,996 shares.