

Stock Code: 2008

Website for annual report access: <http://mops.twse.com.tw>  
Company Website: <http://www.khc.com.tw>



**KAO HSING CHANG IRON & STEEL  
CORP.**

***2024***  
**Annual Report**

Date of publication: May 19, **2025**

● **Addresses and telephone numbers of the head office, branches and factories/plants:**

Designation	Address	Telephone
Headquarters	No. 318, Zhonghua 1st Rd., Gushan Dist., Kaohsiung City	(07)5556111
Taipei Branch	No. 62, Liangzhou Street, Taipei City	(02)25530987
Yongan Factory (Cold Rolling Mill)	No. 6, Yonggong 1st Road, Yongan Industrial Park, Yongan District, Kaohsiung City (suspended)	(07)6229601
Pingdong Branch (Steel Pipe Plant)	No. 2, Yongxiang Rd., Fangliao Township, Pingnan Industrial Park, Pingtung County	(08)8668800

● **Spokesperson**

Name: Hsu Pang-Feng  
 Title: Manager, Steel Pipe Department  
 Telephone: (07)555-6111  
 Email: purc02@khc.com.tw

● **Deputy Spokesperson**

Name: Kuo Chien-Hung  
 Title: Deputy Manager, Steel Pipe Department  
 Telephone: (07)555-6111  
 E-mail: sale01@khc.com.tw

● **Handling of stock transfer agency**

Name: Kao Hsing Chang Iron & Steel Corp. Stock Affairs Division  
 Address: No. 62, Liangzhou Street, Taipei City  
 Telephone: (02)25536052-25536053  
 Website: <http://bit.ly/2W3hvVg>

● **CPAs for the most recent annual financial reports**

Name: Hsu Chen-Lung, Chen Yung-Hsiang  
 Name: KPMG Taiwan  
 Address: 12F-6, No. 211, Zhongzheng 4th Road, Qianjin District, Kaohsiung City  
 Telephone: (07)213-0888  
 Website: <http://www.kpmg.com.tw>

● **The name of any exchanges where the Company's securities are traded offshore and the method by which to access information on said offshore securities:** None.

● **Company website:** <http://www.khc.com.tw>

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# **One. Letter to Shareholders**

## **I. Chairman's Remarks:**

Dear Shareholders, ladies and gentlemen:

We welcome everyone's participation in the Annual Shareholders' Meeting and hereby present reports on the business operations for 2024 and the business plan for the current year:

In 2024, the steel market underperformed expectations due to various factors, with the main issue being the oversupply and low-priced dumping of excess capacity from mainland China. Nevertheless, the overall steel market in 2024 showed a slight improvement over 2023.

As steel prices stabilized and experienced modest increases and as expansion orders from major electronics manufacturers continued to be released, demand gradually rose. As a result, both domestic and export order intake exceeded last year's levels and profitability from core operations was comparable to the previous year. In terms of steel pipe sales, although market conditions and demand in 2024 contracted further compared to 2023, the Company's total steel pipe sales volume of 32,138 metric tons still increased by 3.58% over last year's 31,026 metric tons. Export sales of API oil pipes declined slightly due to continued weakness in international oil prices, a reduction rather than increase in the number of oil wells, and zero-tariff, low-price competition from Korea. Total steel pipe exports in 2024 were 2,851 metric tons, down 1.45% from 2,893 metric tons in 2023. On the domestic front, although demand for steel pipes remained weak, galvanized steel pipe orders benefited from continued expansion projects by electronics manufacturers. Total domestic steel pipe sales reached 29,288 metric tons, a slight increase of 4.1% over last year's 28,133 metric tons.

In 2025, the outlook for the steel market is mixed. On the positive side, global economic recovery is gaining traction, leading to increased demand for steel.

However, oversupply and low-priced exports from Mainland China are expected to persist. The biggest variable is the trade policy of US President Trump.

In the export market, the implementation of a flat, reciprocal tariff regime under the US Section 232 measure starting in April 2025 eliminated Korea's previous advantage of zero-tariff, low-priced exports. This has enhanced the Company's competitiveness in securing export orders. Moreover, overall market demand in the U.S. is improving and customers' inventory levels are gradually being depleted. Although oil prices have fallen to around USD\$60, which negatively affects shale oil extraction, international steel prices are steadily rising. With inventory restocking expected from customers, inquiries for API oil pipes from the U.S. are projected to continue, and the export market outlook is optimistic. However, future uncertainties remain due to President Trump's tariff policies.

For domestic steel pipes, major tech companies are actively expanding advanced processes and high-end packaging capacity. Capital expenditures are increasing and key domestic infrastructure projects are being promoted, driving steady growth in domestic demand for galvanized steel pipes. The Company's domestic order intake for steel pipes remains stable. Looking ahead to 2025, global steel supply and demand are expected to gradually improve, helping the steel market recover from the bottom. Steel prices are projected to gain support and rise. Sales and profitability in 2025 are expected to surpass those of 2024.

All in all, we are cautiously optimistic about the operation of this year, and hope for your continued support and encouragement from our shareholders.

Finally, I wish all for shareholders  
good health and happy families

Chairman

呂泰榮 

## II. Operating results for 2024

### (I) Outcomes of the implementation of the business plan:

Production volume in 2024 was 32,476 metric tons, down 4% from 33,993 metric tons in 2023. Sales volume in 2024 was 35,292 metric tons, up 1% from 35,026 metric tons in 2023.

Operating revenue in 2024 was NT\$1,458,367 thousand, roughly the same as the NT\$1,460,295 thousand in 2023, representing a decrease of less than 1%. Net income after tax was NT\$48,730 thousand, with earnings per share of NT\$0.26. Details are as follows:

## III. Analysis of financial income, expenses and profitability:

### (I) Financial income and expenditure:

1. Comprehensive income statement for the last two years:

Unit: NTD Thousand

Item	2024	%	2023	%
Operating revenues	1,458,367	100	1,460,295	100
Operating costs	1,237,533	85	1,258,760	86
Operating margin (loss)	220,834	15	201,535	14
Selling expenses	37,969	3	35,144	2
Overhead	82,291	6	77,746	5
Operating profit	100,574	6	88,645	7
Non-operating revenue and expenses	(30,978)	(2)	323,527	23
Net profit (loss) before tax	69,596	5	412,172	30
Income tax benefit (expense)	(20,866)		20,664	
Net profit (loss) for the period	48,730	3	432,836	31

2. The decrease in non-operating income for 2024 was mainly due to a gain of NT\$329,307 thousand from the disposal of investment properties in 2023.

3. Net income after tax for 2024 was NT\$48,730 thousand, with earnings per share of NT\$0.26.

**(II) Profitability analysis:**

Analysis item		2024	
Profitability	Return on assets (%)	1.59	
	Shareholder return on equity (%)	1.39	
	Ratio to paid-in capital (%)	Operating gain (loss)	5.26
		Gain (loss) before tax	3.64
	Net profit rate (%)	3.34	
	Earnings per share (NTD)	0.26	

**IV. R&D development:**

The Company constantly endeavors to renew steel pipe equipment by focusing on improving production efficiency, conserving energy, controlling pollution, and enhancing occupational safety, in order to achieve better product quality and work environment. In 2024, outdated pipe-making equipment, API small-to-medium-diameter mill lines, and galvanizing furnace systems were replaced, with continued upgrades and improvements underway.

**V. Impact from external competitive, regulatory and overall business environments:**

1. The high interest rate and high inflation environment in 2024 has begun to ease. Governments worldwide have ramped up spending, boosting momentum in the construction sector. The World Steel Association expects global steel demand to gradually recover over 2024 and 2025, with demand outside of China forecast to increase by 10.8 million tons (+ 1.2%) in 2024 and 29.3 million tons (+ 3.3%) in 2025. The steel industry is expected to maintain growth momentum in 2025, with projected demand reaching 1.7715 billion tons (+1.2%), up 20.6 million tons from this year. Outlook for global steel markets outside China remains positive, with stronger recovery momentum. Green industries such as wind and solar power are expected to contribute over 14 million tons in demand growth, serving as one of the primary drivers.
2. Inflationary pressures in Europe and the U.S. are easing, paving the way for a gradual rate-cutting cycle. This is expected to reduce the dampening effect of high interest rates on economic activity. The OECD revised its global economic growth forecast for 2025 upward by 0.1% to 3.3%, indicating that global economic growth is likely to remain steady. Taiwan's recent economic performance has been stable. Exports have continued to expand, driven by emerging technologies and the AI boom, which in turn has stimulated

domestic demand and investment in infrastructure. Consumer momentum is steadily increasing. The Directorate-General of Budget, Accounting and Statistics (DGBAS) forecasts Taiwan's economic growth rate in 2025 to reach 3.29%.

3. Infrastructure demand in Southeast Asia continues to drive steel consumption, making it a core growth market. However, the impact of newly added capacity in Southeast Asia on the market outlook warrants attention. By 2026, newly added capacity in the region is expected to reach approximately 76 million tons, mainly concentrated in Vietnam, Malaysia and Indonesia. This may intensify regional competition and place downward pressure on steel prices. The risk of slowing down global economic growth may suppress demand growth.
4. Heightened raw materials price volatility is exerting pressure on profitability. The recent rebound in iron ore and coal prices may push up steel production costs, requiring close monitoring of raw materials price fluctuations.
5. The "three carbon" challenge of carbon pricing, carbon tariffs and carbon neutrality are no longer merely environmental issues but economic ones. As the known costs of carbon are increasingly passed on to distributors and reflected in product pricing. How the Company creates more value through its operations poses an additional challenge.

## **VI. Overview of 2025 Business Plan:**

Steel pipe sales volume in 2025 is projected at 47,898 metric tons, representing a 49% increase compared to 32,138 metric tons in 2024. Sales volume of distribution products is projected at 3,000 metric tons, a 9% increase from 2,740 metric tons in 2024. (This represents the 2025 budget approved by the 3rd session of the 22nd Board of Directors on November 8, 2024.)

In 2025, the outlook for the steel market is mixed. On the positive side, global economic recovery is gaining traction, leading to increased demand for steel. However, persistent overcapacity in mainland China and the resulting low-priced exports remain the steel industry's primary downside risks. The biggest variable is the trade policy of US President Trump.

President Trump has recently emphasized his intention to end the Russia-Ukraine war swiftly. In addition, Israel has reportedly reached a preliminary ceasefire agreement with Hamas. The market believes that if both major conflicts are resolved, a new phase of global post-war reconstruction will begin. Large-scale infrastructure investments and industrial redevelopment programs are seen as both imminent and inevitable.

In the export market, the implementation of a flat, reciprocal tariff regime under the U.S. Section 232 measure in April 2025 eliminated Korea's previous advantage of zero-tariff, low-priced exports. This has improved the company's competitiveness in securing export orders. In addition, overall market demand in the U.S. is recovering, and customer inventories are gradually being depleted. Although oil prices have fallen to around US\$60 per barrel, which is unfavorable for shale oil extraction, the concurrent steady rise in international steel prices and restocking demand support a more optimistic export outlook compared to 2024. However, potential changes in President Trump's tariff policies continue to introduce uncertainties.

Despite delays in private-sector construction projects, major technology companies are aggressively expanding advanced manufacturing processes and high-end packaging capacity, resulting in sustained growth in capital expenditures. Together with the advancement of major domestic infrastructure projects, this has driven continued demand for galvanized steel pipes. Although overall domestic demand for steel pipes has softened, the Company has maintained a healthy level of orders. With stable order volume from electronics manufacturers and steady steel prices, demand in 2025 is expected to surpass that of 2024.

Looking ahead to 2025, global steel supply and demand are expected to gradually improve, helping the steel market recover from the bottom. Steel prices are projected to gain support and rise. Sales and profitability in 2025 are expected to surpass those of 2024.

## Two. Corporate Governance Report

### I. Information on directors, the President, vice-presidents, assistant vice-presidents and department and branch heads

#### (I) Directors

##### 1. Directors' information

April 21, 2025

Job Title (Note 1)	Nationality or place of registration	Name	Gender Age (Note 2)	Appointment date	Term of office	Date first appointed (Note 3)	Shares held at the time of appointment		Number of shares currently held		Number of shares currently held by spouse and minor children		Shares held in the name(s) of others		Principal Experience (Education) (Note 4)	Office(s) Concurrently Held in the Company and Other Companies	Spouse or relatives within the second degree of kinship or closer acting as other supervisors, directors, or supervisors			Remarks (Note 5)
							Number of shares	Percentage of ownership	Number of shares	Percentage of ownership	Number of shares	Shareholding Ratio	Number of shares	Shareholding ratio			Job Title	Name	Relationship	
Chairman	Taiwan	Lu Tai Rong	Male 61-70 years old	2024.6.20	3 years	1980.6.30	27,551,329	14.44	27,551,329	14.44	6,053,477	3.17	—	—	Department of Philosophy, Tunghai University	1. Director, Kao Hsing Industrial Co. 2. Director, KHC Steel International Corp. 3. Hsieh Chang Hsing Trading Co., Ltd. Director 4. Director, Qiang Yi Investment Co., Ltd.	Director Director	Huang Li- Chun Lu Wei- Cheng	Brother-in- law Son	
Director representative	Japan	Pro Imp'ex Company Limited Sheng Lu Rong Feng	Male 61-70 years old	2024.6.20	3 years	1980.6.30	121,621 6,293,995	0.06 3.30	121,621 6,293,995	0.06 3.30	—	—	—	—	Tokai University	1. President of the Company 2. Director, KHC Steel International Corp. 3. Director, Huida Investment Co., Ltd.	Director	Sheng Lu An Te	Son	

Job Title (Note 1)	Nationality or place of registration	Name	Gender Age (Note 2)	Appointment date	Term of office	Date first appointed (Note 3)	Shares held at the time of appointment		Number of shares currently held		Number of shares currently held by spouse and minor children		Shares held in the name(s) of others		Principal Experience (Education) (Note 4)	Office(s) Concurrently Held in the Company and Other Companies	Spouse or relatives within the second degree of kinship or closer acting as other supervisors, directors, or supervisors			Remarks (Note 5)
							Number of shares	Percentage of ownership	Number of shares	Percentage of ownership	Number of shares	Shareholding Ratio	Number of shares	Shareholding ratio			Job Title	Name	Relationship	
Director Representative	Taiwan	Huida Investment Co., Ltd. Huang Li-Chun	Male 61~70 years old	2024.6.20	3 years	2008.6.25	40,999,312	21.48 —	44,999,312 22,343	23.58 —	5,785,926	3.03	—	—	Mechanical Engineering, Chung Yuan Christian University	1. Huida Investment Co., Ltd. Chairman 2. Vice- President, Kao Hsing Smelting & Chemical Fiber Co., LTD. 3. Director, KHC Steel International Corp. 4. Hsieh Chang Hsing Trading Co., Ltd. Director				
Director representative	Taiwan	You Chang Co., Ltd. Wu Hsien-Ming	Male 61~70 years old	2024.6.20	3 years	2011.9.27	380,000 38,000	0.20 0.02	380,000 28,000	0.20 0.01	—	—	—	Faculty of Law, National Taiwan University	Lawyer					
Director representative	USA	You Chang Co., Ltd. Lu Wei-Cheng	Male 31~40 years old	2024.6.20	3 years	2024.6.20	380,000 289,315	0.20 0.15	380,000 289,315	0.20 0.15	—	—	—	Chung Yuan Christian University Department of Business Management Master of Architecture, Columbia University Master of Architecture, Pratt Institute (USA)	1. Vice- Manager, Chairman's Office 2. Chairman, Da Gang Metroway Alliance Co., Ltd.	Chairman	Lu Tai Rong	Father		
Director representative	Japan	Pro Imp'ex Company Limited Sheng Lu Rong Feng	Male 31~40 years old	2024.6.20	3 years	2024.6.20	121,621	0.06	121,621	0.06	—	—	—	Department of International Economics, Tokyo, Japan	Special Assistant to the General Manager of the Company	Director	Sheng Lu Rong Feng	Father		

Job Title (Note 1)	Nationality or place of registration	Name	Gender Age (Note 2)	Appointment date	Term of office	Initial date of inauguration (Note 3)	Shares held at the time of appointment		Number of shares currently held		Number of shares currently held by spouse and minor children		Shares held in the name(s) of others		Principal Experience (Education) (Note 4)	Office(s) Concurrently Held in the Company and Other Companies	Spouse or relatives within the second degree of kinship or closer acting as other supervisors, directors, or supervisors			Remarks (Note 5)
							Number of shares	Percentage of ownership	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership			Job Title	Name	Relationship	
Independent Director	Taiwan	Lin Hsien-Lang	Male 81~90 years old	2024.6.20	3 years	2018.6.27	-	-	-	-	-	-	-	-	National Taiwan University Department of Business	Director of Corporate Operation Association/Executive Supervisor of Taiwan Corporate Governance Association				
Independent Director	Taiwan	Chen Chi-Hsiung	Male 81~90 years old	2024.6.20	3 years	2015.6.23	-	-	-	-	-	-	-	-	National Chung Hsing University Master's Degree, Law Institute	Served as Judge and President of the Kaohsiung Branch of the Taiwan High Court				
Independent Director	Taiwan	Wang Yi-Chen	Female 61~70 years old	2024.6.20	3 years	2024.6.20	-	-	-	-	-	-	-	-	National Taiwan University Master of Law Master of Law, Duke University (USA)	1. Managing Partner and Attorney, Yaomen Law Firm 2. Board Member, Kaohsiung Medical University				

Note 1: Institutional shareholders should list the names of the institutional shareholders and their representatives separately (if they are representatives of institutional shareholders, the name of the institutional shareholders should be indicated) and fill in Table 1 below.

Note 2: Please state the actual age, and the interval can also be used, such as 41 to 50 years old or 51 to 60 years old.

Note 3: It shall show when did he/she/it assume position of director or supervisor for the first time. If it is discontinuous, it shall be described in the note. Lu Tai Rong: 1989.06.16-1996.09.03 discontinuous; Sheng Lu Rong Feng: 1989.06.16-1996.09.03 discontinuous.

Note 4: If work experience related to position now is in accounting firm or affiliated company in the period shown above, it shall show his/her title and function of position.

Note 5: If the Company's Chairman and President or equivalent (top manager) are the same person or spouse or relative within one degree of kinship to the other, the reason, rationale, necessity and relevant information of the corresponding measures should be explained (e.g., the number of independent directors should be increased, more than half of the directors should not be concurrent employees or managers, etc.).

2. Table 1: Major Shareholders of Corporate Shareholders

April 21, 2025

Name of institutional shareholder	Major Shareholders of Institutional Shareholders (Shareholding ratio contributions of the ten largest shareholders)
1. Huida Investment Co., Ltd.	Lu Tai-Rong (13%); Liao Ying-Chung (9.41%); Lu Ho-Lin (11%); Lu Ho-Ching (10%); Lu Ho-Lin's Trust Property Account (8.89%)
2. Pro Imp'ex Company Limited	Chen Hsin-Ya (40%); Liao Ying-Chung (60%)
3. You Chang Co., Ltd.	Lu Tai-Rong (40%); Yang Yen-Ju (20%); Lu Ho-Ching (20%); Lu Ho-Lin (20%)

3. Table 2: Major shareholders of major shareholders who are juridical persons as referred to in Table 1 : None.

4. Disclosure of directors' professional qualifications and independence of independent directors:  
April 21, 2025

Terms Name	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	Number of other public companies where he/she/it concurrently serves as an independent director
Lu Tai Rong Director	Possesses more than five years of board leadership and steel industry experience, and is not under the conditions specified in Article 30 of the Company Act	—	0
Sheng Lu Rong Feng Director	Possesses more than five years of corporate management and steel industry experience, and is not subject to any of the circumstances under Article 30 of the Company Act.	—	0
Huang Li-Chun Director	Possesses more than five years of corporate management and steel industry experience, and is not subject to any of the circumstances under Article 30 of the Company Act.	—	0
Wu Hsien-Ming Director	Possesses more than five years of board leadership experience, is a qualified attorney, and has corporate management experience; not subject to any of the circumstances under Article 30 of the Company Act.	—	0
Lu Wei-Cheng Director	Possesses more than three years of corporate management and steel industry experience, and is not subject to any of the circumstances under Article 30 of the Company Act.	—	0

Name \ Terms	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	Number of other public companies where he/she/it concurrently serves as an independent director
Sheng Lu An Te Director	Possesses more than three years of corporate management and steel industry experience, and is not subject to any of the circumstances under Article 30 of the Company Act.	—	0
Lin Hsien-Lang Independent Director	<p>Possesses more than five years of certified public accountant qualification, and is not subject to any of the circumstances under Article 30 of the Company Act.</p> <p>Experience:</p> <ol style="list-style-type: none"> <li>1. President of KPMG Taiwan; Chairman of National Federation of Certified Public Accountants Associations of the Republic of China</li> <li>2. Independent Director, KGI Commercial Bank Co., Ltd.</li> <li>3. Independent Director, RAC Electric Vehicles Inc.</li> </ol>	<p>Compliance with the absence of the following:</p> <ol style="list-style-type: none"> <li>1. Including but not limited to the director, supervisor or employee of the Company or its affiliates, such as the person himself/herself, spouse or relative within the second degree of kinship.</li> <li>2. The number and percentage of shares held by the person, their spouse, or a relative within the second degree of kinship (or in the name of another person).</li> <li>3. Serving as a director, supervisor, or employee of a company that has a specific relationship with the Company.</li> <li>4. The amount of rewards received for commercial, legal, financial, or accounting services provided to the Company or its affiliates over the most recent 2 years.</li> </ol>	0
Chen Chi-Hsiung Independent Director	Taiwan High Court Kaohsiung Branch Judge and President, and not under the conditions specified in Article 30 of the Company Act	<p>Compliance with the absence of the following:</p> <ol style="list-style-type: none"> <li>1. Including but not limited to the director, supervisor or employee of the Company or its affiliates, such as the person himself/herself, spouse or relative within the second degree of kinship.</li> <li>2. The number and percentage of shares held by the person, their</li> </ol>	0

Name \ Terms	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	Number of other public companies where he/she/it concurrently serves as an independent director
		<p>spouse, or a relative within the second degree of kinship (or in the name of another person).</p> <p>3. Serving as a director, supervisor, or employee of a company that has a specific relationship with the Company.</p> <p>4. The amount of rewards received for commercial, legal, financial, or accounting services provided to the Company or its affiliates over the most recent 2 years.</p>	
Wang Yi-Chen Independent Director	<p>Possesses more than five years of attorney qualification and is not subject to any of the circumstances under Article 30 of the Company Act.</p> <p>Experience:</p> <ol style="list-style-type: none"> <li>1. Legal Advisor, Third Maintenance Office, Directorate General of Highways, Ministry of Transportation and Communications</li> <li>2. Legal Advisor, Japan Airlines Co., Ltd. (Japan-based company)</li> <li>3. Legal Advisor, Kaohsiung Veterans General Hospital</li> <li>4. Legal Advisor, Taiwan Cement Corporation</li> </ol> <p>Current Positions:</p> <ol style="list-style-type: none"> <li>1. Managing Partner and Attorney, Yaomen Law Firm</li> <li>2. Board Member, Kaohsiung Medical University</li> </ol>	<p>Compliance with the absence of the following:</p> <ol style="list-style-type: none"> <li>1. Including but not limited to the director, supervisor or employee of the Company or its affiliates, such as the person himself/herself, spouse or relative within the second degree of kinship.</li> <li>2. The number and percentage of shares held by the person, their spouse, or a relative within the second degree of kinship (or in the name of another person).</li> <li>3. Serving as a director, supervisor, or employee of a company that has a specific relationship with the Company.</li> <li>4. The amount of rewards received for commercial, legal, financial, or accounting services provided to the Company or its affiliates over the most recent 2 years.</li> </ol>	0

Name	Professional qualifications and experience (Note 1)	Status of independence (Note 2)	Number of other public companies where he/she/it concurrently serves as an independent director
	3. Director, College of Law Alumni Association, National Taiwan University 4. Chairman, National Taiwan University Alumni Association of Kaohsiung City 5. Vice-Chairman, National Taiwan University Alumni Association 6. Legal Advisor, Kaohsiung Veterans General Hospital 7. Legal Advisor, National Kaohsiung University of Science and Technology 8. Legal Advisor, San Fang Chemical Industry Co., Ltd. 9. Legal Advisor, Taiwan International Ports Corporation, Ltd.		

Note 1: Professionalism and experience: Specify the professionalism and experience of individual directors and supervisors. For those who are Audit Committee members with accounting or financial expertise, for example, the accounting or financial background and work experience shall be specified. Meanwhile, presence or not of the conditions under Article 30 of the Company Act shall be indicated.

Note 2: Describe the status of independence of each independent director, including but not limited to the following: did they or their spouse or any relative within the second degree serve as a director, supervisor, or employee of the Company or any of its affiliates? Specify the number and ratio of shares of the Company held by the independent director and their spouse and relatives within the second degree (or through nominees). Do they serve as a director, supervisor, or employee of any company having a specified relationship with the Company (see Article 3, paragraph 1, subparagraphs 5 to 8 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies)? Specify the amount(s) of any pay received by the independent director for any services such as business, legal, financial, or accounting services provided to the Company or any affiliate thereof within the past 2 years.

## 5. Diversity and independence of the Board of Directors:

### Diversity of the Board of Directors:

1. According to the Company's "Procedures for Election of Directors," the composition of the Board of Directors should take diversity into account, and an appropriate diversity policy should be formulated based on its own operation, business model and development needs, including but not limited to the following two major standards:
  - (1) Basic conditions and values: gender, age, nationality and culture, among others.
  - (2) Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience.
2. Members of the Board of Directors shall generally possess the necessary knowledge, skills, and attributes to perform their duties, and shall have the following abilities as a whole:
  - (1) Operational judgment.
  - (2) Accounting and financial analysis.
  - (3) Operation and management.
  - (4) Crisis management.
  - (5) Industry knowledge.
  - (6) The international market view.
  - (7) Leadership.
  - (8) Decision-making.

The 22nd Board of Directors of the Company consists of 9 members, including 3 independent directors; 4 members concurrently serve as employees, accounting for 44.4%. One female independent director to achieve the goal of gender equality.

The board members have extensive experience in business management and possess relevant professional backgrounds, demonstrating the necessary professional knowledge, skills, and character required to perform their duties. Among the eight core competencies, at least one-third of the members possess relevant operational capabilities.

### Independence of Board of Directors:

The 22nd Board of Directors of the Company consists of 9 members, including 3 independent directors, accounting for 33.3%, to ensure the independence of the board. None are subject to the circumstances stipulated under Paragraphs 3 and 4, Article 26-3 of the Securities and Exchange Act.

**(II) Information on the General Manager, Deputy General Manager, Associate Managers, and the heads of various departments and branches**

April 21, 2025

Job Title (Note 1)	Nationality	Name	Gender	Date assumed office	Number of shares held		Spouse and minor children holding shares		Shares held in the name(s) of others		Principal Experience (Education) (Note 2)	Office(s) Concurrently Held in Other Companies	Spouse or relatives within the second degree of kinship or closer acting as			Remarks (Note 3)
					Number of shares	Percentage of ownership	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership			Job Title	Name	Relationship	
General Manager	Japan	Sheng Lu Rong Feng	Male	2002.6.21	6,293,995	3.30	—	—	—	—	Department of Mechanical Engineering, Tokai University, Japan Executive Manager, Chairman's Office	1. Director, KHC Steel International Corp. 2. Director, Huida Investment Co., Ltd.	—	—	—	
Chief Corporate Governance Officer	Taiwan	Lin Tzu-Hui	Male	2021.04.01	4,566	—	1,544	—	—	—	Department of Accounting, Feng Chia University	1. Consultant of the Company's Finance and Accounting Department 2. KHC Steel International Corp. Supervisor 3. Hsieh Chang Hsing Trading Co., Ltd. Supervisor	—	—	—	
Steel Pipe Factory Plant Manager	Taiwan	Chang Yin- Deng	Male	2021.08.13	—	—	—	—	—	—	Department of Mechanical Engineering, National Taipei Institute of Technology National Pingtung University of Science and Technology Executive Master of Business Administration (EMBA) Deputy Manager of Steel Pipe Plant	None	—	—	—	

Job Title (Note 1)	Nationality	Name	Gender	Date assumed office	Number of shares held		Spouse and minor children holding shares		Shares held in the name(s) of others		Principal Experience (Education) (Note 2)	Office(s) Concurrently Held in Other Companies	Spouse or relatives within the second degree of kinship or closer acting as			Remarks (Note 3)
					Number of shares	Percentage of ownership	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership			Job Title	Name	Relationship	
Steel Pipe Department Manager	Taiwan	Hsu Pang- Feng	Male	2018.04.01	—	—	—	—	—	—	Department of Business Management, Feng Chia University Deputy Manager, Steel Pipe Department	None	—	—	—	
Finance and Accounting Department Manager	Taiwan	Chao Hui-Mei	Female	2021.04.01	—	—	—	—	—	—	Department of Accounting, Soochow University Assistant Manager, Finance and Accounting Department	1. Smartway Ark Alliance Co., Ltd. Supervisor 2. Da Dong Metroway Alliance Co., Ltd. Supervisor	—	—	—	

Note 1: Shall include information on the President, Vice-Presidents, Assistant Vice-Presidents, department heads and branch office heads, as well as any personnel with positions equivalent to President, Vice-President or Assistant Vice-President, regardless of the actual title.

Note 2: If work experience related to position now is in accounting firm or affiliated company in the period shown above, it shall show his/her title and function of position.

Note 3: In cases where the President or equivalent position (i.e., the highest-ranking manager) is the same person as the Chairman, or if they are spouses or first-degree relatives, the reasons, rationale, necessity, and corresponding measures must be disclosed (e.g., increasing the number of independent directors or ensuring that a majority of directors do not concurrently serve as employees or managers).

## II. Remuneration paid to directors, the President and vice- presidents for the most recent year April 21, 2025

### 1. Remuneration to directors (including independent directors)

Unit: NTD thousand

Job Title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income		Remuneration from those concurrently serving as employee						Ratio of the total amount of A, B, C, D, E, F and G vs. net profit after tax		Compensation received from investee companies outside of subsidiaries		
		Remuneration (A)		Retirement pension (B)		Director's remuneration (C)		Business execution expenses (D)				Salary, bonuses, and special expenses (E)		Retirement pension (F)		Employee remuneration (G)						
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company (Note 2)	All companies included in the financial report (Note 2)	The Company	All companies included in the financial report	The Company		All companies included in the financial report			The Company	All companies included in the financial report
															Cash amount	Stock amount	Cash amount	Stock amount				
Chairman	Lu Tai Rong	—	—	—	—	—	—	300	300			2,609	2,609	—	—	2	—	—	—			60
Director	Pro Imp'ex Company Limited Sheng Lu Rong Feng	—	—	—	—	—	—	300	300			2,479	2,479	—	—	2	—	—	—			None
Director	Huida Investment Co., Ltd. Huang Li-Chun	—	—	—	—	—	—	900	900			—	—	—	—	—	—	—	—			None
Director	You Chang Co., Ltd. Wu Hsien-Ming	—	—	—	—	—	—	300	300			—	—	—	—	—	—	—	—			None
Director	You Chang Co., Ltd. Lu Wei-Cheng (Newly appointed)	—	—	—	—	—	—	158	158	4,551 9.3392%	4,551 9.3392%	395	395	—	—	2	—	—	—	10,803 22.1692%	10,803 22.1692%	None
Director	You Chang Co., Ltd. Lin Tzu-Hui (Former appointment)	—	—	—	—	—	—	143	143			366	366	—	—	0	—	—	—			None
Director	Pro Imp'ex Company Limited Sheng Lu Rong Feng (Newly appointed)	—	—	—	—	—	—	157	157			395	395	—	—	2	—	—	—			None

Job Title	Name	Remuneration to directors								Sum of A+B+C+D and ratio to net income		Remuneration from those concurrently serving as employee						Ratio of the total amount of A, B, C, D, E, F and G vs. net profit after tax		Compensation received from investee companies outside of subsidiaries	
		Remuneration (A)		Retirement pension (B)		Director's remuneration (C)		Business execution expenses (D)				Salary, bonuses, and special expenses (E)		Retirement pension (F)		Employee remuneration (G)					
		The Company	All companies included	The Company	All companies included	The Company	All companies included	The Company	All companies included	The Company	All companies included	The Company	All companies included	The Company	All companies included in the financial report	The Company	All companies included				
Director	Hong Well Company Limited Lu En-Chang (Former appointment)	—	—	—	—	—	—	143	143			—	—	—	—	—	—	—	—	—	None
Independent Director	Lin Hsien-Lang	328	328	—	—	—	—	420	420			—	—	—	—	—	—	—	—	—	None
Independent Director	Chen Chi-Hsiung	280	280	—	—	—	—	420	420			—	—	—	—	—	—	—	—	—	None
Independent Director	Wang Yi-Chen (Newly appointed)	148	148	—	—	—	—	221	221			—	—	—	—	—	—	—	—	—	None
Independent Director	Wu Hsiao-Yen (Former appointment)	133	133	—	—	—	—	200	200			—	—	—	—	—	—	—	—	—	None

Note 1: The Company provided automobiles for managerial use. As of 2024, the undepreciated balance of such vehicle equipment was NT\$5,590,142 (cost of NT\$17,254,100 less accumulated depreciation of NT\$11,663,958). In addition, the Chairman of the Board is equipped with a driver, and salaries of drivers shall be the same as those of employees.

2. The Company was not required to prepare consolidated financial statements for fiscal year 2024. Net income after tax for the year amounted to NT\$48,730 thousand.

2. Remuneration of the President and Vice Presidents

April 21, 2025

Unit: NTD Thousand

Job Title	Name	Salary (A)		Retirement pension (B)		Bonuses and special expenses (C)		Employee compensation amount (D)				Sum of A+B+C+D and ratio to net income (%)		Compensation received from investee companies outside of subsidiaries
		The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company	All companies included in the financial report	The Company		All companies included in the financial report		The Company	All companies included in the financial report	
								Cash dividend amount	Stock dividend amount	Cash dividend amount	Stock dividend amount			
Director and President	Sheng Lu Rong Feng	2,281	2,281	0	0	198	198	2	0	0	0	2,481 5.09%	2,481 5.09%	None

Note 1: One automobile was provided in 2024 with an undepreciated balance of NT\$93,915 (cost of NT\$5,635,000 less accumulated depreciation of NT\$5,541,085).

2. Vice-President of the Company (vacant).

3. Remuneration to Top 5 officers with the highest remuneration of the Company (the name and how the remuneration is paid shall be disclosed separately) (Note 1)

Job Title	Name	Salary (A) (Note 2)		Retirement pension (B)		Bonuses and special expenses (C) (Note 3)		Employee compensation amount (D) (Note 4)				Sum of A+B+C+D and ratio to net income (%) (Note 6)		Remuneration received from investee enterprises other than subsidiaries or from the parent company (Note 7)
		The Company	All companies included in the financial report (Note 5)	The Company	All companies included in the financial report (Note 5)	The Company	All companies included in the financial report (Note 5)	The Company		All companies included in the financial report (Note 5)		The Company	All companies included in the financial report (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Sheng Lu Rong Feng	2,281	2,281	0	0	198	198	2	0	2	0	2,481 5.09	2,481 5.09	300
Chief Corporate Governance Officer	Lin Tzu-Hui	890	890	0	0	71	71	2	0	2	0	963 1.98	963 1.98	143
Manager, Finance and Accounting Department	Chao Hui-Mei	1,315	1,315	0	0	73	73	2	0	2	0	1,390 2.85	1,390 2.85	None
Steel Pipe Department Manager	Hsu Pang-Feng	906	906	0	0	75	75	2	0	2	0	983 2.02	983 2.02	None

Steel Pipe Factory Plant Manager	Chang Yin-Deng	945	945	0	0	68	68	2	0	2	0	1,015 2.08	1,015 2.08	None
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Note 1: In the “top five supervisors with the highest remuneration” mentioned here, “supervisor” indicates a manager of the Company and criteria for identification of the relevant managers are handled in accordance with the scope of the application of “managers” stipulated by the former Securities and Futures Commission of the Ministry of Finance in letter Taicaizheng San Zi No. 0920001301 dated March 27, 2003. As for principles of calculation and determination of the “top five supervisors with the highest remuneration,” this refers to the total amounts of salaries, retirement pensions, bonuses, special expenses, etc., as well as employee remuneration (in other words, the total of four items A+B+C+D) that are received by the Company’s managers from all companies in the consolidated financial statements; and after this data is sorted, the top five managers with the highest remunerations will be identified. If any director concurrently serves as one of the aforementioned managerial personnel, the relevant information shall be disclosed in both this table and Table 1-1.

Note 2: This refers to the salary, duty allowances, and severance pay of each of the five highest remunerated management personnel in the most recent fiscal year.

Note 3: This refers to the amount of all rewards, incentives, travel expenses, special disbursements, stipends of any kind, and provision of facilities such as accommodations or vehicles, and other remuneration of the five highest remunerated management personnel in the most recent fiscal year. If housing, car or other form of transportation, or personalized expenses are provided, disclose the nature and cost of the property provided, the actual or fair market rent, fuel expenses, and any other amounts paid. Additionally, if a driver is provided, please add a note explaining the relevant base compensation paid by the company to the driver, but do not include it in the calculation of the director remuneration. Additionally, salary expenses recognized as share-based payment under IFRS 2 including employee share subscription warrants, new restricted employee shares, and participation in share subscription under a rights offering, etc. – should be included in the calculation of remuneration.

Note 4: This refers to employee profit-sharing compensation (including stocks and cash) received by the five highest remunerated management personnel in the most recent fiscal year. If the amount cannot be forecasted, disclose the amount expected to be distributed by calculating pro-rata to the amount that was actually distributed in the preceding fiscal year. Table 1-3 should also be completed.

Note 5: Disclose the total amount of remuneration in each category paid to the five highest remunerated management personnel by all companies in the consolidated financial report (including the Company).

Note 6: Net income means the net income after tax on the parent company only or individual financial report for the most recent fiscal year.

Note 7: a. In this column, specifically disclose the amount of remuneration received by the five highest remunerated management personnel of the Company from investee enterprises other than subsidiaries or from the parent company (if none, state “None”).

b. Remuneration means remuneration received by the five highest remunerated management personnel of the Company for serving in capacities such as director, supervisor, or managerial officer at investee companies other than subsidiaries or at the parent company, including base compensation, profit-sharing compensation (including employee, director, and supervisor profit-sharing compensation) and expenses and perquisites.

\* This table is for information disclosure purposes only and is not intended to be used for tax purposes, as the remuneration disclosed in this table differs from the concept of income under the Income Tax Act.

4. Names and Distributions of Employee Profit-Sharing Compensation to Managerial Officers

	Job Title	Name	Stock amount	Cash amount	Total	Percentage of Total Remuneration to Net Income After Tax (%)
Manager	General Manager	Sheng Lu Rong Feng	0	2	2	0
Manager	Chief Corporate Governance Officer	Lin Tzu-Hui	0	2	2	0
Manager	Manager, Finance and Accounting Department	Chao Hui-Mei	0	2	2	0
Manager	Steel Pipe Department Manager	Hsu Pang-Feng	0	2	2	0
Manager	Pingnan Factory Plant Manager	Chang Yin-Deng	0	2	2	0

5. Separately compare the analysis of total remuneration paid in the last two years by the Company and all companies included in the consolidated financial statements to the Company's directors and General Manager, and the respective proportions of such remuneration to income after tax, as well as the policies, standards, and packages by which it was paid, the procedures through which the compensation was determined, and its association with future risk:

Units: NTD Thousand, %

Year	Net profit or loss after tax	Remuneration to directors		Ratio of remuneration to directors to gains or losses after tax		Remuneration to the President		Ratio of remuneration to the President to gains or losses after tax	
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements
2024	48,730	10,803	10,803	22.17%	22.17%	2,781	2,781	5.71%	5.71%
2023	432,836	10,305	10,305	2.38%	2.38%	2,770	2,770	0.64%	0.64%

Note: Three independent directors were appointed starting June 27, 2018 and an Audit Committee was established.

The Company's remuneration policy is based on the market salary level for comparable positions in the industry, the scope of responsibility within the Company and each individual's contribution to operating goals. The purpose is to attract top talent, retain individuals with development potential, form a high-performing management team and reward business results through remuneration mechanisms.

In order to closely integrate the employees' personal work goals with the Company's business goals and shareholders' interests, and to attract outstanding talents to serve the Company, the Company's overall reward strategy and positioning are performance-oriented, and a salary policy with market competition is designed. Based on the Company's operating results and individual performance, it is allocated reasonably to create the common interests of individuals, the Company and shareholders, and achieve a win-win situation.

(1) Managers' remuneration

- a. Managers' remuneration is determined based on the overall market positioning of the Company, the results of relevant industry salary surveys, and the goal achievement and contribution of managers.
- b. Managers' remuneration includes basic salary, supervisor's allowance, various allowances, bonuses, year-end bonus and employee remuneration.
- c. The individual salaries and remunerations to managers are handled in accordance with the Company's regulations governing the salaries of employees, and the reasonableness of remunerations is regularly evaluated by the Remuneration Committee.

(2) Remuneration to directors:

- a. According to the Company's Articles of Incorporation, an amount not exceeding 5% of the current year's profit may be appropriated as remuneration to the directors for the current year, and the distribution shall be distributed according to the performance evaluation results of each director for the current year.
- b. According to Article 21 of the Company's Articles of Incorporation, the Company may remunerate directors' traveling expenses, remuneration to independent directors, and remuneration to directors for performing their duties in the Company, and authorize the Board of directors to pay. The amount is determined by reference to the standards of peers and public-listed companies.

Resolution of the 1995 shareholders' meeting: for the resident executive directors and supervisors of the Company, the monthly salary

of each employee shall be within the limit of NTD 280,000 per person per month to authorize the Board of directors to make resolutions.

A transportation allowance of NTD 20,000 per month per director and NTD 30,000 per independent director per month; and NTD 10,000 per person attending Board meetings.

Directors and independent directors who serve as members of each functional committee of the Company may be paid a monthly remuneration as the functional committee member, and the transportation allowance will be paid based on the number of meetings attended.

Independent directors receive a monthly remuneration and do not participate in the distribution of earnings.

The total amount of remuneration paid to the Directors and President of the Company in the last 2 years was limited to fixed remuneration such as transportation allowance and fixed monthly remuneration. Variable remuneration was not paid and has nothing to do with performance.

### III. Corporate governance operations

#### (I) Information on the operation of the Board of Directors

1. On June 20, 2024, at the shareholders' meeting, the Company conducted the election of the 22nd Board of Directors, appointing nine directors (including three independent directors).
2. In 2024, the Board of Directors convened a total of six meetings, three under the 21st Board and three under the 22nd Board. Attendance by directors was as follows:

Job Title	Name		Number of times actually attending (observing)	Frequency of attendance	Actual attendance (observation) rate (%)	Remarks
Chairman	Lu Tai Rong		6	—	100%	Re-elected
Director	Pro Imp'ex Company Limited	Sheng Lu Rong Feng	6	—	100%	Re-elected
Director		Sheng Lu An Te	3		100%	Newly appointed
Director	Huida Investment Co., Ltd.	Huang Li-Chun	6	—	100%	Re-elected
Director	You Chang Co., Ltd.	Wu Hsien-Ming	3	3	50%	Re-elected
Director		Lin Tzu-Hui	3	—	100%	Former appointment
Director		Lu Wei-Cheng	3		100%	Newly appointed
Director	Hong Well Company Limited	Lu En-Chang	3	—	100%	Former appointment
Independent Director	Lin Hsien-Lang		6	—	100%	Re-elected
Independent Director	Chen Chi-Hsiung		6	—	100%	Re-elected
Independent Director	Wu Hsiao-Yen		2	1	67%	Former appointment
Independent Director	Wang Yi-Chen		2	1	67%	Newly appointed

Other matters to be recorded:

I. If any of the following occurs in the operation of the Board, specify the date, the session, the content of the motion, the opinions of the Independent Directors, and the response of the Company to the opinions of the Independent Directors:

(I) Matters listed in Article 14-3 of the Securities and Exchange Act:

Board of Directors date and term	Proposal content	Board resolution results	Opinions of independent directors	The Company's handling of independent directors' opinions
2024.1.15 12th meeting of the 21st Board of Directors	Discussion item: The Company and KUO CHENG CONSTRUCTION CO., LTD. participated in the Kaohsiung City Government's MRT Orange Line O13 Station and yellow line Y10 Station "Land Development Project" and The Company was selected as the best applicant to jointly fund the establishment of the company and sign an agreement with the Kaohsiung City Government to establish the Company	Approved by all directors present.	<ol style="list-style-type: none"> <li>1. Establishment of a project company based on mutual agreement.</li> <li>2. O13 according to the requirements of the election documents; Y10 according to the joint application agreement.</li> <li>3. After the project company is established, it is necessary to pay attention to its operational status.</li> </ol>	Approved by all directors present
2024.03.08 13th meeting of the 21st Board of Directors	Matters for Acknowledgment and Discussion, Proposal 1: Distribution of 2023 Employee and Director Remuneration	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 2: 2023 Business Report and Financial Statements	All attending directors agreed to approve the proposal.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 3: Proposal for 2023 Earnings Distribution	All attending directors agreed to approve the proposal.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 4: Assessment of the	Approved by all directors present.	None	Not applicable

Board of Directors date and term	Proposal content	Board resolution results	Opinions of independent directors	The Company's handling of independent directors' opinions
	independence and suitability of CPAs			
	Matters for Acknowledgment and Discussion, Proposal 5: Issuance of the Statement on Internal Control System for 2023	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 6: Amendment to the "Rules of Procedure for Board of Directors Meetings"	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 7: Amendment to the "Audit Committee Charter"	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 8: Full re-election of the Company's directors	Approved by all directors present.	None	Not applicable
2024.4.24 14th meeting of the 21st Board of Directors	Matters for Acknowledgment and Discussion, Proposal 1: Recognition of the 2024 Q1 financial statements	All attending directors agreed to approve the proposal.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 2: Amendments to the Company's "Stock Services Internal Control System"	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 3: Nomination of Director Candidates for the Company's 22nd Board of Directors	Approved by all directors present.	None	Not applicable
2024.6.20 1st meeting of the 22nd Board of Directors	Election matter: Election of Chairman of the Board	Director Lu Tai-Rong was elected Chairman by mutual vote among attending directors.	None	Not applicable
	Discussion item: Appointment of members	Independent directors Lin Hsien-Lang, Chen Chi-Hsiung	None	Not applicable

Board of Directors date and term	Proposal content	Board resolution results	Opinions of independent directors	The Company's handling of independent directors' opinions
	of the 6th Remuneration Committee	and Wang Yi-Chen recused themselves. The remaining directors present approved the appointment.		
2024.08.07 2nd meeting of the 22nd Board of Directors	Matters for Acknowledgment and Discussion, Proposal 1: Recognition of the 2024 Q2 financial statements	All attending directors agreed to approve the proposal.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 3: Amendment to the "Rules of Procedure for Board of Directors Meetings"	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 4: The 2023 Sustainability Report	Approved by all directors present.	None	Not applicable
2024.11.08 3rd meeting of the 22nd Board of Directors	Matters for Acknowledgment and Discussion, Proposal 1: Recognition of the 2024 Q3 financial statements	All attending directors agreed to approve the proposal.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 3: Formulation of the "Sustainability Report Preparation and Assurance Procedures" and the "Sustainability Information Management" internal control system	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 4: Internal Audit Plan for 2025	Approved by all directors present.	None	Not applicable
	Matters for Acknowledgment and Discussion, Proposal 5: Acquisition of right-of-use assets for real estate from related parties	Approved by all directors present.	None	Not applicable
2025.01.22 4th meeting of the	Discussion item: Cooperation with	Approved by all directors present.	None	Not applicable

Board of Directors date and term	Proposal content	Board resolution results	Opinions of independent directors	The Company's handling of independent directors' opinions
22nd Board of Directors	developers to participate in government tenders			

(II) Further to the aforementioned matters, any adverse opinion or qualified opinion of the Independent Directors against the resolutions of the Board: None.

II. In the event that directors are required to recuse themselves due to conflicts of interest, the Company shall specify the director's name, subject matter of the resolution, reason for recusal and voting participation:

Director Name	Proposal content	Reason for Recusal	Voting Participation
All Board Members	2024.04.24 14th meeting of the 21st Board of Directors Matters for Acknowledgment and Discussion, Proposal 2: Nomination of Director Candidates for the Company's 22nd Board of Directors	All included in the list of candidates for directors and independent directors.	Except the candidates for directors, who recused themselves voluntarily, the other present directors agreed to include said candidates into the name list of candidates for directors and independent directors.
Lin Hsien-Lang, Chen Chi-Hsiung, Wang Yi-Chen	2024.06.20 1st meeting of the 22nd Board of Directors Discussion item: Proposed appointment of related parties as members of the Company's Remuneration Committee	.	Independent directors Lin Hsien-Lang, Chen Chi-Hsiung and Wang Yi-Chen recused themselves. The remaining directors present approved the appointment.

III. Pursuant to the “Procedures for Performance Evaluation of the Board of Directors,” the Board shall conduct an annual performance evaluation. In 2024, all directors completed a self-assessment using questionnaires.

Board Performance Evaluation for 2024

Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Contents of evaluation
Once per year	2024.01.01～ 2024.12.31	Board of Directors Performance Performance Evaluation	Board’s Internal Self-Evaluation	A. Level of participation in the Company’s operations B. Improving the quality of the Board’s decision-making C. Composition and structure of the Board of directors D. Election and continuing education of directors E. Internal control
Once per year	2024.01.01～ 2024.12.31	Individual director’s performance evaluation	Board members Self-Evaluation	A. Alignment of the Company’s goals and missions B. Awareness of the duties of directors C. Level of participation in the Company’s operations D. Management of internal relationship and communication E. Directors’ professionalism and continuing education F. Internal control
Evaluation cycle	Evaluation period	Scope of evaluation	Method of evaluation	Contents of evaluation
Once per year	2024.01.01～ 2024.12.31	Audit Committee Performance Evaluation	Internal Self- Evaluation of the Audit Committee	A. Level of participation in the Company’s operations B. Awareness of the duties of the functional committee C. Improvement in the decision-making quality of the functional committee D. Composition of the functional committee and election of its members E. Internal control
Once per year	2024.01.01～ 2024.12.31	Remuneration Committee Performance Evaluation	Internal Self- Evaluation of the Remuneration Committee	A. Level of participation in the Company’s operations B. Awareness of the duties of the functional committee C. Improvement in the decision-making quality of the functional committee D. Composition of the functional committee and election of its members

IV. The objectives of strengthening the functions of the Board of directors in the current year and the most recent year (such as setting up an audit committee, and improving information transparency), and evaluation of their implementation.

1. A candidate nomination system was adopted for the election of directors at the General Meeting of Shareholders on June 27, 2018.
2. The General Meeting of Shareholders elected three independent directors and established an Audit Committee on June 27, 2018.
3. The "Standard Operating Procedures for Handling Director Requests" was adopted On May 6, 2019.
4. On November 7, 2019, the "Procedures for Performance Evaluation of the Board of Directors" was adopted and implemented starting in 2020. The results of the 2022 Board performance evaluation were reported to the 8th meeting of the 21st Board of Directors on March 7, 2023.
5. On 2021/03/11, the 13th meeting of the 20th Board of Directors resolved to appoint a Corporate Governance Officer.
6. The 7th meeting of the 21st Board of Directors on November 11, 2022 resolved to establish the ESG Sustainability Report Implementation Committee.

**(II) Information on the operation of the Audit Committee:**

The Company established the Audit Committee on June 27, 2018. In 2024, the 2nd Audit Committee convened three meetings and the 3rd Audit Committee convened three meetings. The attendance of Independent Directors is as follows:

Job Title	Name	Number of times actually attending (observing)	Frequency of attendance	Actual attendance (observation) rate (%)	Remarks
Convener	Lin Hsien-Lang	6	—	100%	Independent Director Re-election 2024.6.20 Re-elected
Member	Chen Chi-Hsiung	6	—	100%	Independent Director Re-election 2024.6.20 Re-elected
Member	Wu Hsiao-Yen	2	1	67%	Former appointment
Member	Wang Yi-Chen	2	1	67%	Independent Director Re-election 2024.6.20 Newly appointed

Other matters to be recorded:

I. If any of the following occurs in the operation of the Audit Committee, specify the date, the session, the content of the motion, the results of the Audit Committee’s resolutions and the Company’s handling of the Audit Committee’s opinions.

(I) Matters specified in Article 14-5 of the Securities and Exchange Act:

Date and session of the Audit Committee	Proposal content	Audit Committee resolution results	The Company’s handling of the Audit Committee’s opinions (result of the resolution of the Board of Directors)
2024.1.15 12th meeting of the 2nd Audit Committee	Discussion item: The Company and KUO CHENG CONSTRUCTION CO., LTD. participated in the Kaohsiung City Government’s MRT Orange Line O13 Station and yellow line Y10 Station “Land Development Project” and The Company was selected as the best applicant to jointly fund the establishment of the company and sign an agreement with the Kaohsiung City Government to establish the Company	It was unanimously approved by all attending members upon enquiry by the chairperson.	The Audit Committee’s opinion is stated as follows: 1. Establishment of a project company based on mutual agreement. 2. O13 according to the requirements of the election documents; Y10 according to the joint application agreement. 3. After the project company is established, it is necessary to pay attention to its operational status. Approved by all directors present.
2024.03.08 13th meeting of the 2nd Audit Committee	Matters for Acknowledgment and Discussion, Proposal 1: The Company's 2023 Business Report and Financial Statements	It was unanimously approved by all attending members upon enquiry by the chairperson.	All attending directors agreed to approve the proposal.
	Matters for Acknowledgment and Discussion, Proposal 2: Earnings Distribution Table for 2023	It was unanimously approved by all attending members upon enquiry by the chairperson.	All attending directors agreed to approve the proposal.
	Matters for Acknowledgment and Discussion, Proposal 3: Assessment of the independence and suitability of CPAs	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present.
	Matters for Acknowledgment and Discussion, Proposal 4: Issuance of the Statement on Internal Control System for 2023	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present
	Matters for Acknowledgment and Discussion, Proposal 5: Proposal for the amendment to the “Audit Committee Charter”	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present

Date and session of the Audit Committee	Proposal content	Audit Committee resolution results	The Company's handling of the Audit Committee's opinions (result of the resolution of the Board of Directors)
2024.4.24 The 14 <sup>th</sup> meeting of the second intake	Matters for Acknowledgment and Discussion, Proposal 1: The Company's Financial Statements for 2024 Q1	It was unanimously approved by all attending members upon enquiry by the chairperson.	All attending directors agreed to approve the proposal.
	Matters for Acknowledgment and Discussion, Proposal 2: Amendments to the Company's "Stock Services Internal Control System"	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present
2024.6.20 1st meeting of the 3rd Audit Committee	Election matter: Election of the convener of the audit committee by mutual vote	The attending members unanimously elected member Lin Hsien-Lang as the convener.	Implemented in accordance with the resolution.
2024.08.07 2nd meeting of the 3rd Audit Committee	Discussion Matters, Proposal 1: The Company's financial statements for 2024 Q2	It was unanimously approved by all attending members upon enquiry by the chairperson.	All attending directors agreed to approve the proposal.
	Discussion Matters, Proposal 2: Amendment to the "Rules of Procedure for Board of Directors Meetings"	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present
	Discussion Matters, Proposal 3: The 2023 Sustainability Report	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present
2024.11.08 3rd meeting of the 3rd Audit Committee	Discussion Matters, Proposal 1: The Company's financial statements for 2024 Q3	It was unanimously approved by all attending members upon enquiry by the chairperson.	All attending directors agreed to approve the proposal.
	Discussion Matters, Proposal 2: Formulation of the "Sustainability Report Preparation and Assurance Procedures" and the "Sustainability Information Management" internal control system	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present.
	Discussion Matters, Proposal 3: Internal Audit Plan for 2025	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present.
	Discussion Matters, Proposal 4: Acquisition of right-of-use assets for real estate from related parties	It was unanimously approved by all attending members upon enquiry by the chairperson.	Approved by all directors present.

(II) Except for the aforementioned matters, other matters that have not been approved by the Audit Committee and approved by more than two-thirds of all directors: None.

II. For recusal of independent directors from motions due to conflicts of interest, specify the names of the independent directors, the content of the motions, the reasons for recusal, and the participation in voting: None.

III. Status of communication between independent directors, internal audit supervisors, and accountants.

(I) The audit supervisor of the Company attends regular Audit Committee meetings and Board of Directors meetings as non-voting delegates to report on the implementation of internal audit work; the audit department regularly sends audit reports and follow-up report results to independent directors for review.

Meeting Date	Nature	Contents of Communication Topics	Recommendations from Independent Directors	Company's Implementation and Response
2024/03/08	Audit Committee	Implementation Status of Internal Audit Work for 2023	None	None
2024/04/24	Audit Committee	Implementation Status of Internal Audit Work as of 2024 Q1	None	None
2024/08/07	Audit Committee	Implementation Status of Internal Audit Work as of 2024 Q2	None	None
2024/11/08	Audit Committee	1. Implementation Status of Internal Audit Work as of 2024 Q3 2. 2025 Audit Plan	None	None

(II) The Company's CPAs attend regular Audit Committee meetings and Board of Directors' meetings and communicate and discuss matters related to financial statements separately before the meetings.

Meeting Date	Nature	Contents of Communication Topics	Recommendations from Independent Directors	Company's Implementation and Response
2024/08/07	Audit Committee	Explanation of Financial Reporting Matters	None	None
2024/11/08	Pre-Board Meeting	1. IFRS Implementation Plan for Sustainability Disclosure Standards 2. Updates on key accounting standards, interpretations, securities and exchange act regulations and tax regulations	None	None

#### IV. Highlights of Tasks Performed by the Audit Committee Throughout 2024:

1. Review the adequacy of the annual financial report and the financial statements of each quarter.
2. Review of 2023 business report and earnings distribution.
3. Evaluate the independence and suitability of the hired CPAs with reference to the Audit Quality Indicators (AQIs).
4. Review of the amendments to the internal control system.
5. Review of annual audit plan.
6. Evaluation of the effectiveness of the internal control system.
7. Review of major asset transactions and major investments.

**(III) Corporate Governance – Implementation Status and Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons**

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and causes thereof:
	Yes	No	Summary Description	
I. Has the Company prepared and disclosed the Corporate Governance Best Practice Principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/GTSM-Listed Companies?		✓	The Company follows the relevant regulations of the Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies	From the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies there are no material differences.
II. The equity structure and shareholders' equity of the Company				
(I) Does the Company have internal operating procedures to handle shareholders' suggestions, doubts, disputes and litigation matters, and have they implemented them in accordance with the procedures?	✓		Directing relevant departments to handle shareholder suggestions, doubts, disputes, and litigation matters.	There are no significant differences in accordance with Article 13 of the guidelines.
(II) Does the Company keep track of the list of major shareholders who actually control the Company and the ultimate controllers of such major shareholders?	✓		The share affairs unit controls the major shareholders' changes in shareholdings.	There are no significant differences in accordance with Article 19 of the guidelines.
(III) Does the Company establish and implement risk control and firewall mechanisms for affiliates?	✓		The Board of Directors has passed and implemented the "Subsidiary Supervision and Management Measures."	There are no significant differences in accordance with Article 14 of the guidelines.

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and causes thereof:
	Yes	No	Summary Description	
(IV) Does the Company establish internal regulations to prohibit insiders from trading securities using undisclosed information in the market?	✓		The Board of Directors approved the “Prevention of Insider Trading Management Procedures” and implemented accordingly.	From the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies there are no material differences.
III. Composition and Duties of the Board of Directors				
(I) Does the Board of Directors establish and implement a diversified policy for the composition of members?	✓		The selection of Board members considers both the overall composition and the basic qualifications, values, and professional knowledge and skills.	From the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies there are no material differences.
(II) In addition to the Remuneration Committee and the Audit Committee, has the Company established other functional committees voluntarily?		✓	A remuneration committee has been established in accordance with the Articles of Incorporation, the Audit Committee has been composed entirely of independent directors starting from the 20th Board of Directors.	From the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies there are no material differences.
(III) Does the Company establish the rules and methods for evaluating the performance of the Board of Directors, conduct the performance evaluation periodically, and submit the results of the performance evaluation to the Board of Directors, and use it as a reference for individual directors’ remuneration and nomination?	✓		The Company has established the “Procedures for Performance Evaluation of the Board of Directors” on November 7, 2019. A self-assessment questionnaire will be distributed annually at the end of each fiscal year starting from 2020. The results of the assessment are reported to the Board of directors and The results of the assessment are reported to	There are no significant differences.

Evaluation item	Operational status		Summary Description	Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and causes thereof:
	Yes	No		
			the Board of directors and serve as a reference for the individual directors' remuneration, compensation, and nomination for re-election.	
(IV) Does the Company evaluate the independence of CPAs on a regular basis?	✓		<ol style="list-style-type: none"> <li>1. Assessing the independence of the appointed CPAs once a year</li> <li>2. The certified public accountant issues a declaration of independence.</li> <li>3. With reference to audit quality indicators and taking into account the independence and suitability criteria as set forth in Article 47 of the CPA Act and the Norm of Professional Ethics for Certified Public Accountant of the Republic of China No. 10 titled "Integrity, Fairness, Objectivity and Independence," the Company assessed the independence and suitability of the CPAs signing the 2025 financial statements. The evaluation report was approved by the 4th meeting of the 3rd Audit Committee on March 6, 2025 and submitted to the 5th meeting of the 22nd Board of Directors for resolution.</li> </ol>	There are no significant differences.

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and causes thereof:
	Yes	No	Summary Description	
			<p>4. Standards for evaluating the independence of appointed CPAs</p> <p>(1) As of the most recent certification assignment, the Board has not been replaced for seven years.</p> <p>(2) There is no significant financial conflict of interest with the client.</p> <p>(3) Avoidance of any inappropriate relationship with the Company.</p> <p>(4) CPAs shall ensure the honesty, impartiality, and independence of their assistants.</p> <p>(5) The financial statements of the agency in the two years prior to practicing the law shall not be audited.</p> <p>(6) The name of CPAs shall not be used by others.</p> <p>(7) Does not hold shares in the Company and affiliated companies.</p> <p>(8) No loan with the Company and its affiliated</p>	

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and causes thereof:
	Yes	No	Summary Description	
			<p>companies.</p> <p>(9) There is no joint investment or benefit-sharing relationship with the Company or its affiliates.</p> <p>(10) Not receiving fixed salary from the regular work of the Company or any affiliated enterprise concurrently.</p> <p>(11) Does not involve the management functions of the decision-making of the Company or affiliated enterprises.</p> <p>(12) The Company does not engage in other businesses that may lose its independence.</p> <p>(13) Not having a relationship with the Company's management personnel such as spouse, relatives by blood, or collateral blood within two degrees.</p> <p>(14) No business-related commission was received.</p> <p>(15) Up to now, there have been no penalties or violations of the</p>	

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and causes thereof:
	Yes	No	Summary Description	
			independence principle. CPAs Hsu, Chen-Long and Chen Yung-Hsiang of KPMG did not violate the independence of the above-mentioned CPAs.	
IV. Is the TWSE / TPEX listed company equipped with qualified and appropriate number of corporate governance personnel, and appoint a corporate governance director responsible for corporate governance related matters (including but not limited to providing information needed by directors and supervisors to carry out business, assisting directors and supervisors to comply with laws and regulations, handling matters related to meetings of the Board of Directors and shareholders' meeting in accordance with the law, and producing minutes of Board meetings and shareholders' meetings)?	✓		Personnel of the Chairman's Office concurrently handle corporate governance affairs. For further information and contact information, please visit the Company's website at <a href="http://www.khc.com.tw">http://www.khc.com.tw</a> Resolution passed at the 13th meeting of the 20th Board of Directors on 2021/03/11 to appoint a Chief Corporate Governance Officer responsible for corporate governance-related matters.	From the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies there are no materials differences.
V. Has the Company established channels for the communications with the stakeholders (including but not limited to the shareholders, employees, customers, and suppliers), and the section for the shareholders on the official website of the Company to respond to all concerns of the	✓		A stakeholder section has been established on the Company's website, and relevant departments are responsible for the related matters. The stakeholder section includes stakeholder needs and expectations (shareholders, employees, customers, partners,	There are no material differences from the provisions of Article 51 of the guidelines.

Evaluation item	Operational status		Summary Description	Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and causes thereof:
	Yes	No		
stakeholders on corporate social responsibility?			communities, and government departments). Shareholders can communicate with the company through a toll-free shareholder hotline and e-mail.	
VI. Has the Company appointed a professional share registration and investors service agent for handling matters pertaining to the Shareholders Meeting?		✓	Stock services self-administered.	From the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies there are no material differences.
VII. Disclosure of Information				
(I) Does the Company set up a website to disclose financial, business and corporate governance information?	✓		<a href="http://www.khc.com.tw">http://www.khc.com.tw</a> An investor section is available, which is regularly updated with financial, business, and other information for investors' reference.	There are no significant differences in accordance with Article 56 of the guidelines.
(II) Has the Company adopted other means of information disclosure (e.g. setting up an English website, appointing dedicated personnel to collect and disclose information, implementing a spokesperson system, and posting the information of investor conference on the Company's website)?	✓		The Company has a designated spokesperson responsible for collecting media materials. All external statements are unified and made by the spokesperson, and other employees are not allowed to disseminate information to the public without authorization.	There are no significant differences.
(III) Does the Company announce and report the annual financial statements within two months after the end of		✓	Currently, the deadline is announced in accordance with the law.	

Evaluation item	Operational status			Deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX-Listed Companies and causes thereof:
	Yes	No	Summary Description	
the fiscal year, and announce and report the financial statements for the first, second, and third quarters and the operating status of each month before the prescribed deadline?				
VIII. Is there any other essential information that would help understand the pursuit of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, the continuing education of directors and supervisors, the pursuit of a risk management policy and standard of risk assessment, the pursuit of a customer policy, and professional liability insurance coverage for the directors and supervisors)?	✓		<ol style="list-style-type: none"> <li>1. Set up a labor union and employee welfare committee to ensure employee rights and employee care, and strive to improve the working environment and welfare of employees.</li> <li>2. Establish a dedicated unit to regularly disclose the Company's important operating information, continue to improve the transparency of the Company's information, and establish a feedback mechanism for investors to express relevant suggestions for the Company's development.</li> <li>3. The Company's website has a dedicated area to respond to interested parties, who can get into direct contact and communicate via telephone, fax, and email.</li> </ol>	There are no major deviations from the requirements in TWSE/TPEX-Listed Companies

IX. Please explain corrective action taken in response to the result of the Corporate Governance Evaluation conducted by the Corporate Governance Center of Taiwan Stock Exchange Corporation, and the priority of action on issues pending for corrective action in the most recent year.

9.1 Explanation of improvements:

9.1.1 Do the Company's Articles of Incorporation require a comprehensive candidate nomination system for director elections?

Yes, on 2018/06/27 a candidate nomination system was adopted for the election of directors at the Shareholders' Meeting.

9.1.2 Has the Company set up an Audit Committee for compliance?

Yes. On June 27, 2018, the Shareholders' Meeting elected three independent directors and established the Audit Committee.

9.1.3 Is information reported in English?

From 2020, the English version of financial statements, annual reports and meeting manuals were prepared as required.

Starting from 2022, material information is simultaneously disclosed in both Chinese and English in accordance with regulations.

9.1.4 The first Sustainability Report was completed and submitted by the end of September 2023 and uploaded to the Company's website.

9.2 Priority enhancements and measures for items that have not yet improved:

9.2.1 Does the Company's website disclose financial, business, and corporate governance information?

Has been updated on the Company's website

9.2.2 Does the Company establish an English website that includes financial, business and corporate governance related information?

To be constructed

(I) Continuing education of directors in 2024:

Name	Date	Organizer	Course title	Hours
Chairman Lu Tai Rong	2024/10/23	Taiwan Corporate Governance Association	ESG-related legal issues the Board of Directors should take into account	3 hours
Chairman Lu Tai Rong	2024/10/25	Securities and Futures Institute, R.O.C.	Enrestec training session: Strategic transformation required after corporate listing	3 hours
Chairman Lu Tai Rong	2024/10/25	Securities and Futures Institute, R.O.C.	Enrestec training session: Innovative thinking for corporate growth in the AI era	3 hours
Director Huang Li-Chun	2024/07/03	Taiwan Stock Exchange	2024 Cathay Pacific Sustainable Banking and Climate Change Summit	6 hours
Director Huang Li-Chun	2024/10/23	Taiwan Corporate Governance Association	ESG-related legal issues the Board of Directors should take into account	3 hours

Director Wu Hsien-Ming	2024/10/04	Securities and Futures Institute, R.O.C.	2024 Communication Seminar on Prevention Against Insider Trading	3 hours
Director Wu Hsien-Ming	2024/10/23	Taiwan Corporate Governance Association	ESG-related legal issues the Board of Directors should take into account	3 hours
Director Sheng Lu An Te	2024/07/03	Taiwan Stock Exchange	2024 Cathay Pacific Sustainable Banking and Climate Change Summit	6 hours
Director Sheng Lu An Te	2024/10/23	Taiwan Corporate Governance Association	ESG-related legal issues the Board of Directors should take into account	3 hours

Name	Date	Organizer	Course title	Hours
Director Sheng Lu Rong Feng	2024/10/23	Taiwan Corporate Governance Association	ESG-related legal issues the Board of Directors should take into account	3 hours
Director Lu Wei-Cheng	2024/10/23	Taiwan Corporate Governance Association	ESG-related legal issues the Board of Directors should take into account	3 hours
Lin Hsien-Lang Independent Director	2024/09/05	KPMG Taiwan	Key points for cross-border transactions, practical application of foreign tax incentives and tax treaties for profit-seeking enterprises	3 hours
Lin Hsien-Lang Independent Director	2024/09/26	KPMG Taiwan	In-depth analysis of the core content of IFRS Sustainability Disclosure Standards IFRS S1 and S2	3 hours
Lin Hsien-Lang Independent Director	2024/09/30	KPMG Leadership Institute Forum	Leading with Intelligence; Creating a New Paradigm for AI Governance	3 hours
Chen Chi-Hsiung Independent Director	2024/10/23	Taiwan Corporate Governance Association	ESG-related legal issues the Board of Directors should take into account	3 hours
Wang Yi-Chen Independent Director	2024/10/18	Securities and Futures Institute, R.O.C.	2024 Communication Seminar on Prevention Against Insider Trading	3 hours

Wang Yi-Chen Independent Director	2024/10/23	Taiwan Corporate Governance Association	ESG-related legal issues the Board of Directors should take into account	3 hours
Director Sheng Lu An Te	2024/07/03	Taiwan Stock Exchange	2024 Cathay Pacific Sustainable Banking and Climate Change Summit	6 hours
Director Sheng Lu An Te	2024/10/23	Taiwan Corporate Governance Association	ESG-related legal issues the Board of Directors should take into account	3 hours

(II) Implementation of risk management policies and risk measurement standards, and implementation of customer policies:

1. The annual budget is sent to the Board of Directors for deliberation, and the budget and cash flow are controlled.
2. Board meetings include presentation of operational, financial and audit reports.
3. Review customer sales credit limits every year and instruct relevant departments to control them.
4. In order to reduce the credit risk of accounts receivable, most of the Company's customer's open letters of credit before shipment.

(III) Insurance purchased by the Company for directors and supervisors:

The Company has purchased liability insurance for directors:

1. Insurance company: Shin Kong Insurance Co., Ltd. Shin Kong liability insurance for directors, supervisors and managers
2. Insurance period: August 22, 2024 to August 22, 2025.
3. Insurance amount: US\$5,000,000 (aggregate liability within the policy period).

# Kao Hsing Chang Iron & Steel Corp. Code of Ethical Conduct

Reported to the Shareholders' Meeting of 2016/06/17

## Article 1 Purpose of establishment and its basis

In order to ensure that the behavior of the Company's directors, supervisors, managers and all employees (hereinafter referred to as "Company Personnel") complies with ethical standards, and to allow the Company's stakeholders to better understand the Company's ethical standards, the Company has developed these standards in an adherence with the Code of Ethical Conduct for TWSE/GTSM Listed Companies as announced by the Taiwan Stock Exchange Corporation.

## Article 2 Ethical principles

Company Personnel shall not directly or indirectly offer, promise to offer, request or accept any improper benefits, nor commit unethical acts including breach of ethics, illegal acts, or breach of fiduciary duty for purposes of acquiring or maintaining benefits.

## Article 3 Covered content

### (I) Preventing conflicts of interest:

Company Personnel shall handle official duties in an objective and efficient manner, and shall not allow themselves, their spouses, parents, children, or their relatives within the second degree to obtain improper benefits while holding their positions. The Company and affiliated companies to which the aforementioned personnel belong, or provide them with guarantees, major asset transactions, or purchase (sales) of goods. Company Personnel should take the initiative to explain whether they have a potential conflict of interest with the Company.

### (II) Avoiding opportunities for personal gain:

#### 1. Company Personnel should avoid the following matters:

- (1) Opportunities for personal gain through the use of Company property, information, or the convenience of one's position.
- (2) Gaining personal benefit through the use of Company property, information, or the convenience of one's position.
- (3) Competition with the Company.

2. When the Company has a profit opportunity, the personnel of the Company are responsible for increasing the reasonable and legitimate interests that can be obtained by the Company.

3. Should not obtain or give rebates or other improper benefits from customers, suppliers, or groups related to the Company.

### (III) Duty of confidentiality:

The personnel of the Company shall be obliged to keep confidential the Company's own information or that of its purchase (sales) customers, except when authorized or required by law to be disclosed. Information that should be kept confidential includes all unpublished information that may be used or leaked by competitors to harm the Company or customers.

### (IV) Fair trading:

The Company's personnel shall treat the Company's purchase (sales) customers, competitors, and employees fairly, and shall not obtain them by manipulating, concealing, or misusing the information they have learned based on their duties, making misrepresentations on important matters, or other unfair trading methods to obtain improper interests.

### (V) Protecting and appropriately using Company assets:

The Company's personnel are responsible for protecting the Company's assets and ensuring that they can be used effectively and legally for official duties. Theft, negligence, or waste would directly affect the Company's profitability.

### (VI) Following laws and regulations:

Company Personnel must truly adhere to the Company Act, the Securities and Exchange Act, and other laws and regulations.

Insider trading is prohibited; implement the environment and establish a healthy and safe working environment.

### (VII) Encouraging the reporting of any illegal or unethical conduct:

The Company should strengthen the promotion of ethical concepts. When Company Personnel know or discover any behavior that may violate laws, regulations, or the Code of Ethical Conduct, they should report to the supervisor, manager, internal audit supervisor or other appropriate personnel. Any individual use whistleblowing reporting method provided that sufficient information is provided. If anyone believes that he or she has been retaliated against (threats or harassment) for the above actions, this should be reported to the direct supervisor or personnel supervisor

or internal audit supervisor or other appropriate personnel, and the Company will do its best to protect the safety of the informant from retaliation.

(VIII) Disciplinary measures:

When Company Personnel violate the Code of Ethical Conduct, the Company shall deal with it in accordance with the disciplinary measures stipulated in the Code of Ethical Conduct. In addition, immediate disclosure shall be made on the Market Observation Post System regarding information on the date of violation, the reason for the violation, the violation of the standard and the handling situation of the person who violated the Code of Ethical Conduct; and remedial measures will be taken.

Before disciplinary action is taken, the person who violated ethical conduct should be issued a verbal explanation of the complaint.

Article 4 Procedures for exemptions

If Company Personnel are exempted from following the Company's code of ethical conduct, this must be approved by the Board of Directors, and immediate disclosure must be made on the Market Observation Post System regarding the date of approval of the waiver by the Board of Directors, the objections or reservations of independent directors, the period of application of the waiver, the reasons for the waiver and the criteria for the application of the waiver, and other information. This shall be done to facilitate shareholders' evaluation of whether the resolutions made by the Board of Directors are appropriate to prevent arbitrary or questionable exemptions from complying with the standards, and ensure that any exemptions from complying with the standards have appropriate control mechanisms to protect the Company.

Article 5 Methods of disclosure

The Company shall disclose its Code of Ethical Conduct on the Company website, annual report, public brochures, and Market Observation Post System, and the same shall apply for revisions.

Article 6 Implementation

This Code shall be implemented after the approval of the Board of Directors, and shall be sent to the supervisors and reported to the Shareholders Meeting. The same shall apply for revisions.

(IV) If the Company has established a remuneration committee, its organization, duties and operation shall be disclosed:

1. Information of Remuneration Committee Members

April 21, 2025

By identity (Note 1)		Terms	Professional qualifications and experience (Note 2)	Status of independence (Note 3)	Number concurrently serving as members of the remuneration committees of other publicly issued companies
Name					
Independent Director Convener	Lin Hsien-Lang	Please refer to Table 1 on Page 11 for information on directors			0
Independent Director	Chen Chi-Hsiung				0
Independent Director	Wang Yi-Chen				0

2. Information on the operations of the Compensation and Remuneration Committee

- (1) The Company's Remuneration Committee consists of three members.
- (2) Term of the current (5th) Committee: June 20, 2024 to June 19, 2027. In 2024, the Remuneration Committee convened twice. The qualifications and attendance of the members are as follows:

Job Title	Name	Number of times actually attending (B)	Frequency of attendance	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Lin Hsien-Lang	2	—	100%	Reappointed on June 20, 2024
Member	Wu Hsiao-Yen	1	—	100%	Former appointment
Member	Chen Chi-Hsiung	2	—	100%	Reappointed on June 20, 2024
Member	Wang Yi-Chen	1	—	100%	Newly appointed on June 20, 2024

Other matters to be recorded:

I. If the Board of Directors does not adopt or amend the recommendations of the Compensation and Remuneration Committee, the date and period of the Board of Directors, the content of the proposal, the resolution of the Board of Directors, and the Company's handling of the opinions of the Compensation and Remuneration

Committee should be stated. (If the remuneration approved by the Board of Directors exceeds the recommendation of the Compensation and Remuneration Committee, the differences and reasons should be stated): None.

- II. On resolutions of the Compensation and Remuneration Committee, if members have objections or reservations and have records or written declarations, the date, period, proposal content, opinions of all members and the handling of the opinions of the members shall be stated: None.

Note:

- (A) Before the end of the year, if a member of the Compensation and Remuneration Committee resigns, the date of resignation should be indicated in the remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Compensation and Remuneration Committee during the term of service and the actual number of attendances.
- (B) Before the end of the year, if the Compensation and Remuneration Committee is re-elected, the new and old Compensation and Remuneration Committee members should be listed, and the remarks column should indicate whether the member is old, new or re-elected and the date of reelection. The actual attendance rate (%) is calculated based on the number of meetings of the Compensation and Remuneration Committee during the term of service and the actual number of attendances.

As is required by the Company's Compensation and Remuneration Committee Organizational Procedures:

1. The Committee meets twice a year.
2. Periodically reflects upon the Company's directors and managers performance evaluation criteria, annual and long-term performance goals and the policy, system, criteria and structure of compensation and remuneration and disclose details about the performance evaluation criteria in the annual report.

Compensation and Remuneration Committee meetings called for:

Date and session number of Remuneration Committee	Proposal content	Resolution of the Remuneration Committee	The Company's handling of the Remuneration Committee's opinions (result of the resolution of the Board of Directors)
2024.03.08 7th meeting of the 5th Remuneration Committee	Discussion item: Method of distributing employee and director remuneration for 2023	The motion was approved unanimously by the members present.	Approved by all directors present.
2024.6.20 1st meeting of the 6th	Election matter: Election of the convener of the Remuneration Committee by and from among the members	The attending members unanimously elected member Lin Hsien-Lang as the convener.	Implemented in accordance with the resolution.

**(V) Implementation Status and Deviations from the Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons**

Evaluation item	Operational status			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and reasons						
	Yes	No	Summary Description							
I. Has the Company established a governance framework for promoting sustainable development, and established an exclusively (or concurrently) dedicated unit to be in charge of promoting sustainable development? Has the Board of directors authorized senior management to handle related matters under the supervision of the Board?	✓		<p>1. At the 7th meeting of the 21st Board of the Company on November 11, 2022, the Company passed a resolution to establish an ESG Report Implementation Committee. The General Manager serves as the convener, and it is divided into governance, economic, social and environmental groups, and is composed of department heads and related personnel.</p> <p>2. The 2023 Sustainability Report was approved at the 2nd meeting of the 22nd Board of Directors on August 7, 2024.</p>							
II. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to company operations in accordance with the principle of materiality and establish relevant risk management policies or strategies?	✓		<table border="1"> <thead> <tr> <th>Category</th> <th>Risk description</th> <th>Risk management strategy (countermeasures)</th> </tr> </thead> <tbody> <tr> <td>Sustainable Environment</td> <td>Greenhouse gas emissions continue to increase</td> <td>To meet the requirements of Taiwan's Greenhouse Gas Management Regulation, the company must improve the energy efficiency and effectiveness of equipment. If the goal is not met, the carbon tax and carbon trading may have an impact on the greenhouse gas reduction plan, increasing operating costs and making operations more difficult. Countermeasures: A short-term environmental management system. New greenhouse gas inventory management measures and operating standards with reduction measures (target reduction of 1% per year), mid-term ISO 14064 certification, and more effective implementation of greenhouse gas reduction measures, long-term implementation of ISO 14064 effectiveness, and continuous</td> </tr> </tbody> </table>	Category	Risk description	Risk management strategy (countermeasures)	Sustainable Environment	Greenhouse gas emissions continue to increase	To meet the requirements of Taiwan's Greenhouse Gas Management Regulation, the company must improve the energy efficiency and effectiveness of equipment. If the goal is not met, the carbon tax and carbon trading may have an impact on the greenhouse gas reduction plan, increasing operating costs and making operations more difficult. Countermeasures: A short-term environmental management system. New greenhouse gas inventory management measures and operating standards with reduction measures (target reduction of 1% per year), mid-term ISO 14064 certification, and more effective implementation of greenhouse gas reduction measures, long-term implementation of ISO 14064 effectiveness, and continuous	Currently formulated according to the ESG Sustainability Report implementation progress
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Evaluation item	Operational status			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and reasons
	Yes	No	Summary Description	
				improvement to meet the government's greenhouse gas reduction targets.
			Inability to save energy effectively	<p>If the required energy savings (1% as stipulated by the Bureau of Energy) and the reduction in greenhouse gas emissions (as stipulated by the Environmental Protection Administration) cannot be effectively achieved, there may be potential penalties and increased operational costs, as well as operational difficulties, due to the impact of carbon taxes and carbon trading.</p> <p>Corresponding measures: Response Measures: Short term: 1. Strengthen energy efficiency audits (check for air leaks, ensure lights, fans, and air conditioners are not in use when not needed). 2. Develop energy-saving measures and plans. 3. Establish an Energy Saving and Carbon Reduction Committee to hold regular meetings for review. 4. Replace old, high-energy-consuming equipment with high-efficiency, energy-saving equipment on-site. Medium term: Implement ISO 14064 certification for more effective implementation of greenhouse gas reduction measures. Long term: Consistently improve the effectiveness of ISO 14064 implementation to meet government energy saving and carbon reduction requirements.</p>
			Effluent discharge continues to increase	Recycle and reuse process effluents.
			Waste treatment volume increased/recycling rate decreased	Enhance automatic inspection of machinery, equipment and pipelines to prevent sludge from oil leakage. Resource sorting/recycling equipment (recycled water, recovered zinc) for general garbage retention is also strengthened. Automatic inspection and renovation are required to increase the recovery rate.
			Water shortage and power shortage	Factory Department: 1. Groundwater can be used instead in case of water shortage. 2. There are three motors that can generate emergency power in

Evaluation item	Operational status			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and reasons												
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Evaluation item	Operational status			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and reasons
	Yes	No	Summary Description	
				<p>dangerous machinery and equipment shall be licensed and shall comply with the laws and regulations. They shall be retrained on a regular basis to meet the requirements and knowledge of suitability, which can improve safe operation and increase output.</p> <p>6. The Company provides odd-job labor bonuses to comfort employees.</p> <p>II. In response to the COVID-19 pandemic, the company has implemented measures to protect employees' health. These include measuring the temperature of incoming personnel at the guardhouse at the factory entrance, providing 75% alcohol and masks, encouraging employees to get vaccinated, regularly disinfecting the environment, and complying with the epidemic prevention policies of the Central Epidemic Command Center.</p>
			Burnout (long working hours)	The management system must be implemented in accordance with the "Implementation Measures for Prevention of Illnesses Caused by Abnormal Workloads of ISO 45001 Management System." Employees must not (1) extend their working hours for more than 100 hours in a month, (2) have an average monthly extension of hours for two to six months. over 80 hours. (3) For one to six months, the average monthly overtime exceeds 45 hours.
			High turnover rate (labor shortage)	<ol style="list-style-type: none"> <li>1. Improve the Company's promotion and salary adjustment system.</li> <li>2. Register the required talents on the manpower website and post the company's benefits.</li> <li>3. Foreign worker application.</li> </ol>
			Business performance	Ethical integrity risk <ol style="list-style-type: none"> <li>1. Establish a "Code of Ethical Conduct" for directors, managers and all employees to follow, including the prevention of conflict of interest, avoidance of opportunities for personal gain, confidentiality obligations, fair trade, protection and appropriate use of company assets, and</li> </ol>

Evaluation item	Operational status			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and reasons
	Yes	No	Summary Description	
			<p>compliance with laws and regulations, encourage the reporting of any illegal or violation of the Code of Conduct, and disciplinary measures, hoping that the Company's personnel will comply with ethical standards.</p> <p>2. The principle of good faith: In the course of engaging in business activities, the personnel of the Company shall not directly or indirectly offer, promise, request or accept any improper benefits, seeking to obtain or maintain benefits.</p>	
			<p>Insufficient transparency of information disclosure</p>	<p>1. The Company's website is not updated regularly.</p> <p>2. Some data was not digitized, so it was displayed on the online installation for the first time.</p> <p>3. The policy is implemented in accordance with government regulations. Insufficient transparency will not affect the Company's operations.</p>
			<p>Decline of market competitiveness</p>	<p>The Company is a steel pipe manufacturer and the carbon emissions from liquid petroleum gas combustion and Taiwan Power are as high as 80%. Therefore, we are still unable to find other alternative energy sources for carbon reduction. For the time being, this does not affect the market competition of the Company.</p>
			<p>Information security incident</p>	<p>1. Implement information security incident reporting and drills/educational training every year.</p> <p>2. Management and control of software and hardware such as the use of the original software and the recording of hardware-related information and specifications.</p> <p>3. No major information security incident has occurred so far.</p>
			<p>Product Responsibility – Facing Recycling / Removed</p>	<p>Kao Hsing Chang has been in the steel pipe industry for more than 50 years, and we have established a brand indicator with no recycling or removal from the shelves. We are striving for sustainable and stable development.</p>
			<p>Supply chain disruption</p>	<p>1. Maintain at least two suppliers of major raw materials.</p> <p>2. Production and marketing meeting and raw material</p>

Evaluation item	Operational status			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and reasons
	Yes	No	Summary Description	
			<p>scheduling discussion once a month to solve the problem of unstable raw material delivery.</p> <p>3. If there is a rush for materials, the frequency is followed up with the supplier and the interaction is maintained.</p> <p>4. Conduct annual supplier evaluation.</p> <p>5. If there is any abnormality in the raw materials, handle it immediately and file a customer complaint with the supplier.</p>	
<b>III. Environmental Issues</b> (I) Has the Company established an appropriate environmental management system based on the characteristics of its industry? (II) Is the Company committed to improving the efficiency of resource utilization and to use recycled materials with low impact on the environment? (III) Has the Company assessed the potential risks and opportunities posed by climate change to the Company	 ✓  ✓  ✓		<p>Passed ISO14001 environmental management system certification.</p> <p>We are committed to reducing the amount of residues in the process and recycling and reusing resources in the factories.</p> <p>Please refer to the table on page 62 of this annual report for Climate-Related Information of TWSE/TPEX Listed Companies.</p>	<p>No significant difference.</p> <p>No significant difference.</p> <p>No significant difference.</p>

Evaluation item	Operational status			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and reasons																								
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<p>at present and in the future, and taken countermeasures to deal with climate-related issues?</p> <p>(IV) Has the Company kept statistics on its greenhouse gas emissions, water consumption, and total weight of waste in the past two years, and established policies for energy conservation, carbon reduction, greenhouse gas reduction, water consumption reduction, or other waste management?</p>	✓		<p>1. Please refer to page 62 of this annual report for “Climate-Related Information of TWSE/TPEX Listed Companies: Greenhouse Gas Inventory Information.” The Company conducted Scope 1 and Scope 2 greenhouse gas inventories in 2023 and will conduct verification annually starting in 2024.</p> <p>2. Groundwater is the main source of water used by the factory. Wastewater from Pingnan Industrial Park is treated and recycled.</p> <p>Water Consumption:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Water Consumption (metric tons)</th> <th>Water intensity (metric tons/per metric ton of product)</th> </tr> </thead> <tbody> <tr> <td>2023</td> <td>29845</td> <td>0.878</td> </tr> <tr> <td>2024</td> <td>33717</td> <td>1.049</td> </tr> </tbody> </table> <p>The Company’s water resource management policy: use of groundwater, recycling of process water (recycled water), and wastewater treatment.</p> <p>3. Waste output in the last 2 years:</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Hazardous waste (metric tons)</th> <th>Non-hazardous waste (metric tons)</th> <th>Gross weight (metric tons)</th> <th>Waste intensity (tons/turnover in millions)</th> </tr> </thead> <tbody> <tr> <td>2023</td> <td>0</td> <td>496.57</td> <td>496.57</td> <td>0.34</td> </tr> <tr> <td>2024</td> <td>0.035</td> <td>547.79</td> <td>547.825</td> <td>0.38</td> </tr> </tbody> </table>	Year	Water Consumption (metric tons)	Water intensity (metric tons/per metric ton of product)	2023	29845	0.878	2024	33717	1.049	Year	Hazardous waste (metric tons)	Non-hazardous waste (metric tons)	Gross weight (metric tons)	Waste intensity (tons/turnover in millions)	2023	0	496.57	496.57	0.34	2024	0.035	547.79	547.825	0.38	No significant difference.
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Evaluation item	Operational status			Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and reasons
	Yes	No	Summary Description	
			The Company's waste management is to establish an economical and effective waste management mechanism to achieve the goals of safety, sanitation, harmlessness, and reuse of resources.	
IV. Social Issues				
(I) Does the Company establish relevant management policies and procedures in accordance with relevant laws and international human rights conventions?	✓		According to the Labor Standards Act and other relevant laws and regulations, the Company has formulated the Work Rules for the Employees of the Company, and established an industrial union to implement the protection of the legitimate rights and interests of employees and the non-discriminatory treatment of the employment policy.	No significant difference.
(II) Does the Company establish and implement reasonable employee welfare measures (including remuneration, leave and other benefits), and appropriately reflect the operating performance or results in the employee remuneration?	✓		<p>1. The Company has always cared about and valued the welfare of its employees. In addition to providing benefits on a monthly basis as required, an Employee Welfare Committee has been established to select committee members and formulate the annual plan to facilitate the implementation of various welfare activities. The Company also provides employee group insurance, in-service education and training for employees, and implements employee bonuses to achieve the purpose of enriching employee benefits. Salary, pension and leave are handled in accordance with government regulations.</p> <p>2. The Company's remuneration policy is linked to the employee performance appraisal system, and salary adjustments are made once every two years based on the appraisal results. In addition, according to the Articles of Incorporation, if the Company makes a profit in a year, it shall set aside no less than</p>	No significant difference.

Evaluation item	Operational status		Summary Description	Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and reasons
	Yes	No		
(III) Does the Company provide employees with a safe and healthy work environment, and provide employees with safety and health education on a regular basis?	✓		<p>0.5% as employee remuneration.</p> <ol style="list-style-type: none"> <li>1. Regular health checkups and occupational safety training for employees.</li> <li>2. Accredited with ISO 14001, ISO 45001 &amp; CNS 45001 and other occupational safety system certification.</li> <li>3. In 2024, 3 occupational accidents occurred, involving 3 individuals (accounting for 1.4% of the total number of employees as of the end of 2024). Improvement measures: strengthen communication and require operators to comply with safety operation standards.</li> <li>4. There were no fire incidents in 2024. The Company conducts 2 fire drills annually and ensures routine inspection and maintenance of all fire safety equipment.</li> </ol>	No significant difference.
(IV) Does the Company establish an effective career ability development training program for employees?	✓		We organize pre-employment and on-the-job education and training for employees, select employees with development potential and cultivate reserve managers, and attach importance to the development of professional competence of employees.	No significant difference.
(V) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and	✓		<p>We comply with relevant laws and regulations such as fair trade, and also collect information on major international environmental protection regulations to grasp trends and responses.</p> <p>We carry out customer satisfaction surveys and provide complaints channels for products and services every year.</p>	No significant difference.

Evaluation item	Operational status		Summary Description	Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and reasons
	Yes	No		
labeling of products and services, and establish relevant policies and complaint procedures to protect consumers' or customers' rights and interests?				
(VI) Has the Company established a supplier management policy that requires suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor rights, and the implementation status thereof?	✓		The Company has established supplier review and evaluation procedures, and evaluates supplier products, environmental safety, ethics, and social responsibility items.	No significant difference.
V. Does the Company prepare reports disclosing the Company's non-financial information, such as the Sustainability Report, with reference to	✓		<ol style="list-style-type: none"> <li>1. The Company's 2023 Sustainability Report was prepared in accordance with the GRI Standards and was submitted and published on the Company's website by the end of August 2024.</li> <li>2. On June 18, 2024, the Company obtained an Assurance Statement from GRI International Certification Co., Ltd. for its 2023 Sustainability Report. The assurance was</li> </ol>	No significant difference.

Evaluation item	Operational status		Summary Description	Deviation from Sustainable Development Best-Practice Principles for TWSE/TPEX-Listed Companies and reasons
	Yes	No		
international reporting standards or guidelines? Has the said reports been certified or guaranteed by a third-party verification unit?			provided at a moderate level under Application Level 1 of the AA1000 Assurance Standard V3.	
VI. If the Company has established its own sustainable development principles in accordance with the “Sustainable Development Best-Practice Principles for TWSE/TPEX Listed Companies,” please describe the current practices and any deviations from the established principles: Not yet established.				
VII. Other important information helpful to understand the status of implementation of sustainable development:				
<ol style="list-style-type: none"> <li>1. In implementing and promoting energy saving and waste reduction, in addition to budgeting and investing in environmental protection capital expenditures, the entire Company's waste is classified and recycled, and waste and other pollutants are entrusted to a qualified cleaning company.</li> <li>2. Community involvement: Sponsored community activities in Gushan District, Yongan District, Kaohsiung City, and Fangliao Township in Pingtung County, and participated in the promotion of softball activities, and gave priority to employing local villagers.</li> <li>3. The Company has set up parking lots on a portion of land in Kaohsiung City to help alleviate public parking difficulties.</li> </ol>				

Climate-Related Information of TWSE/TPEX Listed Company

1. Implementation of Climate-Related Information

Item	Status of implementation
<p>1. Describe the monitoring and governance of climate-related risks and opportunities by the Board of Directors and the management.</p>	<p>The company’s Board of directors has formed the “ESG Report Implementation Committee.” The General Manager serves as the convener. The committee is in charge of carrying out actual work in areas such as environmental sustainability, corporate social responsibility, corporate governance, ethical management, risk management, talent development, and information security. The “ESG Reporting Implementation Committee” is responsible for reporting annual plans and implementation results to the “Board of Directors.”</p>
<p>2. Describe how the identified climate risks and opportunities affect the business, strategy and finance of the Company (short, medium, and long term).</p>	<p>Business: The Company will have little impact on the Company in the short term. Necessary adjustments will be made in the medium and long term based on customer needs. The structure of supply and demand changes the mechanism of products and services, and the ways in which they affect the market are complex and adjusted according to the actual situation.</p> <p>Strategy: Limit any impacts that may contribute to the adverse impacts of climate change, and promote climate change adaptation.</p> <p>Finance: Short-term increase in electricity bills and operating costs for the replacement of energy-saving equipment; medium- and long-term impairment of existing assets and early scrapping; and the impact of the government’s carbon tariff policy.</p> <p>- Countermeasures: The plant must improve the energy efficiency of equipment and introduce energy-saving equipment. The purchase or repair of plant equipment will increase the Company’s capital expenditure. Cooperate with customers to strengthen green procurement activities for</p>

Item	Status of implementation
	raw materials.
3. Describe the financial impact of extreme climate events and transformation actions.	<p>Extreme climate events: Situations that may result in damage to assets or interruption of the supply chain.</p> <p>Transformation actions: The Company will gradually shift to supporting low-carbon and high-performance technology improvement and innovation, which will affect the competitiveness of the organization and increase the cost of production and distribution.</p>
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	<p>The purpose of identifying climate change is not to make an accurate forecast, but to strengthen the completeness of the identity through regular monitoring of relevant laws and regulations, guidelines and literature, and to explore and understand potential major risks. This will strengthen the identification and measurement of risks, and provide a reference for the Company's operating decisions.</p> <p>The Company evaluates the possible risks and opportunities of climate change to the enterprise, incorporates the climate change factor into the business strategy planning and decision-making process, and incorporates it into the overall risk management policy. It furthermore promotes green services to mitigate and adapt to the operational impact of climate change.</p>
5. If a scenario analysis is used to assess the resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors and main financial impacts used shall be explained.	<p>Slight scenario: Low emission scenario, where the temperature increase does not exceed 2°C; warming under control and low physical risk.</p> <p>Severe scenario: High emission scenario, where the temperature increase does not exceed 4°C</p> <p>Scenario analysis (including 2°C or more severe scenarios):</p>

Item	Status of implementation
	<p>The Company is concerned about potential equipment damage and production delays due to flooding from heavy rain and typhoons, which are becoming more common as a result of climate change. To mitigate these risks, they are assessing the likelihood and severity of flooding, developing various flood prevention strategies, and have installed floodgates and purchased water pumps to prevent asset loss.</p>
<p>6. If there is a transformation plan in response to the management of climate-related risks, describe the content of the plan, and the indicators and goals used to identify and manage physical risks and transformation risks.</p>	<p>Responding actions:</p> <p>The transition risk is partly due to the correspondence with the requirements of ISO 14064-1.</p> <p>For the physical risk section, “Yearly typhoons and rainstorms caused by climate change,” “Each unit shall formulate appropriate emergency response plans based on the level of risk,” and “Each unit shall conduct and conduct inspections.”</p>
<p>7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be explained.</p>	<p>At present, the Company has not planned an internal carbon pricing mechanism. Other than waiting for the confirmation of further greenhouse gas regulations or guidelines by the government agencies, it is expected to implement self-investment and reduction measures.</p>
<p>8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be</p>	<p>Short-term goal: Average annual power savings of 1%.</p> <p>Mid-term goal: To achieve 1% annual power savings.</p> <p>Long-term goal: Use government policies to achieve the highest energy-saving efficiency</p>

Item	Status of implementation
specified.	over the long term and continue to promote various environmental protection projects.
9. Greenhouse gas inventories, assurance status, and reduction targets, strategies, and concrete action plans (please fill in 1-1 and 1--2 separately).	Forms 1-1 and 1-2 are filled out separately.

## 1-1 Greenhouse Gas Inventory and Assurance Status for the Most Recent 2 Fiscal Years

### 1-1-1 Greenhouse Gas Inventory Information

Describe the emission volume (metric tons CO <sub>2</sub> e), intensity (metric tons CO <sub>2</sub> e/NT\$ million), and data coverage of greenhouse gases in the most recent 2 fiscal years.				
This company, without subsidiaries, commenced inventory in 2023. In accordance with the ISO14064 - 1 Greenhouse Gas Inventory Standard released by the International Standards Organization (ISO), the greenhouse gas inventory mechanism was established. Each year, inventory of the company's greenhouse emissions is taken. The greenhouse emissions in the recent two years are detailed below: The company's greenhouse emissions are inventoried annually. The greenhouse gas emissions over the past two years are outlined below:				
Year	2023		2024	
	Emissions (CO <sub>2</sub> e/tons)	Density (CO <sub>2</sub> e/tons)/turnover (NT\$million)	Emissions (CO <sub>2</sub> e/tons)	Density (CO <sub>2</sub> e/tons)/turnover (NT\$million)
Scope 1(Category I) Direct Gas Emissions	2833.4400	/	2717.2881	/
Scope 2 (Category 2( Indirect Greenhouse Emissions	3470.3354		3317.0553	
Subtotal	6303.7754	4.3168	6034.3434	4.1377
Scope 3	Category 3	/	1247.6538	/
	Cateogry 4		785.6511	
Subtotal	2028.8057		2001.7594	
Total		8332.5811	5.7061	8036.1028
2023: A turnover of NT\$1460.295 million and an output of 33643.979 tons 2024: A turnover of NT\$1458.367 million and an output of 32120.806 tons.				
The data coverage comprises the company's Kaohsiung Head Fffice, Pingtung Head Office, and Taipei Head Office.				

Note 1: Direct emissions (scope 1, i.e. emissions directly from sources owned or controlled by the Company), indirect energy emissions (scope 2, i.e. indirect greenhouse gas emissions from electricity, heat, or steam) and other indirect emissions (scope 3, i.e. emissions from company activities that are not indirect energy emissions, but originate from sources owned or controlled by other companies).

Note 2: The data coverage scope for direct emissions and indirect energy emissions shall comply with the schedule

prescribed in the order issued under Article 10, paragraph 2 of the Regulations. Other indirect emissions information may be voluntarily disclosed.

Note 3: Greenhouse gas inventory standards: Greenhouse Gas Protocol (GHG Protocol) or ISO 14064--1 issued by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions may be calculated per unit of product/service or revenue, but at least the data calculated in terms of revenue (NT\$ 1 million) shall be disclosed.

#### 1-1--2 Greenhouse Gas Assurance Information

Describe the status of assurance for the most recent 2 fiscal years as of the printing date of the annual report, including the scope of assurance, assurance institutions, assurance standards, and assurance opinion.

2023:

Scope of assurance: Kaohsiung Headquarters, Pingtung Branch, Taipei Branch

Assurance institution: ARES INTERNATIONAL CERTIFICATION CO., LTD.

Assurance standards: ISO 14064-1 guidelines

Assurance Statement: On August 13, 2024, Ares International Certification Co., Ltd. issued the declaration regarding greenhouse gas verification comments. The verification was conducted in accordance with ISO 14064-3:2019, while the validation was carried out in compliance with the requirements of ISO 14064-1:2018 standards. The validation comments indicate that Categories 1 and 2 fall under the reasonable assurance level, whereas Categories 3 and 4 fall under the limited assurance level.

2024:

Scope of assurance: Kaohsiung Headquarters, Pingtung Branch, Taipei Branch

Assurance institution: ARES INTERNATIONAL CERTIFICATION CO., LTD.

Assurance standards: ISO 14064-1 guidelines

Assurance Statement: On April 17, 2025, Ares International Certification Co., Ltd. issued the declaration regarding greenhouse gas verification comments. The verification was conducted in accordance with ISO 14064-3:2019, while the validation was carried out in compliance with the requirements of ISO 14064-1:2018 standards. The validation comments indicate that Categories 1 and 2 fall under the reasonable assurance level, whereas Categories 3 and 4 fall under the limited assurance level. Validation comments (Category 1 and 2 fall under reasonable assurance level/Category 3 and 4 fall under limited assurance level.)

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations. If the Company has not obtained a complete greenhouse gas assurance opinion by the date of printing of the annual report, it shall note that "Complete assurance information will be disclosed in the sustainability report." If the Company does not prepare a sustainability report, it shall note that "Complete assurance information will be disclosed on the Market Observation Post System (MOPS)," and shall disclose the complete assurance information in the annual report of the following fiscal year.

Note 2: The assurance institutions shall meet the directions regarding assurance of sustainability reports prescribed by the TWSE and the TPEx.

Note 3: When preparing the disclosure content, the Company may refer to the best-practice reference examples on the TWSE Corporate Governance Center website.

## 1--2 Greenhouse Gas Reduction Targets, Strategy, and Concrete Action Plan

Specify the greenhouse gas reduction base year and its data, the reduction targets, strategy and concrete action plan, and the status of achievement of the reduction targets.

Baseline year for GHG reduction: the baseline year is 2024, with Scope 1 and Scope 2 data shows 6,034.3434 tons of CO<sub>2</sub>e

Reduction targets / strategy and concrete action plan / status of achievement of the reduction targets:

Reduction target: power saving rate by 1% annually

Strategy and concrete action plan:

1. Replaced three aging air compressors in the galvanizing department and one in the pipe manufacturing department with energy-efficient variable-frequency models

Energy savings: 37,820 kWh

Carbon reduction: 18.68 metric tons CO<sub>2</sub>e

2. Replaced chiller unit in the Pingtung plant office

Energy savings: 10,032 kWh

Carbon reduction: 4.96 metric tons CO<sub>2</sub>e

3. Replaced air compressor in galvanizing department with energy-efficient variable-frequency model

Energy savings: 28,365 kWh

Carbon reduction: 14.01 metric tons CO<sub>2</sub>e

Reduction Target Achievement: In 2024, the power conservation rate was 1.47%, and a total of 37.6511 tons of CO<sub>2</sub>e

Note 1: This information shall be disclosed in compliance with the schedule prescribed in the order issued under Article 10, paragraph 2 of the Regulations.

Note 2: The base year shall be the fiscal year in which the greenhouse gas inventory is completed based on the consolidated financial reporting boundary. For example, under the order issued under Article 10, paragraph 2 of the Regulations, a company with capital of NT\$10 billion shall complete the inventory for its fiscal 2024 annual consolidated financial report in 2025, so the base year will be 2024. If a company has disclosed its inventory in its consolidated financial report in an earlier year, it may take the earlier fiscal year as its base year. Also, the data for the base year may be calculated based on a single fiscal year or the average of multiple fiscal years.

Note 3: When preparing the disclosure content, the Company may refer to the best-practice reference examples on the TWSE Corporate Governance Center website.

**(VI) Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons**

Evaluation item	Operational status			Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
I. Formulation of ethical management policy and plans				
(I) Does the company have an ethical corporate management policy approved by its Board of Directors, and bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and commitment regarding implementation of such policy from the Board of Directors and the top management team?		✓	Established the “Code of Ethical Conduct” for Directors, Managers and all employees. The company explicitly states its policy of operating with integrity, and both the Board members and management are committed to actively implementing this policy in the execution of their duties.	None.
(II) Has the company established an assessment mechanism for the risk of unethical conduct? Does it regularly analyze and evaluate business activities with a higher risk of unethical conduct? Has it formulated a program to prevent unethical conduct with a scope no less than the activities prescribed in Article 7, paragraph 2 of the Ethical Corporate	✓		The Company’s personnel shall not directly or indirectly provide, promise, request, or accept any improper benefits or engage in other dishonest behaviors that violate integrity, law, or entrusted obligations in the course of engaging in commercial activities, in order to obtain or maintain benefits.	None.

Evaluation item	Operational status			Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
<p>Management Best-Practice Principles for TWSE/TPE Listed Companies?</p> <p>(III) Has the Company established the program to prevent unethical conduct, including operational procedures, guidelines, penalties for violations, and a complaint system, and implemented the program, and regularly review and amend the aforementioned programs?</p>	✓		<p>Prevention of conflicts of interest: The Company’s personnel shall handle public affairs objectively and efficiently, and shall not, while holding their positions, provide undue benefits to themselves, their spouses, parents, children, or second-degree relatives. The Company shall provide funds to related enterprises of the aforementioned personnel or provide guarantees, engage in significant asset transactions, or engage in purchase/sales transactions. The Company’s personnel shall voluntarily disclose any potential conflicts of interest with the company.</p>	None.
<p>II. Implementation of Ethical Corporate Management</p> <p>(I) Does the Company evaluate the ethical records of its trading counterparts, and specify the ethical conduct clauses in the contracts signed with its trading counterparts?</p> <p>(II) Has the Company set up</p>	✓		<p>Avoiding opportunities for personal gain: The company shall not receive or provide kickbacks or other improper benefits from customers, suppliers, or related groups. The company conducts regular assessments and reviews of its customers and suppliers.</p> <p>Integrity and honesty are the</p>	None.

Evaluation item	Operational status			Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
<p>a dedicated unit under the Board of Directors to promote corporate ethical management, and report the implementation of ethical management policies and programs to prevent unethical behaviors and supervision to the Board of Directors on a regular basis (at least once a year)?</p> <p>(III) Does the Company establish and implement policies to prevent conflicts of interest, provide appropriate communication channels?</p>	✓		<p>most important core values of the company’s culture. Under the supervision of the Board of directors, the company’s managers are responsible for ensuring that all information disclosed by the company to the public is complete, accurate, and timely.</p> <p>Encourage reporting of any illegal or unethical behavior in accordance with the Code of Ethical Conduct: The Company should strengthen the promotion of ethical concepts. When Company Personnel know or discover any behavior that may violate laws, regulations, or the Code of Ethical Conduct, they should report to the manager, internal audit supervisor or other appropriate personnel. Any individual use whistleblowing reporting method provided that sufficient information is provided. The personnel unit has a complaint mechanism and the Company website has a complaint channel.</p>	None.

Evaluation item	Operational status			Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(IV) Does the company have effective accounting and internal control systems in place to enforce ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit compliance with the systems to prevent unethical conduct or hire outside accountants to perform the audits?	✓		The Company has always attached importance to the accuracy and completeness of financial reporting. The audit unit drafts an annual audit plan based on risk assessment, conducts audits, prepares audit reports for submission to the Board of directors, and delivers them to independent directors for review.	None.
(V) Does the Company organize internal and external training on ethical corporate management on a regular basis?	✓		The HR unit organizes related training and promotion annually.	None.
III. Operation of the Company's reporting system (I) Does the Company establish a specific whistleblowing and reward system, and establish a convenient channel for whistleblowing, and assign appropriate dedicated personnel to handle the reported subjects?		✓	The Company incorporates ethical operations into employee evaluations and HR policies, including a system for rewards, penalties, and appeals.	None.

Evaluation item	Operational status			Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
(II) Does the Company establish standard operating procedures for the investigation of whistleblowing matters, the follow-up measures to be taken after the investigation is completed, and the related confidentiality mechanism?		✓	To be established	None.
(III) Has the Company taken measures to protect the whistleblower from improper treatment due to their whistleblowing?	✓		Individuals who suspect that they have been subjected to retaliation (harassment or threats) for disclosing instances of illegal or unethical conduct ought to notify their immediate supervisor, the human resources manager, the internal audit manager, or another suitable representative. The company shall exert utmost diligence in safeguarding the reporter's well-being and averting any potential reprisals.	None.
IV. Strengthening information disclosure (I) Does the company disclose the content of the ethical corporate management principles established by the Company on its website and Market Observation Post System (MOPS), and the progress of its implementation?	✓		(I) Company website: <a href="http://www.khc.com.tw">http://www.khc.com.tw</a> ; disclosure of the integrity policy in annual reports and internal regulations.	None.

Evaluation item	Operational status			Ethical Corporate Management – Implementation Status and Deviations from the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies and the Reasons
	Yes	No	Summary Description	
V. If the Company has enacted the Ethical Corporate Management Best Practice Principles in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies, please describe the difference between its operation and the Principles: A code of ethical management has not yet been formulated, while a code of ethical conduct has been formulated, and there is no difference between the Company's operations and the established guidelines.				
VI. Other information that enables a better understanding of the Company's ethical corporate management (for example, the Company's review and revision the Ethical Corporate Management Best Practice Principles, etc.): None.				

(VII) Other important information that is sufficient to enhance the understanding of corporate governance and operation conditions must be disclosed together: None.

(VIII) Implementation status of internal control system

1. Internal Control System Statement

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

Internal Control System Statement

Date: March 6, 2025

For the Company's internal control system of 2024, it is hereby declared as follows according to self-assessment findings:

- I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board and managerial officers of the Company, and that such a system has been implemented within the Company. The purpose of the system is to reasonably ensure that the effectiveness and efficiency of operations (including profits, performance, and protecting the security of assets), reliability, timeliness, and regulatory compliance of reporting, as well as the compliance with applicable laws, regulations, and bylaws are achieved.
- II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. However, the Company's internal control system has a self-supervision mechanism. Once the missing element is recognized, the Company takes corrective action.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations") to determine whether the existing system continues to be effective. The criteria defined in "the Regulations" include five elements depending on the management control process: 1. environment control, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each element further encompasses several sub-elements. Please refer to "the Regulations" for details.
- IV. The Company has adopted the said criteria to validate the effectiveness of its internal control system design and execution.
- V. The Company believes that its internal control system (including the supervision and management of subsidiaries) is effective and can reasonably ensure the achievement of the aforementioned objectives as of December 31, 2024, based on the evaluation results stated above. The internal control system is designed and implemented in a manner that is dependable, timely, transparent, and compliant with relevant laws and regulations.
- VI. The Statement of Declaration will be the major contents of the annual report and prospectus of the Company and to be publicly disclosed. The Company shall be held liable for misrepresentation or nondisclosure in the above content, according to Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This statement was approved by the Company's Board of Directors on March 6, 2025. Among the nine directors present, none presented objections and all agreed to the content of this statement and hereby declare.

Chairman: Lu Tai Rong



General Manager: Sheng Lu Rong Feng



2. If a CPA is retained for the conduct of the internal audit system, disclose the Auditor's Report: None

**(IX) In the most recent year and as of the printing date of the Annual Report, important resolutions of the Shareholders' Meeting and Board of Directors:**

1. Important resolutions of the 2024 shareholders' meeting (June 20, 2024):

- (1) Voted on acknowledgment of the 2023 Business Report and Financial Statements
- (2) Voted on acknowledgment of the 2023 Earnings Distribution Proposal
- (3) Elected the 22nd Board of Directors

Election Results: Nine directors were elected by attending shareholders, including three independent directors.

Elected board members:

Directors: Lu Tai Rong; Representatives of Pro Imp'ex Company Limited: Sheng Lu Rong Feng, Sheng Lu Rong Feng; Representative of Huida Investment Co., Ltd.: Huang Li-Chun; Representative of You Chang Co., Ltd.: Wu Hsien-Ming, Lu Wei-Cheng

Independent Directors: Lin Hsien-Lang, Chen Chi-Hsiung, Wang Yi-Chen

**Implementation of resolutions of the 2024 shareholders' meeting:**

- (1) Voted on acknowledgment of the 2023 Business Report and Financial Statements: Passed as proposed.

- (2) Voted on acknowledgment of the 2023 Earnings Distribution Proposal: Passed as proposed.

Cash dividend of NTD 190,852,293 from earnings, or NTD 1 per share.

Ex-dividends trading date: July 12, 2024

- (3) Elected the 22nd Board of Directors

Announcement of election results in accordance with regulations: The attending shareholders elected 9 directors (including 3 independent directors)

Term of Office: Three years from June 20, 2024 to June 19, 2027 On June 20, 2024, the Board of Directors convened a meeting to elect the Chairman of the Board. Director Lu Tai-Rong was elected Chairman by mutual vote among attending directors.

After the meeting, the resolutions of the Shareholders' Meeting would be released within the specified time.

## 2. Important resolutions of the Board of Directors in 2024

Item	Important resolutions
1. 12th meeting of the 21st Board of Directors (January 15, 2024)	1. Approved the Company and KUO CHENG CONSTRUCTION CO., LTD.'s participation in the Kaohsiung City Government's MRT Orange Line O13 Station and yellow line Y10 Station "Land Development Project" and was selected as the best applicant to jointly fund the establishment of the company and sign an agreement with the Kaohsiung City Government to establish the Company.
2. 13th meeting of the 21st Board of Directors (2024.03.08)	<ol style="list-style-type: none"> <li>1. Discussion of distribution of 2023 remuneration to employees and that to directors</li> <li>2. Acknowledgment of 2023 Business Report and Financial Statements</li> <li>3. Acknowledgment of the 2023 Earnings Distribution Proposal</li> <li>4. Approved the evaluation of the independence and suitability of CPAs</li> <li>5. Approval of 2023 Internal Control Declaration</li> <li>6. Approved the amendments to the "Rules of Procedure for Board of Directors Meetings"</li> <li>7. Approved the amendments to the "Audit Committee Charter"</li> <li>8. Approved the full re-election of the Company's directors</li> <li>9. Removal of non-compete restrictions for directors</li> <li>10. Approved the convention of shareholders' meeting to be held on June 20, 2024 and the agenda</li> <li>11. Approved the Procedures for Accepting Proposals from Shareholders Holding 1% or More of Shares.</li> <li>12. Approved the Regulations Governing the Acceptance of Nominations for Director Candidates from Shareholders Holding 1% or More of Shareholdings.</li> </ol>
3. 14th meeting of the 21st Board of Directors (2024.04.24)	<ol style="list-style-type: none"> <li>1. Acknowledgment of financial statements for 2024 Q1</li> <li>2. Amendment of the "Stock Services Internal Control System"</li> <li>3. Passed the name list of candidates for directors of the Company's 22nd Board of Directors..</li> </ol>
4. 1st meeting of the 22nd Board of Directors (2024.06.20)	<ol style="list-style-type: none"> <li>1. Chairman election: Director Lu Tai-Rong was elected Chairman by mutual vote among attending directors.</li> <li>2. Approved the appointment of the Company's 6th Remuneration Committee members: the three independent directors Lin Hsien-Lang, Chen Chi-Hsiung and Wang Yi-Chen.</li> </ol>
5. 2nd meeting of the 22nd Board of Directors (2024.08.07)	<ol style="list-style-type: none"> <li>1. Recognition of the 2024 Q2 financial statements</li> <li>2. Approval of borrowings from financial institutions in 2025</li> <li>3. Approved the amendments to the "Rules of Procedure for Board of Directors Meetings"</li> <li>4. Approval of 2023 Sustainability Report.</li> </ol>
6. 3rd meeting of the 22nd Board of Directors (2024.11.08)	<ol style="list-style-type: none"> <li>1. Recognition of the 2024 Q3 financial statements</li> <li>2. Approved the 2025 budget</li> <li>3. Formulation of the "Sustainability Report Preparation and Assurance Procedures" and the "Sustainability Information Management" internal control system</li> <li>4. Approval of the 2025 Audit Plan</li> <li>5. Approval of acquisition of right-of-use assets for real estate from related parties.</li> </ol>

**(X) During the most recent year and up to the date of publication of the annual report, the main contents of any dissenting opinions of directors or independent directors with respect to important resolutions passed by the Board of directors, with records or written statements: None.**

#### IV. Information on fees paid to attesting CPAs

Unit: NT\$ thousand

Accounting firm name	Accountant name	Accountant audit period	Audit fees	Non-audit fees	Total	Remarks
KPMG Taiwan	Hsu Chen-Lung	2024	1,800	92	1,892	
	Chen Yung-Hsiang	2024				

Please specify the content of non-audit services:

Attestation of business tax-related matters: NT\$30 thousand; change of registration service fee: NT\$12 thousand; non-management personnel information service fee: NT\$50 thousand.

Note: If the Company has replaced CPA or CPA firm this year, please list the audit period separately and explain the reason for the replacement in the remark column and disclose the audit and non-audit public fees paid in order. Non-audit fees and service contents should be explained in notes.

## V. Information on changes in CPAs

### Information about changes of CPAs

(I) Regarding the former CPA

Date of replacement	None		
Reason for replacement and description	None		
Explain when the appointing person or accountant was terminated or did not accept the appointment	Circumstances of the parties	Accountants	Appointed person
	Circumstances	Not applicable	
	Voluntary termination of appointment		
No longer accepting (continuing) appointment			
Comments and reasons for audit reports having other than an unqualified	Not applicable		
Any discrepancies with the issuer	Not applicable		Accounting principles or practices
			Disclosure of financial reports
			Audit scope or steps
			Others
	No such situation		
Explanation			
Other disclosures (Article 10, Section 6, Item 1, Items 4 to 1-7 of this Code shall be disclosed)	Not applicable		

Note: Explanation for change of CPAs in 2024

Explanation for change of CPAs	Not applicable
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(II) Regarding the succeeding CPA

Firm name	Not applicable
Accountant name	Not applicable
Date of appointment	Not applicable
Prior to appointment, the accounting treatment methods or accounting principles for holding transactions and the possible issuance of financial reports and consultation matters and results	Not applicable
Written opinion of the successor accountant on the dissenting opinions of the former accountant	Not applicable

(III) The reply of the former CPA in accordance with Article 10, Paragraph 6, Item 1 and 2-3 of the Guidelines: Not applicable.

**VI. Whether the Chairman, President, or manager responsible for finance or accounting has worked at the CPA firm or its affiliates within the past year: None.**

## VII. Changes in shareholding of directors, managers, and major shareholders

Job Title	Name	2024		From the current year up to April 21	
		Increase (decrease) in equity	Increase (decrease) in the number of pledged shares	Increase (decrease) in equity	Increase (decrease) in the number of pledged shares
Chairman	Lu Tai Rong	—	—	—	—
Director	Pro Imp'ex Company Limited	—	—	—	—
	Sheng Lu Rong Feng	—	—	—	—
	Sheng Lu An Te	—	—	—	—
Director	Huida Investment Co., Ltd.	—	—	4,000,000	—
	Huang Li-Chun	—	—	—	—
Director	You Chang Co., Ltd.	—	—	—	—
	Wu Hsien-Ming	(10,000)	—	—	—
	Lu Wei-Cheng	—	—	—	—
Independent Director	Lin Hsien-Lang	—	—	—	—
Independent Director	Chen Chi-Hsiung	—	—	—	—
Independent Director	Wang Yi-Chen	—	—	—	—
General Manager	Sheng Lu Rong Feng	—	—	—	—
Chief Corporate Governance Officer	Lin Tzu-Hui	—	—	—	—
Financial and Accounting Manager	Chao Hui-Mei	—	—	—	—
Major Shareholder	Lu Tai Rong	—	—	—	—
Major Shareholder	Huida Investment Co., Ltd.	—	—	4,000,000	—
Major Shareholder	Hsieh Chang Hsing Trading Co., Ltd.	—	—	—	—

Note 1: Shareholders holding over 10%: Huida Investment Co. (23.58%), Lu Tai Rong (14.44%), Hsieh Chang Hsing Trading Co. (13.63%).

Note 2: If the counterparty of the equity transfer or equity pledge is a related party, the following table should be filled in.

Equity transfer information:

Name (Note 1)	Reasons for equity transfer (Note 2)	Transactio n date	Trade counterparty	The relationship between the counterparty of the transaction and the Company's directors, supervisors, managers, and shareholders who hold more than 10% of shares	Number of shares	Trading price
Huida Investment Co., Ltd.	Acquisition	2025/04/16	KHC Steel International Corp.	Company invested in by the Company	4,000,000	24.05

Note 1: Fill in the names of the Company's directors, supervisors, managers, and shareholders holding more than 10% of shares.

Note 2: Indicate associated acquisition or disposal.

Equity pledge information: None

Name	Reasons for pledge changes	Date of change	Trade counterparty	The relationship between the counterparty of the transaction and the Company's directors, supervisors, and shareholders who hold	Number of shares	Percentage of ownership	Pledge ratio	Pledge (redemption) amount
—	—	—	—	—	—	—	—	—

### VIII. Relationships among the top ten shareholders by shareholding ratio:

April 21, 2025

Sequence	Name	Number of shares personally held		Spouse and minor children holding shares		Total shares held in the name(s) of others		Where top ten shareholders have a relationship with each other or a relative relationship within the scope of their spouse or relative within the second degree of kinship, the name or designation and the relationship		Remarks
		Number of shares	Percentage of ownership	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership	Designation (or name)	Relationship	
1	Huida Investment Co., Ltd. Representative: Huang Li-Chun	44,999,312	23.58	—	—	—	—	Corporate Director		
		22,343	—	5,785,926	3.03	—	—		Lu Ho-Ching	Spouse
2	Lu Tai Rong	27,551,329	14.44	6,053,477	3.17	—	—	Chairman	Yang Yen-Ju Lu Chung-Chi Lu Ho-Ching Lu Ho-Lin	Spouse Brother Sister and brother Sister and brother
3	Hsieh Chang Hsing Trading Co., Ltd. Representative: Lu Ho-Lin	26,007,915	13.63	—	—	—	—			
4	Lu Ho-Lin	16,426,010	8.61	—	—	—	—			
5	KHC Steel International Corp. Representative: Lu Ho-Lin	12,623,000	6.61	—	—	—	—			
6	Qiangyi Investment Co., Ltd. Representative: Lu Ho-Lin	7,546,283	3.95	—	—	—	—			
7	Sheng Lu Rong Feng	6,293,995	3.30	—	—	—	—	Director and General Manager		
8	Yang Yen-Ju	6,053,477	3.17	27,551,329	14.44	—	—			
9	Lu Ho-Ching	5,785,926	3.03	22,343	—	—	—			
10	Lu Chung-Chi	2,718,365	1.42	—	—	—	—			

## IX. Aggregate shareholding ratio in the same investee enterprise

Units: Shares; %

Reinvested business  (Note 1)	The Company's investment		Directors, supervisors, managers, and investments holding direct or indirect control of the business		Comprehensive investment	
	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding	Number of shares	Percentage of shareholding
Hsieh Chang Hsing Trading Co., Ltd.	17,172,851	45.79%	5,736,200	15.30%	22,909,051	61.09%
KHC Steel International Corp.	7,280,000	38.32%	7,563,200	39.81%	14,843,200	78.12%
Sunward Refractories Co., Ltd.	4,588,600	20.00%	—	—	4,588,600	20.00%
Smartway Ark Alliance Co., Ltd.	9,900,000	45.00%	—	—	9,900,000	45.00%
Da Dong Metroway Alliance Co., Ltd.	3,500,000	35.00%	—	—	3,500,000	35.00%
Da Gang Metroway Alliance Co., Ltd.	3,150,000	35.00%	—	—	3,150,000	35.00%

Note 1: Investment using the equity method.

### Three. Status of Fundraising

#### I. Capital and Shares

##### (I) Sources of share capital

Year and Month	Issuance price (NTD)	Approved share capital		Paid-in capital		Remarks		
		Number of shares (thousand shares)	Amount (NTD thousand)	Number of shares (thousand shares)	Amount (NTD thousand)	Sources of equity	Property other than cash contributed as equity capital	Others
January 1966	10.00	0.8	800	0.8	800	Founded	None	None
September 1966	10.00	10	10,000	10	10,000	Cash capital increase, NTD 9,200 thousand	None	None
August 1970	10.00	40	40,000	40	40,000	Cash capital increase, NTD 30,000 thousand	None	None
June 1971	10.00	120	120,000	120	120,000	Cash capital increase, NTD 80,000 thousand	None	None
February 1975	10.00	220	200,000	200	200,000	Capital increase of NTD 32,000 thousand in cash, merger with Kao Hsing Iron & Steel Company of NTD 40,000 thousand, capitalization of retained earnings of NTD 8,000 thousand.	None	None
December 1976	10.00	230	280,000	280	280,000	Cash capital increase of NTD 20,000 thousand, capital revaluation value resulting in capital increase of NTD 60,000 thousand	None	None
June 1977	10.00	400	400,000	400	400,000	Capital increase through shareholder transactions of NTD 120,000 thousand	None	None

Year and Month	Issuance price (NTD)	Approved share capital		Paid-in capital		Remarks		
		Number of shares (thousand shares)	Amount (NTD thousand)	Number of shares (thousand shares)	Amount (NTD thousand)	Sources of equity	Property other than cash contributed as equity capital	Others
August 1979	10.00	50,000	500,000	50,000	500,000	Capitalization of retained earnings, NTD 100,000 thousand	None	None
April 1981	10.00	60,000	600,000	60,000	600,000	Capitalization of retained earnings, NTD 100,000 thousand	None	None
May 1986	10.00	65,000	650,000	65,000	650,000	Cash capital increase, NTD 50,000 thousand	None	None
November 1986	10.00	75,000	750,000	75,000	750,000	Capitalization of capital reserves, NTD 100,000 thousand	None	None
November 1988	15.00	160,000	1,600,000	160,000	1,600,000	Cash capital increase, NTD 850,000 thousand (Note)	None	None
August 1989	10.00	184,000	1,840,000	184,000	1,840,000	Capitalization of capital reserves, NTD 100,000 thousand	None	None
March 1990	40.00	234,000	2,340,000	234,000	2,340,000	Cash capital increase, NTD 500,000 thousand (Note)	None	None
December 1990	10.00	280,800	2,808,800	280,800	2,808,800	Capitalization of retained earnings of NTD 234,000 thousand, capitalization of capital reserves of NTD 234,000 thousand	None	None
October 1991	10.00	308,880	3,088,800	308,880	3,088,800	Capitalization of capital reserves, NTD 280,800 thousand	None	None
January 1994	10.00	339,768	3,397,680	339,768	3,397,680	Capitalization of capital reserves of NT\$308,880 thousand (1994.1.07 (83) Taizaizheng No. 44814)	None	None
October 1996	10.00	445,000	4,450,000	366,949	3,669,494	Capitalization of capital reserves of NT\$271,814.4 thousand (1996.10.09 (85) Taizaizheng No. 59439)	None	None

Year and Month	Issuance price (NTD)	Approved share capital		Paid-in capital		Remarks		
		Number of shares (thousand shares)	Amount (NTD thousand)	Number of shares (thousand shares)	Amount (NTD thousand)	Sources of equity	Property other than cash contributed as equity capital	Others
December 1997	10.00	450,000	4,500,000	403,644	4,036,443	Capitalization of capital reserves of NT\$146,779 thousand, capitalization of retained earnings of NT\$220,169 thousand (1997.9.11 (86) Taizaizheng (1) No. 70405)	None	None
September 1998	10.00	480,000	4,800,000	423,826	4,238,266	Capitalization of capital reserves of NT\$201,822 thousand, (1998.6.23 (87) Taizaizheng (1) No. 54948)	None	None
December 2013	10.00	580,000	5,800,000	275,487	2,754,872	Cash capital reduction of NTD 1,483,393 thousand (2013.10.16 Jinguanzheng Fazi No. 10300406085)	None	None
March 2016	10.00	580,000	5,800,000	272,342	2,723,422	Capital reduction by treasury stock, NT\$31,450 thousand (2016.3.15 MOEA Jingshou Shangzi No. 10501059460)	None	None
May 2016	10.00	580,000	5,800,000	247,942	2,479,422	Capital reduction by treasury stock, NT\$244,000 thousand (2016.5.16 MOEA Jingshou Shangzi No. 10501097240)	None	None
March 2017	10.00	580,000	5,800,000	223,152	2,231,522	Capital reduction by treasury stock, NT\$247,900 thousand (2017.3.27 MOEA Jingshou Shangzi No. 10601039190)	None	None
March 2018	10.00	580,000	5,800,000	200,852	2,008,522	Capital reduction by treasury stock, NT\$223,000 thousand (2018.3.23 MOEA Jingshou Shangzi No. 10701031740)	None	None

Year and Month	Issuance price (NTD)	Approved share capital		Paid-in capital		Remarks		
		Number of shares (thousand shares)	Amount (NTD thousand)	Number of shares (thousand shares)	Amount (NTD thousand)	Sources of equity	Property other than cash contributed as equity capital	Others
May 2023	10.00	580,000	5,800,000	190,852	1,908,522	Capital reduction by NT\$100,000 thousand on treasury shares (Ministry of Economic Affairs, Jing-Shou-Shang No. 11230084810 dated May 17, 2023)	None	None

Notes: 1988.11 the subscription price of cash capital increase issuance was NTD 15 per share; the 1990.03 cash capital increase issuance subscription price was NTD 40 per share, the rest was issued at par.

**Type of shares**

April 21, 2025

Type of shares	Approved share capital					Remarks
	Outstanding shares			Unissued shares	Total	
	Already listed on main board (OTC market)	Not yet listed on main board (OTC market)	Total			
Registered common shares	190,852,293	0	190,852,293	389,147,707	580,000,000	

**Information concerning the collective reporting system: None.**

**(II) List of major shareholders:** (holding more than 5% of total shares or where the shareholdings ratio falls within the top ten shareholders)

April 21, 2025; Unit: Shares

Name	Shares	Number of shares held	Percentage of shareholding
Huida Investment Co., Ltd.		44,999,312	23.58%
Lu Tai Rong		27,551,329	14.44%
Hsieh Chang Hsing Trading Co., Ltd.		26,007,915	13.63%
Lu Ho-Lin		16,426,010	8.61%
KHC Steel International Corp.		12,623,000	6.61%
Qiangyi Investment Co., Ltd.		7,546,283	3.95%
Sheng Lu Rong Feng		6,293,995	3.30%
Yang Yen-Ju		6,053,477	3.17%
Lu Ho-Ching		5,785,926	3.03%
Lu Chung-Chi		2,718,365	1.42%

**(III) Company dividend policy and implementation status**

1. Dividend policy:

Article 26 and Article 26-1 of the Company's Articles of Incorporation:

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

Where the Company makes a profit for a year, the profit shall be first used to pay taxes, offset the cumulative deficit and allocate 10% of the remaining as a legal reserve unless it has reached the same amount as the Company's paid-in capital. In addition to the payment of dividends, if there are still surplus earnings then they shall be combined with undistributed earnings of prior years for the Board of Directors will draw up a profit distribution plan and submit to the shareholders' meeting a resolution to distribute shareholder dividends. Dividends shall be distributed at an appropriate ratio between cash dividends and stock dividends. Cash dividends shall not be lower than 50%.

2. Proposed dividend distribution for presentation to this year's Shareholders' Meeting:

At its 5th meeting, the 22nd Board of Directors resolved to distribute a cash dividend of NT\$95,426,147 to shareholders out of the distributable earnings for 2024, representing a cash distribution of NT\$0.5 per share. The Chairman is authorized to determine the record date for cash dividends after approval from the shareholders' meeting for this earnings distribution. The distribution of cash dividends is calculated to the unit of one NT dollar (rounded off). Fractional amounts are recognized as the Company's other income. Chairman is authorized to make adjustments if the payout ratio is changed due to change in the number of shares outstanding after the transfer, conversion or cancellation of repurchased shares or other reasons.

3. Any material changes expected in the dividend policy: None.

**(IV) Effect of the proposed stock dividends on the Company's operating performance and earnings per share: Not applicable.**

**(V) Employee and director remuneration**

1. The percentage or scope of remuneration for employees and directors as set out in the Articles of Incorporation:

Article 26 of the Company's Articles of Incorporation:

If the Company makes a profit at the end of the year, no less than 0.5% shall be allocated as remuneration to employees and no more than 5% shall be allocated as remuneration to directors. However, if the Company has cumulative losses, it is necessary to offset such losses before calculation of remuneration to employees and directors.

2. The calculation basis for the estimated amount of remuneration for employees and directors in the current period, the calculation basis for the number of shares distributed, and the accounting treatment when the actual distribution amount differs from the estimated amount:

The pre-tax net profit for 2024 audited by the CPA amounted to NT\$69,596,019 (after deducting an estimated NT\$414,200 for employee remuneration). No director remuneration will be distributed. Employee remuneration will be allocated in accordance with the Articles of Incorporation at 0.5% of profit and will be paid in cash.

Employee remuneration: According to the legislative rationale of Article 235-1 of the Company Act, the so-called "profit" refers to pre-tax earnings before the deduction of employee remuneration. The calculation is as follows:

$$\text{Minimum employee remuneration} = (\text{NT\$69,596,019} + \text{NT\$414,200}) \times 0.5\% = \text{NT\$350,051}.$$

The estimated amount of NT\$414,200 to be paid aligns with the amount recognized in the financial statements; thus, there is no difference in accounting treatment.

3. Remuneration distribution approved by the Board of Directors:

On March 6, 2025, the 6th Remuneration Committee at its 2nd meeting and the 22nd Board of Directors at its 5th meeting resolved that NT\$414,200 in employee remuneration for 2024 will be distributed in cash and no director remuneration will be distributed.

4. The actual distribution of remuneration for employees and directors in the previous year (including the number of distributed shares, amount and stock price). If there is a difference in the recognition of remuneration for employees and directors, the number of differences, reasons, and handling circumstances shall be stated:

In 2023, employee remuneration of NT\$2,160,000 was distributed in cash and no director remuneration was paid. This was consistent with the amount recognized in the financial statements.

**(VI) Buyback of the Company's shares:**

1. **Completed buybacks:** Most recent fiscal year and up to the annual report publication date

The Company's 8th meeting of the 21st Board on March 7, 2023 approved the share repurchase from the Taiwan Stock Exchange.

**Buyback of the Company's shares**

May 19, 2023

Number of repurchase	7
Purpose of buyback	To protect the Company's credit and shareholder's equity
Buyback period	2023/03/09–2023/04/14
Repurchase range price	NTD 13.5–NTD 27
Type and quantity of shares repurchased	10,000,000 common shares
Amount of shares repurchased	NTD 199,906,204
Ratio of repurchased shares to expected repurchased shares (%)	100%
Quantity of canceled and transferred shares	10,000,000 shares
Accumulated number of the Company's shares held by the Company	0
Ratio of the accumulated number of the Company's shares held by the Company to the total number of issued shares (%)	0%

2. **Ongoing buybacks: None.**

## II. Handling of corporate bonds

- (I) The status of corporate bonds shall include corporate bonds that have not been repaid or in progress, and the relevant matters and the impact on shareholders' equity shall be disclosed with reference to Article 248 of the Company Act. Any privately placed corporate bonds shall be prominently identified as such: None.
- (II) The preferred shares issued shall include both outstanding and under-going preferred shares, and the terms and conditions of the issuance, the impact on shareholders' equity, and matters specified in Article 157 of the Company Act shall be disclosed. Any privately placed preferred shares shall be prominently identified as such: None.
- (III) GDRs that have participated in the issuance but have not been redeemed in full, shall be disclosed, and the relevant information such as the issue date, issue total amount, and the rights and obligations of the GDR holders shall be disclosed. matters. Any privately placed global depository receipts shall be prominently identified as such: None.
- (IV) The following information shall be specified for the issuance of employee stock options:
  - 1. Disclosure of unexpired employee subscription warrants issued by the Company in existence as of the date of publication of the Annual Report, and the effect of such warrants upon shareholders' equity. Any privately placed employee subscription warrants shall be prominently identified as such: None.
  - 2. Names of top-level Company executives holding employee share subscription warrants as of the date of publication of the Annual Report, and the names of the ten employees holding employee subscription warrants authorizing purchase of the most shares, along with the cumulative number of warrants exercised by these ten employees: None.
- (V) The following matters shall be stated for the issuance of restricted employee shares:
  - 1. For all new restricted employee shares for which the vesting conditions have not yet been met for the full number of shares, disclose the status up to the date of publication of the Annual Report and the effect on shareholders' equity: None.
  - 2. Names and acquisition status of managerial officers who have acquired new restricted employee shares and of employees who rank among the top ten in the number of new restricted employee shares acquired, cumulative to the date of publication of the Annual Report: None.

(VI) For the issuance of new shares for the merger or acquisition of shares of another company, the following shall be stated:

1. If, during the most recent fiscal year or during the current fiscal year up to the date of publication of the Annual Report, the Company has completed any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company, the Annual Report shall specify the following matters: None.
2. Where the Board of Directors has, during the most recent fiscal year or during the current fiscal year up to the date of publication of the Annual Report, adopted a resolution approving any issuance of shares in connection with a merger or acquisition or with acquisition of shares of any other company, the Annual Report shall disclose the state of the plan's implementation together with the basic identifying information of the company (or companies) to be merged or acquired or whose shares are to be acquired. Where any issuance of new shares in connection with a merger or acquisition or with acquisition of shares of any other company is currently in progress, the Annual Report shall disclose the state of the plan's implementation and its effect upon shareholders' equity: None.

### III. Implementation status of fund utilization plan:

The implementation status of fund utilization plan must disclose the following:

- (I) Plans: As of the quarter prior to the date of publication of the annual report, for which the previous securities offerings or private placements have not been completed, or have been completed in the last three years and the benefits of the plan have not yet emerged: None.
- (II) Implementation status: Analysis of the purpose of each plan in the preceding subparagraph, and its implementation status and comparison with the original expected benefits as of the quarter prior to the publication date of the annual report: None.

## **Four. Business Overview**

### **I. Business content**

#### **(I) Business scope**

##### 1. Main content of the business:

- (1) Steel pipes, galvanized steel pipes, steel pipes, hot-rolled steel coils (sheets), cold-rolled steel coils (sheets), cold-rolled steel strips, packing steel strips, steel billets, shaped steel, stainless steel coils (sheets), silicon steel coils (sheets) and coated steel coils (sheets), equipment and manufacturing of the above and other iron and steel products.
- (2) Heat treatment and processing.
- (3) Manufacture of motorcycles, bicycles, engines and accessories, and the assembly and sale of motorcycles.
- (4) Commission of construction companies to build residential buildings and commercial buildings for lease or sale.
- (5) Management of animal husbandry business and manufacturing, processing and trading of agricultural and livestock products.
- (6) Agency services for the aforementioned items.
- (7) Import and export business.
- (8) Waste recycling and disposal.
- (9) C801010 Basic Chemical Industrial Manufacturing.
- (10) C802120 Industrial and Additive Manufacturing.
- (11) CA02010 Manufacture of Metal Structure and Architectural Components.
- (12) I501010 Product Designing.
- (13) I601010 Rental and Leasing.
- (14) ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval.

## 2. Current merchandise and business contributions

Main industry sector	Main products	Operating profit contribution	
		2024	2023
Steel pipe	Galvanized steel pipe, black steel pipe, API steel pipe, PE coated pipe submerged arc welding straight seam steel pipe	94%	93%
Logistics and circulating products	Cold rolled steel coil, hot rolled steel coil, galvanized steel coil	4%	5%
Others	Zinc products and film, etc.	2%	2%

## 3. R&D Products in 2024

The Company constantly endeavors to renew steel pipe equipment by focusing on improving production efficiency, conserving energy, controlling pollution, and enhancing occupational safety, in order to achieve better product quality and work environment. In 2024, outdated pipe-making equipment, API small-to-medium-diameter mill lines, and galvanizing furnace systems were replaced, with continued upgrades and improvements underway.

## (II) Industry Overview

### 1. Current status and development of the industry:

According to the production process, steel pipes are divided into welded steel pipes and seamless steel pipes. As the steel pipe manufacturers in Taiwan are actively expanding the export market of petroleum pipes, the export volume of steel pipe products will gradually increase.

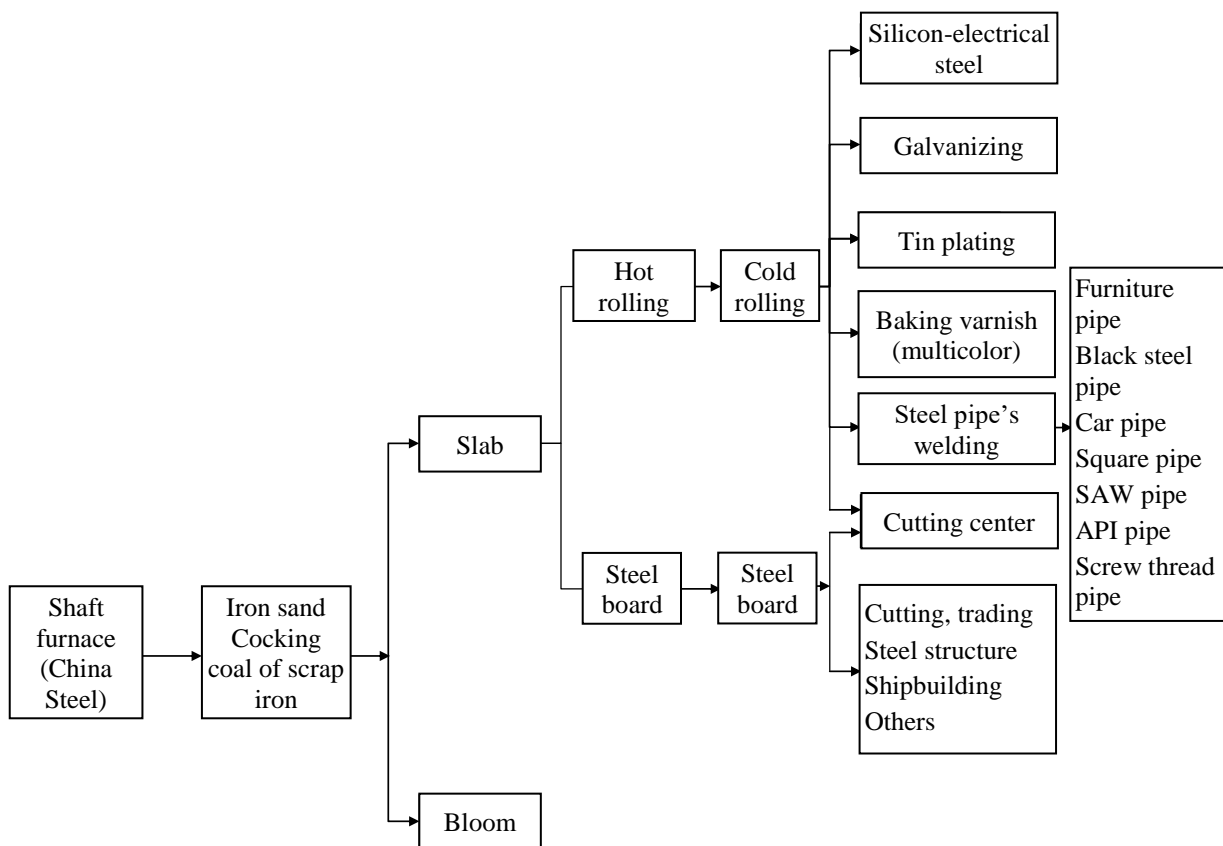
The steel pipe industry is an important downstream application industry for hot-rolled and cold-rolled steel products. Black and galvanized steel pipes are mainly supplied to the construction industry, while cold-rolled steel pipes are mainly used by the furniture and bicycle industries. Hot-rolled steel pipes are used for the sports equipment and automobile industries.

The steel industry is currently affected by geopolitical instability and a high interest rate environment, which continues to suppress both domestic and export market demand. This has impacted order intake and inventory restocking in many downstream steel industries. However, stable upstream raw material prices have provided support for product pricing.

The Company's main product for domestic sales, galvanized steel pipe, has benefited from the government's continued promotion of infrastructure, the return of

Taiwanese businessmen and the return of electronics manufacturers to Taiwan, which has led to the increase in orders for construction and plant construction. Currently, the steel industry selling to the US is still subject to high tariffs under Section 232 and has to compete against tariff-free and low-priced Korean products. The competition for export orders is hence intense. Meanwhile, the US demand is generally soft. Customers are still working through inventory. Export orders depend on destocking by customers.

2. Relationships with upstream, middle-stream, and downstream industries:



Important production and supply of the Company:

- (1) Cold-rolling plant: cold-rolled coils, acid-washed coils, cold-rolled hardened and tempered coils, baled strips (production temporarily suspended in June 2012)
  - (2) Steel pipe plant: galvanized steel pipes, black steel pipes, API steel pipes, PE coated pipe, submerged arc welded straight seam steel pipe.
- Demand industries include home appliances, personal computers, machinery, automobiles, motorcycles, bicycles, and construction industries.

### 3. Product development trends and competition

#### (1) Product development trend

Steel pipe is a basic material for the construction industry and metal processing industry, and raw materials constitute the main cost of steel pipe. Therefore, the domestic steel processing industry mostly develops products with higher added value. Production costs have increased with the increase of domestic environmental protection requirements and the implementation of the One Mandatory Day Off and One Flexible Rest Day Policy. At the same time, the domestic market is opening up and competition between imported materials and peers has formed. Therefore, the demand for steel is not only changing in quantity but also in pursuit of "quality" change.

#### (2) Competition:

- A. The relationship between China and the USA remains tense. The trade war causes the global market disorder. The export end-customers' demand becomes unstable due to the tariff and prevailing Protectionism for steel products trading. As a result, the high inventory retained by customers is squeezing the confidence in market demand.
- B. In the export market, the implementation of a flat, reciprocal tariff regime under the U.S. Section 232 measure in April 2025 eliminated Korea's previous advantage of zero-tariff, low-priced exports. This has improved the company's competitiveness in securing export orders. In addition, overall market demand in the U.S. is recovering, and customer inventories are gradually being depleted. Although oil prices have fallen to around US\$60 per barrel, which is unfavorable for shale oil extraction, the concurrent steady rise in international steel prices and restocking demand support a more optimistic export outlook compared to 2024. However, potential changes in President Trump's tariff policies continue to introduce uncertainty.
- C. Domestic steel pipe demand has been increasing due to reshoring Taiwanese businesses and ongoing factory expansion projects in the electronics sector, driving both sales and profitability growth compared to prior periods.
- D. In 2025, the outlook for the steel market is mixed. On the positive side, global economic recovery is gaining traction, leading to increased demand for steel. However, persistent overcapacity in mainland China and the resulting low-priced exports remain the steel industry's primary downside risks. The biggest variable is the trade policy of US President Trump.

### **(III) Technology and R&D overview**

The Company's products have a long life cycle and require a large investment in equipment. Most of the new technologies in the products are imported from abroad, with emphasis on improving production efficiency, saving energy, preventing pollution and improving product quality.

**(IV) Long-term and short-term business development plans:**

1. Short term:

- (1) Improve product quality and increase the production capacity of steel pipes; strictly control the production and sale time from ordering to delivery to improve customer satisfaction.
- (2) Develop domestic and overseas sales channels, expand market decentralized sales channels, and increase steel trading. The sales strategy focuses on domestic sales, supplemented by foreign sales, and adjusts the product mix to meet market demand.
- (3) As the trade war intensifies, the Company has to strengthen the control of raw material inventory to reduce capital demand and cost risks. Continue to enhance the added value of products to maintain the Company's product niche.

2. Long term:

- (1) Actively adjust the core industry structure and implement product differentiation, continue to improve and upgrade products and technologies, and ensure quality competitive advantages.
- (2) Strengthen cooperation with customers to stabilize sales channels, flexibly operate the mix of production and sales, and achieve balanced development of domestic and overseas sales.
- (3) Prudent development of diversified business operations, and evaluation of additional business items when opportunities are available, hoping to pursue corporate sustainability and growth.

## II. Market and production and sales overview

### (I) Market analysis

Although the steel market in 2024 was initially highly anticipated, its actual performance fell short of expectations due to multiple factors. At the end of 2023, the steel market experienced a recovery, and many anticipated that the momentum would continue into 2024. However, due to slower-than-expected easing of U.S. inflation and repeated delays in the Federal Reserve's rate cuts, the steel market began to decline in the second quarter of 2024, hitting a low point in the third quarter. The main issue was the dumping of low-cost surplus capacity from mainland China. Although overall steel market performance in 2024 did not meet expectations, it was slightly better than in 2023. In the fourth quarter, China began to intensify macroeconomic stimulus measures and the effects of production cuts started to emerge, modestly boosting market conditions toward the end of 2024.

Due to the ongoing Russia-Ukraine conflict, energy prices remain volatile and have impacted global raw material costs. As steel prices stabilize and show a slight upward trend and as major electronics manufacturers continue to place expansion orders, gradual demand growth has led to slightly higher domestic and export order intake compared to last year. Operating profit from the Company's core business was also broadly in line with the prior year.

In terms of steel pipe sales, although market conditions and demand in 2024 contracted further compared to 2023, the Company's total steel pipe sales volume of 32,138 metric tons still increased by 3.58% over last year's 31,026 metric tons. Export sales of API oil pipes declined slightly due to continued weakness in international oil prices, a reduction rather than increase in the number of oil wells, and zero-tariff, low-price competition from Korea. Total steel pipe exports in 2024 were 2,851 metric tons, down 1.45% from 2,893 metric tons in 2023. On the domestic front, although demand for steel pipes remained weak, galvanized steel pipe orders benefited from continued expansion projects by electronics manufacturers. Total domestic steel pipe sales reached 29,288 metric tons, a slight increase of 4.1% over last year's 28,133 metric tons.

1. Supply and demand status of major domestic steel products

Unit: Tons

Steel products	Item	2020	2021	2022	2023	2024
Hot rolled	Production	15,672,283	16,447,419	14,733,471	14,572,129	13,332,711
	Domestic sales	5,367,466	6,270,901	4,879,181	4,606,768	4,403,490
	Inventory	1,202,487	1,267,641	1,080,518	1,106,232	1,147,759
Cold rolled	Production	3,949,606	4,290,528	3,086,327	2,986,669	3,192,073
	Domestic sales	1,107,561	1,216,221	819,723	622,855	680,995
	Inventory	190,647	233,862	205,479	211,353	201,980
Welded steel pipe	Production	788,826	759,365	821,426	634,237	750,509
	Domestic sales	609,551	540,454	449,652	423,692	428,342
	Inventory	58,584	66,368	49,254	57,045	55,850

Source: Taiwan Steel & Iron Industries Association

2. Domestic welded steel pipes apparent consumption, most recent two years Unit: Tons

Item	Production volume	Import volume	Export volume	Apparent consumption	Self-sufficiency
2023	634,237	50,481	174,762	509,956	160%
2024	750,509	58,281	284,223	524,567	143%

Source: Taiwan Steel & Iron Industries Association

3. Main domestic steel product market (2024)

Unit: Factory price NTD/ton; Steel pipe NTD/kg

Steel products	Q1	Q2	Q3	Q4
Hot rolled	21,200~22,300	20,800~21,916	19,000~21,916	18,300~20,116
Black steel pipe (BS)	23.0~34.6	22.8~34.3	20.5~34.3	20.3~33.0
Galvanized steel pipe (BS)	38.8~57.6	37.5~57.6	35.4~55.2	35.4~56.4

Source: Taiwan Steel & Iron Industries Association

#### 4. Main product sales areas of the Company

Unit: NTD Thousand

Item	Year	2023		2024	
		Subtotal	Total	Subtotal	Total
Taiwan			1,326,811		1,376,088
Hong Kong - mainland China		—		—	
Americas		132,768		81,482	
Northeast Asia		715		797	
Southeast Asia		—		—	
Other regions		—		—	
Operating income from exports			133,484		82,279
Net operating income			1,460,295		1,458,367

#### 5. Market share and future supply and demand conditions and growth of the market, expected sales volume and its basis, and competitive niche

##### (1) Cold-rolled steel products

In addition to domestic cold rolled steel products used in the computer industry, strollers, bicycles, metal furniture, and other industries, demand for cold rolled steel products is driven by demand for galvanized and painted steel plates and the cold rolled materials used by Taiwanese mainland factories. For cold rolled steel products, the market is facing greater competitive pressure in the wake of mass production at China Steel's third cold rolled line (with annual production capacity 1.8 million tons), and this is bound to squeeze a portion of the Company's market space. Coupled with the poor market outlook, the Company temporarily suspended production in June 2012.

(2) Steel pipe

① The Company mainly sells steel pipe products	Sales targets
Galvanized steel	Buildings, firefighting, engineering, water conservation
Black steel pipe	Buildings, firefighting, engineering, water conservation
API steel pipe	High pressure oil pipeline, petrochemical pipeline, building, water conservation
PE coated pipe	High pressure oil pipeline, petrochemical pipeline, building, water conservation
Steel pipe pile	Piling for foundations of ports, bridges, etc.

② Various types of welded steel pipe production statistics unit: metric tons

Type	Percentage in 2024	2024 (A)	2023 (B)	(A)–(B)	Growth (%)
Oil pipeline	7.9%	51,787	21,330	30,457	142.79%
Furniture pipe	9.36%	61,359	60,008	1,351	2.25%
Square pipe	11.75%	77,001	78,300	(1,299)	(1.66)%
Mechanical pipe	1.46%	9,572	10,900	(1,328)	(12.18)%
Black pipe	36.89%	241,776	205,122	36,654	17.87%
Galvanized pipe	22.79%	149,329	154,685	(5,356)	(3.46)%
Other pipes	9.82%	64,404	64,404	0	0.00%
Total	100%	655,228	594,749	60,749	10.17%

Source: Taiwan Steel & Iron Industries Association

Major domestic manufacturers:

The Company, Mayer, Chung Hung, Shin Yang, Far East Machinery, Tension Steel, etc.

The total sales volume of domestic manufacturers in 2024 was approximately 442,800 tons per year.

Kao Hsing Chang: The sales volume is about 30,600 tons/year and the market share is 6.91%.

Market share of galvanized steel pipe is about 15.59% ◦

The Company's sales target for 2025 is approximately 50,898 tons (3,000 tons for distribution and logistics included), of which 47,898 tons are steel pipes.

- ③ The steel pipe factory has obtained the ISO 9001 quality management system certification, and has passed the domestic and international product specifications such as CNS and API. It has the largest pipe manufacturing vehicle in Taiwan and the production technology to produce API-5L 52” large pipes. Completed the development of API 5CT oil well casing and was authorized by the American Petroleum Institute.

The API oil pipeline produced by the Company is an American Petroleum Institute (API) authorized manufacturer and sold to major private enterprises such as CPC Corporation, Taiwan Power, the military, and Formosa Plastics. The galvanized steel pipe is of high quality and is designated for many major domestic projects. At the same time, the API 5CT certification was completed and it was exported to the US market. Simultaneously, it has excellent quality, timely delivery, and high customer satisfaction.

The domestic marketing benefits from domestic leading semi-conductor manufacturers’ continuous expansion of capital expenditure, reconstruction of unsafe and old buildings and urban renewal driving the investment in construction projects, global technology enterprises’ increase in investment in Taiwan, and private enterprises’ response to the government’s green power policy, the investment in green power has been increasing, especially the offshore wind farm. All of these could help boost growth of the domestic steel materials demand.

## 6. Favorable and unfavorable factors for development prospects

### (1) Favorable factors for development prospects

- ① The brand has a good reputation and strict quality control. It has passed the certifications of ISO 9001, CNS, API, ISO 14001, ISO 45001 & CNS 45001.
- ② Complete sizes, great flexibility in ordering, material preparation, production plans, shortened delivery deadlines, and enhanced customer services.
- ③ The Company’s overall operation is oriented toward low-debt operation, and actively develops quality products to enhance competitiveness and to facilitate the Company’s sustainable operation.
- ④ There are many land assets, and some of them are located in prime locations in Kaohsiung City.

- (2) Unfavorable factors for development prospects
- ① Product homogeneity is high and supply exceeds demand, resulting in fierce market competition.
  - ② The order cannot be placed in a large quantity. There are many models and batch numbers, and the production cost rises.
  - ③ The ratio of raw material costs to the overall cost is high, and the rise and fall of raw materials is rapid and difficult to control.
  - ④ The iron and steel industry has a large investment, which is slow to recover and difficult to recruit and train professional and technical personnel.
  - ⑤ The domestic peers have expanded their investments in petroleum steel pipes and put them into competition in the market supply. A large amount of production capacity has to be exported to the export market, which has significantly increased the sales competition in the industry.
  - ⑥ The US–China trade war has caused disorder in the global market. Tariff barriers and steel trade protectionism are prevalent, resulting in unstable market demand.

(3) Countermeasures:

Improve product process capability and quality, and continue to differentiate products and segment the market.

Adhere to the image of good quality and stable supply of products, and strengthen cooperation with customers to stabilize sales channels.

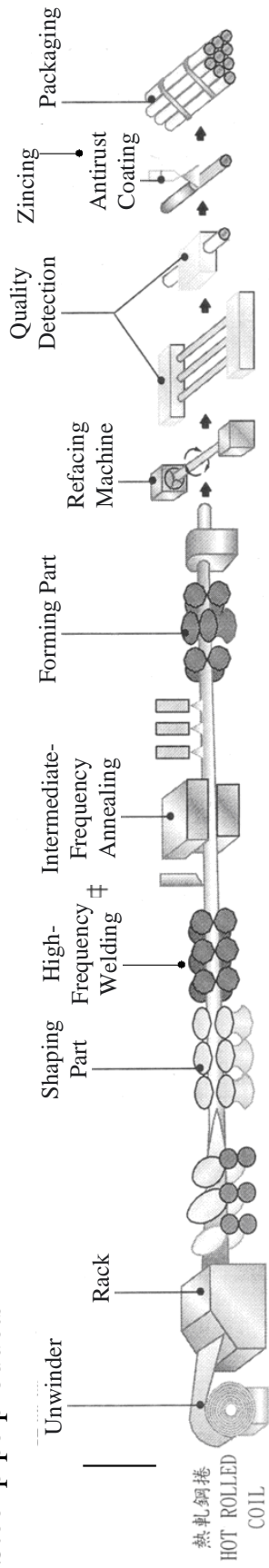
**(II) Important uses of the main products and production processes:**

1. Important uses of main products

Steel pipe: construction, gas pipes, transportation equipment, refrigeration pipes, high-pressure oil pipelines, petrochemical engineering pipes, fire-fighting pipes, mechanical processing, furniture processing, structural pipes, scaffold pipes, etc.

## 2. Production processes

### Steel pipe products



### (III) Supply of main raw materials

The main raw material of the Company's products is hot rolled steel coil (sheet), and the main domestic raw material suppliers are China Steel, Chung Hung, Shang Chen, and other companies. Due to the signing of supply contracts, the sources of raw materials are stable. Some of the raw materials are supplied by steel plants in China, Brazil, South Korea, etc. Because the Company's procurement is based on the long-term relationship between the price, quantity, delivery, quality, exchange rates, and long-term cooperation among manufacturers, raw material supplies are still stable and abundant.

### (IV) List of major customers in the last two years

#### 1. Information of major suppliers in the last two years:

Unit: NTD Thousand

Item	2023				2024				2025 up to the end of the first quarter			
	Designation	Amount	Percentage of total annual net purchases (%)	Relationship with issuer	Designation	Amount	Percentage of total annual net purchases (%)	Relationship with issuer	Designation	Amount	Percentage of current year net purchases through the prior quarter (%)	Relationship with issuer
1	China Steel	538,630	74	—	China Steel	411,690	60	—	China Steel	179,990	69	—
2	Shang Chen	140,687	19	—	Shang Chen	129,890	19	—	Shang Chen	49,115	19	—
3	Cheng Heng	40,680	6	—	Hyosung	75,318	11	—	Hyosung	18,413	7	—
	Others	10,316	1		Others	73,056	10		Others	13,923	5	
	Net purchases	730,313	100		Net purchases	689,954	100		Net purchases	261,441	100	

Reason for changes: The price of raw materials fell in 2024 and the purchase volume and production volume decreased.

#### 2. Information on main sales customers in the last two years:

Unit: NTD Thousand

Item	2023				2024				2025 up to the end of the first quarter			
	Designation	Amount	Percentage of total annual net sales (%)	Relationship with issuer	Designation	Amount	Percentage of total annual net sales (%)	Relationship with issuer	Designation	Amount	Percentage of current year net sales through the prior quarter (%)	Relationship with issuer
1	Customer A	471,906	32	—	Customer A	503,351	35	—	Customer A	144,014	31	—
2	Customer B	232,127	16	—	Customer B	262,073	18	—	Customer E	80,872	18	—
3	Customer C	135,204	9	—	Customer D	154,848	11	—	Customer B	55,842	12	—
4	Others	621,058	43		Others	538,095	36		Others	177,188	39	
	Net sales amount	1,460,295	100		Net sales amount	1,458,367	100		Net sales amount	457,916	100	

Reasons for increase or decrease: There was no significant change in sales volume between 2024 and 2023.

### III. Information of employees in the latest two years and as of the publication date of the Annual Report

Year		2022	2023	From the current year through April 30, 2024
Number of employees	Headquarters	49	49	52
	Yongan Factory	3	3	3
	Pingnan Factory	167	165	162
	Total	219	217	217
Average age		48	46	47
Average years of service		18	16	17
Education distribution ratio	Ph.D.	0	0	0
	Master's degree	2	3	4
	College and university	99	98	97
	High school	107	105	105
	Below high school	11	11	11

#### IV. Environmental expenditure information

( I ) 1. Pollution losses in the last two years Unit: NTD

	2023	2024
Pollution status (type, degree) (Including occupational safety and health penalties by the Ministry of Labor Affairs)	None	<ol style="list-style-type: none"> <li>1. Violation of Article 32, Paragraph 2 of the Labor Standards Act.</li> <li>2. Violation of Article 6, Paragraph 1 of the Occupational Safety and Health Act.</li> <li>3. Violation of Article 49, Subparagraph 2 of the Occupational Safety and Health Act.</li> </ol>
Explanation	None	<ol style="list-style-type: none"> <li>1. An employee surnamed Jian worked a total of 56 hours of overtime in January 2024.</li> <li>2. On October 11, 2024, a worker surnamed Lin was operating on a 1-meter-high platform in the API small car hydrostatic testing area of Plant 2. After securing a waterproof baffle, the worker fell while descending and struck their left chest, resulting in two cracked ribs.</li> <li>3. On August 2, 2024, a worker surnamed Chang was operating in the tubing material transport area of Plant 1. While hoisting tubing materials onto a cart using a C-hook, the hook became unstable. The worker attempted to steady it and accidentally pinched their right pinky finger between the handle and a cart barrier, resulting in a deep laceration.</li> </ol>
Compensated party or sanctioned unit	None	<ol style="list-style-type: none"> <li>1. Pingtung County Government.</li> <li>2. Occupational Safety and Health Administration, Ministry of Labor.</li> <li>3. Occupational Safety and Health Administration, Ministry of Labor.</li> </ol>
The amount of compensation or sanctions	None	<ol style="list-style-type: none"> <li>1. NT\$50,000 fine.</li> <li>2. NT\$110,000 fine.</li> <li>3. NT\$200,000 fine.</li> </ol>
Other losses	None	None

2. In 2025 as of the date of publication of the annual report, the Company has not been fined for environmental protection and work safety pollution.

## **(II) Continuous management measures**

### 1. A portion of proposed improvement measures

#### (1) In terms of industrial safety:

1. The Company applies PDCA (Plan-Do-Check-Act) for ongoing improvement. Units where safety incidents occurred are required to submit "zero incident" safety management plans. Monthly safety committee meetings include reports on implementation progress and demand corrective and preventive actions from units with deficiencies. These measures effectively reduce occupational injuries and support a safe working environment, which in turn enhance productivity and quality, achieving a win-win for both labor and management.
2. Comply with occupational safety and health laws and regulations, identify hazards in the workplace, perform risk assessment and implement risk management.
3. Implement automatic inspections, strengthen employee safety observation and analysis, and education and training on safety operating standards.
4. Send relevant personnel to attend occupational safety, environmental protection, and fire safety courses and provide guidance on obtaining licenses.
5. Strengthen on-site industrial safety inspections. If there are any industrial safety deficiencies, require immediate improvement and corrective/preventive measures.
6. Annual health checks are conducted for all employees. Occupational physicians and nurses visit the facilities to provide health consultations, analyze health check results and deliver health education and promotion programs.
7. Set occupational safety goals, implement high-risk control, strive to eliminate hazards, reduce occupational safety and health risks, and evaluate occupational safety and health opportunities; strengthen engineering control and implement safe operating standards to ensure employee safety and health. The management cycle for taking improvement measures confirms the adequacy and effective implementation of the occupational safety and health system, and continues to improve the performance of safety and health.

(2) Environmental protection:

1. Comply with environmental protection laws, industrial waste reduction, and resource management.
2. Implement environmental management system (ISO14001) to maintain effective operation and continuous improvement.
3. Evaluate and grade the environmental considerations in the manufacturing process, propose improvement plans and set management goals for the major environmental considerations.
4. In response to global climate change and global warming, and in line with ESG sustainability reporting requirements related to environmental and safety disclosures, the Company has established a Greenhouse Gas Inventory and Voluntary Emissions Reduction Implementation Committee, enhanced its internal management procedures and operational standards for self-directed greenhouse gas inventories, and arranges for annual third-party verification in accordance with ISO 14064 to implement energy conservation and carbon reduction efforts, thereby contributing to environmental protection.

2. Estimated environmental capital expenditure in the next three years

	<u>2025</u>	<u>2026</u>	<u>2027</u>
Pollution prevention equipment or expenditures to be purchased	<ol style="list-style-type: none"> <li>1. Replacement of two cloth pipes (400 pcs).</li> <li>2. Renovation of washing tower.</li> <li>3. Replace the old air compressor with an energy-saving variable frequency air compressor (1 unit).</li> <li>4. High energy consumption lighting fixtures are replaced by power-saving LED lighting fixtures.</li> </ol>	<ol style="list-style-type: none"> <li>1. Renovation of washing tower.</li> <li>2. High energy consumption lighting fixtures are replaced by power-saving LED lighting fixtures.</li> </ol>	<ol style="list-style-type: none"> <li>1. Regeneration tower overhaul.</li> <li>2. Replacement of two cloth pipes (400 pcs).</li> <li>3. Replacement of pure water resin.</li> <li>4. Replacement of activated carbon.</li> <li>5. Replacement of filter cloth for sludge dehydrators.</li> </ol>
Expected improvements	<ol style="list-style-type: none"> <li>1. Improve the operating environment of the acid cleaning area.</li> <li>2. Improve the air pollution situation of the operating environment, reduce the amount of particulate matter emissions and air pollution charges.</li> <li>3. Energy conservation and carbon reduction.</li> </ol>	<ol style="list-style-type: none"> <li>1. Improve the operating environment of the acid cleaning area.</li> <li>2. Improve the air pollution situation of the operating environment, reduce the amount of particulate matter emissions and air pollution charges.</li> <li>3. Energy conservation and carbon reduction.</li> </ol>	<ol style="list-style-type: none"> <li>1. Improve the operating environment of the acid cleaning area.</li> <li>2. Improve the air pollution situation of the operating environment, reduce the amount of particulate matter emissions and air pollution charges.</li> <li>3. Water quality improvement</li> </ol>
Amount	Approximately NTD 4.5 million	Approximately NTD 1.0 million	Approximately NT\$2.8 million

3. Estimated impact of environmental capital expenditures
  - Can reduce costs, improve Company image and competitiveness.
  - Avoids affecting production and sales due to environmental protection or industrial safety issues.
4. Portion of countermeasures not taken: Not applicable.

## **V. Labor Relations**

### **(I) The Company's employee welfare measures, continuing education, training, and retirement systems and their implementation, as well as labor-management agreements and various measures to protect the rights and interests of employees**

#### 1. Employee benefits:

Established an employee welfare committee to handle welfare matters for all colleagues:

Employee children scholarships

Gift money for Chinese New Year, Dragon Boat Festival and Mid-Autumn Festival

Employee marriage stipend

Funeral stipend for employees and parents

Employee group accident insurance and hospitalization allowance

#### 2. Status of employee education and training

Each year, internal professional training and external on-the-job training are scheduled based on the Company's operational policies and budgetary objectives, taking into account the personnel needs of each department. Training is arranged across various professional fields to enhance employees' professional competencies. In 2024, there were 421 training participants, with a total of 1,490 training hours.

#### 3. Retirement system

The Company's retirement matters are handled in accordance with the provisions of the Labor Standards Act. As of December 31, 2024, a total of NT\$115,919,047 of the old system has been contributed. In addition, in accordance with the Labor Pension Act (hereinafter referred to as the "New System") that came into effect on July 1, 2005, if employees who were subject to it choose to apply for the service years after the new system or employees who join the job after the implementation of the new system, their service years will be changed to the defined contribution system. The pension payment is made by the Company with 6% of the monthly salary, which is deposited in the labor pension personal account. The pension under the new retirement system in 2024 has allocated a total of NT\$4,800,752.

#### 4. Collective agreements

To maintain stable labor relations and enhance employee welfare, the Company and its enterprise union signed a Collective Agreement on January 8, 2016, covering 100% of union-eligible employees. The agreement was subsequently renewed for the first time on May 1, 2019, the second time on May 1, 2022, and the third time on May 1, 2025. The term of the collective agreement is three years, running from the date of signing through April 30, 2028.

#### 5. Other important agreements

The Company has stipulated the work rules and regulations for its employees, and held regular labor meetings with the industrial unions to maintain harmonious relations between labor and management, exert team spirit, improve work efficiency, increase profits, share due rights and fulfill obligations.

### (II) Losses due to labor disputes in the last three years

	2022	2023	2024
1. Status of labor disputes	None	None	None
2. Amount of loss that has occurred	—	—	—
3. Estimated possible future loss	—	—	—
4. The Company's countermeasures	The Company upholds the business philosophy of "righteousness, diligence, and thrift" and maintains a harmonious relationship with labor and management of the labor union. There have been no major labor disputes over the years. In the future, it will further enhance the harmony between labor and management, and continue to promote revenue and expenditure, lower costs, improve work efficiency, increase profits, and create opportunities for enterprise development.		

Violations of the Labor Standards Act in 2024 as of the date of report publication in 2023

Unit: NTD

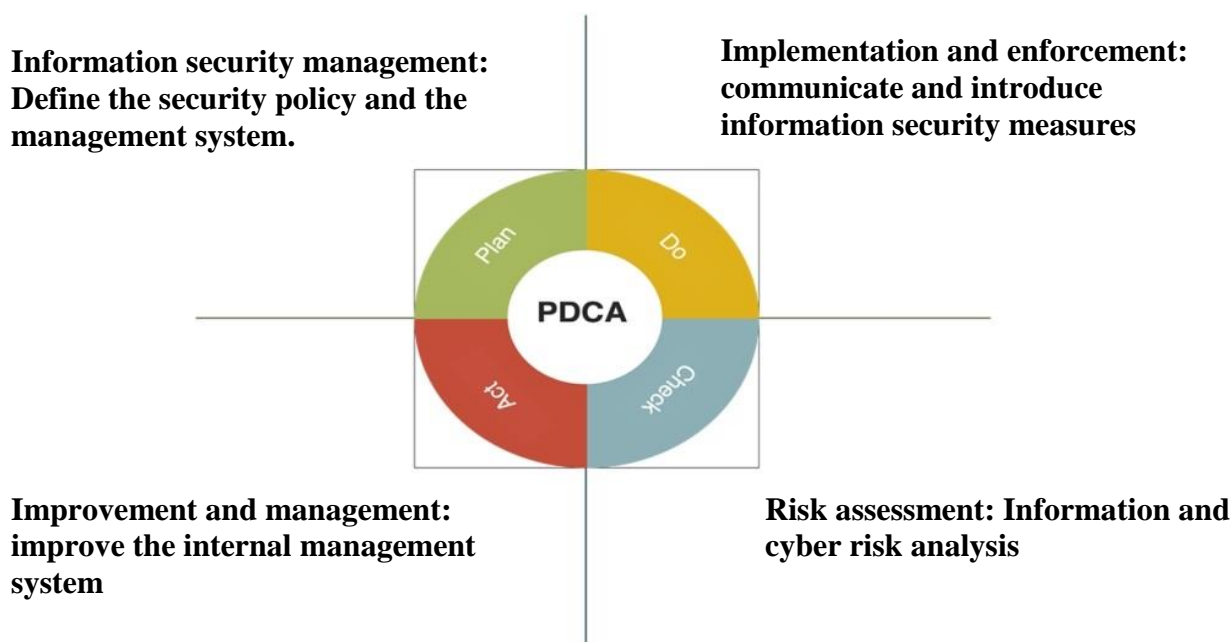
	2024	2025
Date of punishment	2024/03/12	None
Reference number of the penalty document	Administrative Punishment Notification (Ping-Fu-Lao-Dong-Zi-Zi No. 11310148800)	None
Violation of laws and regulations	<b>Paragraph 2, Article 32 of the Labor Standards Act</b>	None
Contents of violation	Employers may extend their employees' working hours, including normal working hours, by up to twelve hours per day. The total number of extended working hours per month is limited to 46. However, with the agreement of the labor union or, in the absence of a labor union, with the agreement of the labor-management conference, the total extended working hours may be increased to 54 hours per month, but not more than 138 hours every three months. In January 2024, one of the workers at the Pingnan Factory was found guilty of violating the Labor Standards Act when working 56 overtime hours in total.	None
Penalty details	NTD 50,000 Fine	None

## VI. Information Communication Security Management

### (I) Information security risk management framework

In terms of information security management, the Company has established a network and system security system, and has established the “Information Security Policy” that is reviewed once a year. In order to strengthen the Company’s information security management and ensure data, system and network security, an information security officer and information security personnel are appointed to implement computer information management and maintain the effective use of computer resources for the smooth progress of overall information operations.

The PDCA (Plan-Do-Check-Act) cycle management is adopted for the operation mode to ensure the achievement of the reliability target and continuous improvement.



### (II) Information Communication Security Policy

The information communication policy covers the following areas. Relevant units and personnel shall formulate relevant management regulations or implementation plans according to their authority, and regularly evaluate the implementation results.

- Personnel management and information security training
- Computer system security management
- Network system security management
- Information system access control

- System development and maintenance safety management
- Classification and management of information assets
- Sustainable operation planning for the business
- Planning and management of emergency response plans and notification mechanisms

### **(III) Specific management plan**

The specific plan for information security management is implemented in accordance with the Company's standards. In addition to the regular internal audits of information operation general control and information communication security inspections, the CPA firm also conducts annual inspections of information environment operations.

- Server Room Access Control Regulations
- Internet Openness Related Regulations Matters
- Database Backup Procedures
- Main System Recovery Test Drills
- E-mail Management and Usage Guidelines
- Information System Management Regulations
- Information Security Reporting Incident Handling Procedure
- Personal Information Management Policy
- System Permission Setting Management Regulations

### **(IV) Investment of information security resources and major events**

The Company's investment in information systems mainly improves management and competitiveness. Budgets are continuously allocated for the construction and maintenance of information security related equipment (including firewall updates, intrusion detection updates, anti-virus software and virus pattern updates).

At present, users rely more and more on the information system. In recent years, the remote backup and data backup mechanism and equipment have been continuously strengthened to ensure that system services are not interrupted.

Losses due to major IT security incidents, possible impacts, and responsive measures in the most recent year and up to the publication date of the annual report: None.

## VII. Important contracts

Contract nature	Parties	Contract start and end date	Main content	Restriction clause
Purchase contract	China Steel Corporation	2024.01.01~ 2024.12.31	Hot rolled steel products	—
Purchase contract	Sorin Corporation	2024.01.01.01– 2024.12.12.31	Zinc slab	—

## Five. Financial status and financial performance review analysis and risk issues

### I. Financial status

Unit: NTD Thousand

Item \ Year	2024	2023	Difference	
			Amount	%
Current assets	2,194,053	2,137,442	56,611	2.65
Non-current assets	5,670,419	5,398,756	271,663	5.03
Total assets	7,864,472	7,536,198	328,274	4.36
Current liabilities	2,010,178	1,862,200	147,978	7.95
Non-current liabilities	2,311,885	2,226,398	85,487	3.84
Total liabilities	4,322,063	4,088,597	233,465	5.71
Share capital	1,908,523	1,908,523	0	0
Capital surplus	0	0	0	0
Retained earnings	1,205,655	1,210,269	(4,614)	(0.38)
Other equity interest	428,231	328,808	99,423	30.24Note 1
Treasury stock	0	0	0	0
Total equity	3,542,409	3,447,600	94,809	2.75
Net value per share (NTD)	18.56	17.84	0.72	4.04

Description of major changes:

1. Other equity increased by NTD 99,423 thousand, which was mainly due to the increase in unrealized equity investments at fair value through other comprehensive income.

## II. Financial performance

### (I) Financial performance Unit: NTD thousands

Item	Year	2024	2023	Amount of increase or decrease	Change in ratios (%)
		Total	Total		
Operating revenues		1,458,367	1,460,295	(1,928)	(0.13)
Operating costs		1,237,533	1,258,760	(21,227)	(1.69)
Operating margin (loss)		220,834	201,535	19,299	9.58
Selling expenses		37,969	35,144	2,825	8.04
Overhead		82,291	77,746	4,545	5.85
Operating expenses		120,260	112,890	7,370	6.53
Operating profit (loss)		100,574	88,645	11,929	13.46
Non-operating revenue and expenses		(30,978)	323,527	(354,505)	(109.58)
Net profit before tax for continuing operations (loss)		69,596	412,172	(342,576)	(83.11)
Income tax expense (benefit)		20,866	(20,664)	41,530	200.98
Net profit (loss) for the period		48,730	432,836	(384,106)	(88.74)
Other comprehensive income (net amount)		236,931	499,466	(262,535)	(52.56)
Total combined gains or losses for the period		285,661	932,302	(646,641)	(69.36)
Earnings per share (NTD)		0.26	2.24	(1.98)	(88.39)

Analysis and explanation of increases and decreases in ratios:

1. The increase in non-operating income and expenses for the current period was primarily due to the Board of Directors' resolution on November 11, 2022, to dispose of investment property, land located at No. 2, Xinfeng Section, Sanmin District, Kaohsiung City. The transfer of ownership was completed with the counterparty in April 2023, resulting in a disposal gain of NT\$329,307 thousand.
2. Decrease in other comprehensive income: Primarily due to a reduction in unrealized valuation gains recognized on equity instruments measured at fair value through other comprehensive income.

**(II) Expected sales volume and the basis thereof, possible impact on the Company's future finance and business, and responsive plan:** Please refer to page 5 of the annual report for details.

### III. Cash flows

#### (I) Liquidity analysis for the most recent two years

Item \ Year	2024	2023	Increase (decrease) proportion %
Cash flow adequacy ratio	10.52%	5.88%	78.91%
Cash flow adequacy ratio	22.6%	8.67%	160.67%
Cash reinvestment ratio	0.23%	0.1%	130.00%

Analysis and explanation of increases and decreases in ratios:

1. The increase in cash flow ratio is mainly due to the operating profit.
2. The increase in cash flow adequacy ratio is mainly due to the increase in net cash outflow from operating activities in the last five years compared to the five-year period accumulated in 2023.
3. The increase in the cash reinvestment ratio was mainly due to increased profitability, which led to an increase in net cash inflows from operating activities.

#### (II) Cash flow analysis for the coming year

Unit: NTD Thousand

Year	Beginning cash balance	Projected annual net cash inflow from	Projected net cash inflow from investing	Projected net cash outflow from financing	Projected cash surplus (insufficiency) amount	Remedial measures for cash
						Financing plan
2025	315,406	140,260	(162,500)	49,396	342,562	—

Analysis of changes in cash flow in 2025:

1. Net cash inflows from operating activities were primarily due to expected operating profits and inventory digestion, resulting in positive cash flows from operations.
2. Net cash outflows from investing activities were due to the anticipated approval by the Board of Directors of an investment project involving proportional capital injections in cash.
3. Net cash inflows from financing activities were due to the anticipated increase in long-term borrowings.
4. Remedial measures and liquidity analysis for expected cash shortage: Not applicable.

### IV. The impact of major capital expenditures in recent years on financial operations: Not applicable.

## **V. Reinvestment policy in the most recent year, main reasons for its profit or loss, improvement plan and investment plan for the next year:**

Explanation:

1. The Company's reinvestment policy is mainly to act in line with its deep cultivation of the steel industry, with a main focus on enhancing product competitiveness. This is supplemented by diversified operations to maximize the benefits of investment and enhance shareholder rights.
2. The main reason for the profit or loss of the Company's reinvestment policy in the most recent year: None.
3. Investment plan for the coming year:

On January 22, 2025, during the 6th meeting of the 22nd session of the Board of Directors, the Company approved a joint participation with a developer in a government tender. Together with Yingshun Construction Co., Ltd., a subsidiary of Kuo Chen Construction Co., Ltd., a proposal was submitted to the Kaohsiung City Government for the "Urban Renewal Project Open Implementation Case for Two Parcels of Land (Unit Three) at Lot Nos. 80-2, Bu Hou Section, Zuoying District, Kaohsiung City." The joint proposal was selected as the most favorable applicant and both parties jointly funded the establishment of a project company to sign a contract with the Kaohsiung City Government. The party with the higher capital contribution, Yingshun Construction, was designated to handle the establishment of the project company and execute the relevant agreements and tasks with the Kaohsiung City Government.

Company Name: Wanxiang Development Co., Ltd.

Initial capital issuance totaling NT\$100 million, divided into 10 million shares at NT\$10 per share. Based on the Company's 20% investment share, it subscribed for 2,000,000 shares, with a total investment amount of NT\$20 million.

## VI. Risk analysis

The following matters shall be analyzed and evaluated in the most recent year and up to the date of publication of the Annual Report:

### (I) Impacts of changes in interest rates, exchange rates and inflation on the Company's profit and loss, and future countermeasures

#### 1. Credit risk:

##### (1) Credit risk exposure

The book value of financial assets represents the maximum credit risk exposure amount.

##### (2) Concentration of credit risk

As the Company has no significant concentration of transactions with a single customer and the sales regions are dispersed, there is no significant risk of concentration of credit risk of accounts and notes receivable. In order to reduce credit risk, the Company also regularly evaluates customers' financial status.

#### 2. Liquidity risk:

The following table shows the contract maturity dates of financial liabilities. It contains estimated interest but does not include the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
<b>December 31, 2024</b>							
Non-derivative instruments							
Short-term loans (floating rate)	\$ 1,777,904,052	(1,799,270,690)	(885,625,827)	(913,644,863)	-	-	-
Notes payable (non-interest bearing)	18,366,409	(18,366,409)	(18,366,409)	-	-	-	-
Other notes payable (non-interest bearing)	10,995,717	(10,995,717)	(10,995,717)	-	-	-	-
Accounts payable (non-interest bearing)	30,506,227	(30,506,227)	(30,506,227)	-	-	-	-
Other payables (non-interest bearing)	84,929,668	(84,929,668)	(76,783,952)	(8,145,716)	-	-	-
Guarantee deposits paid (non-interest bearing)	5,000,000	(5,000,000)	-	(5,000,000)	-	-	-
Long-term loan (floating rate)	2,176,610,000	(2,265,940,756)	(34,681,719)	(49,762,710)	(1,683,127,339)	(394,169,091)	(104,199,897)
	<u>\$ 4,104,312,073</u>	<u>(4,215,009,467)</u>	<u>(1,056,959,851)</u>	<u>(976,553,289)</u>	<u>(1,683,127,339)</u>	<u>(394,169,091)</u>	<u>(104,199,897)</u>

The Company does not expect cash flows in the maturity analysis to occur at any earlier time, or in amounts that differ significantly.

### 3. Exchange rate risk:

- (1) The financial assets and liabilities of the Company exposed to significant foreign exchange rate risk are as follows:

	2024.12.31			2023.12.31		
	Foreign currency (NTD)	Exchange rate	NTD	Foreign currency (NTD)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 966,377.91	32.785	31,682,699	265,903.48	30.705	68,351,337
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	-	-	-	406,288.41	30.705	

#### Sensitivity analysis:

The Company's exchange rate risk on monetary items primarily arises from foreign currency-denominated cash and cash equivalents, accounts receivable, borrowings, and accounts payable, which generate foreign exchange gains or losses upon translation. As of December 31, 2024, and 2023, assuming a 4% depreciation or appreciation of the New Taiwan Dollar against the U.S. Dollar while holding all other factors constant, after-tax net profit for 2024 would increase or decrease by NT\$1,013,846 and after-tax net profit for 2023 would increase or decrease by NT\$137,937. The analysis for both periods is based on the same assumptions.

As the Company's functional currency is the New Taiwan Dollar, foreign exchange gains and losses (including realized and unrealized) for 2024 and 2023 were gains of NT\$798,369 and NT\$11,504, respectively.

### 4. Inflation:

- (1) The Company's main raw materials are hot-rolled coils. The suppliers are China Steel, CHUNG HUNG, and ECOLUX. As the supply contracts are signed, the source of raw materials is stable.
- (2) The Company outsourced the plating of galvanized steel pipes and the reuse of recovered zinc to mitigate the impact of rising zinc prices.
- (3) Electricity, water and fuel expenses: Accounted for approximately 14.79% of manufacturing costs at the steel pipe plant. In addition to actively promoting

revenue and reducing expenditures, production units are also instructed to make more use of off-peak electricity prices for production and recycled water for reuse.

**(II) Policies on engaging in high-risk and highly leveraged investments, loans to others, endorsements and guarantees, and derivative transactions, the main reasons for profit or loss, and future countermeasures**

1. High risks engaged in by the Company in recent years: None.
2. Highly leveraged investments: None.
3. Loans of funds to others: None.
4. Endorsements / guarantees provided: None.
5. Derivative trading

(1) In 2024, the Company did not engage in derivative financial instrument transactions.

**(III) Future R&D plans and expected R&D expenses**

The Company focuses on the improvement of production efficiency, energy conservation, pollution prevention and product quality improvement; currently, there is no major R&D plan.

**(IV) Impacts of important domestic and foreign policies and legal changes on the Company's financial operations, and responsive measures:**

The Company pays attention to changes in important domestic and foreign political and economic policies and laws at all times, and takes the initiative to propose corresponding measures in a timely manner. In the most recent year and up to the publication date of the annual report, the Company has not been affected by important domestic and foreign policies and legal changes that have significant impact on financial business and business development.

**(V) Impacts of technological and industrial changes on the Company's financial operations, and countermeasures:**

In view of the current market conditions of the product, the Company seeks a corresponding profit model to improve operating performance.

**(VI) Impacts of changes in corporate image on corporate crisis management and countermeasures:**

The Company has a dedicated spokesperson responsible for maintaining the relationship with the public and investors, and establishing the Company's image. In the most recent year and as of the publication date of the Annual Report, no major incidents affecting the Company's corporate image have occurred.

**(VII) Expected benefits and possible risks of mergers and acquisitions, and countermeasures:**

The Company has no plans for mergers and acquisitions in the most recent year and as of the publication date of the Annual Report. If there are merger and acquisition plans in the future, the M&A will be carefully evaluated and considered to ensure the interests of shareholders.

**(VIII) Expected benefits and possible risks associated with any plant expansion, and countermeasures:**

The Company's operations are on track and the head office regularly communicates information with the production unit's factory area to relatively reduce the possibility of potential risks, such as: lack of materials or labor and so on.

**(IX) Risks associated with any concentration of purchases or sales, and countermeasures:**

The main suppliers of raw materials purchased by the Company are China Steel, Chung Hung, and Shang Chen. Due to the signing of supply contracts, the sources of raw materials are stable and the sales targets are mostly long-term stable customers. The Company provides high-quality products and optimal services to establish close interactive relationships and improve customer satisfaction.

**(X) Effects and risks to the Company in the event a major quantity of shares belonging to a director or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and countermeasures:**

On April 16, 2025, the Company's major shareholder, Huida Investment Co., Ltd., acquired 4,000,000 shares of the Company held by its investee company, KHC Steel International Corp. There is no impact on the Company's operations. Please refer to page 81 of this Annual Report.

**(XI) Impacts and risks to the Company due to change in management rights, and countermeasures:**

In most recent year and as of the printing date of the Annual Report, there has been no change in management rights for the Company.

**(XII) For litigation or non-litigation incidents, the company and its directors, supervisors, general managers, substantive persons in charge, major shareholders with more than 10% shareholding, and subordinate companies shall be listed any major litigation, non-litigation, or administrative dispute involving the Company, and the results of which may have a significant impact on shareholders' equity or securities prices, the Company shall disclose the facts of the dispute, the amount of the dispute, the date of litigation commencement, the main parties involved, and the legal status of the dispute as of the publication date of the annual report: None.**

**(XIII) Other major risks and countermeasures: information security risk assessment.**

Information security risk assessment and analysis: In the past few years, ransomware has swept global enterprises and consumers, and the IoT environment has gradually matured. The vulnerabilities of IoT devices can easily be exploited by hackers to launch network attacks. Therefore, in addition to strengthening the gateway facilities, the Company is also gradually implementing protection at endpoints, checking websites and increasing mail filtering levels, as well as regular employee education and training, to ensure the Company’s important assets.

Name of asset	Risk event		Controllable measures or disposal
	Weakness	Derivative threat	
Server host	Operating system vulnerabilities	Causing the system to be compromised	Perform operating system vulnerability patching tests or network control from time to time
	Damaged hardware	Host is not working	Host virtualization or physical host backup
	No backup of software data	Data loss or damage	File remote backup on a regular basis
	Account password control	Data leakage or alteration	Regular changes and complexity of account passwords
	Unavoidable natural disasters	Host crash	Remote backup and storage of virtualized host data
Personal computers	Operating system vulnerabilities	Causing the system to be compromised	Unscheduled patching of operating system vulnerabilities or network control
	Computer virus	Computer is not working	Personal antivirus software installation and regular updates
Network equipment	Network protocol vulnerability	Internet is not available	Network protocol control or host firmware update
	Unavoidable natural disasters	Equipment is not working	Other related network equipment backup
Employees	Insufficient information security concepts	Computer infection or data theft	Advocacy and education of irregular information security views

**VII. Other important matters: None.**

## **Six. Special Disclosures**

**I. Related information of affiliated companies:** Preparation unnecessary.

**II. Where the Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the Annual Report, disclose the date on which the placement was approved by the Board of Directors or by a Shareholders' Meeting, the amount thus approved, the basis for and reasonableness of the pricing, the manner in which the specified persons were selected, and the reasons why the private placement method was necessary:** None.

**III. Status of holding or disposing of the Company's stocks by subsidiaries in the most recent year and as of the date of publication of the Annual Report:** None.

**IV. Other necessary supplementary explanations:** None.

**Seven. In the most recent year and as of the printing date of the Annual Report, the occurrence of the matters that have a significant impact on shareholders' equity or securities prices:** None.

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

**Balance Sheet**

**December 31, 2024 and 2023**

Unit: NTD Thousand

	December 31, 2024		December 31, 2023	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets:</b>				
1100	\$ 315,406	4	455,845	6
	<b>Cash and cash equivalents (note 6(1))</b>			
1120	1,147,178	15	805,992	11
	<b>Financial assets measured at fair value through other comprehensive income -- current (Note 6(2))</b>			
1151	312	-	-	-
	<b>Bills receivable (Note 6(3))</b>			
1152	-	-	200	-
	<b>Other notes receivable (Note 6 (4))</b>			
1170	103,155	1	112,673	1
	<b>Net accounts receivable (Note 6 (3) and 7)</b>			
1200	2,074	-	20,583	-
	<b>Other receivables (Notes 6 (4) and 7)</b>			
1220	257	-	293	-
	<b>Current income tax assets</b>			
130X	602,758	8	722,626	10
	<b>Inventory (Note 6 (5))</b>			
1479	22,913	-	19,230	-
	<b>Other current assets – others (Note 6 (10) and 9)</b>			
	<u>2,194,053</u>	<u>28</u>	<u>2,137,442</u>	<u>28</u>
	<b>Total current assets</b>			
<b>Non-current assets:</b>				
1517	1,309,883	17	1,238,617	16
	<b>Non-current financial assets at fair value through other comprehensive income (Note 6(2))</b>			
1550	826,156	10	629,037	9
	<b>Investments accounted for using equity method (Notes 6 (6) and 7)</b>			
1600	1,493,270	19	1,497,983	20
	<b>Property, plant, and equipment (Notes 6 (7) and 8)</b>			
1755	-	-	3,290	-
	<b>Right-of-use assets (Notes 6 (8) and 7)</b>			
1760	2,021,901	26	2,024,891	27
	<b>Net investment property (Notes 6 (9), 7, and 8)</b>			
1920	4,717	-	4,938	-
	<b>Refundable deposits (Notes 6 (4), 7 and 9)</b>			
1975	14,492	-	-	-
	<b>Net defined benefit assets-non-current (Note 6 (15))</b>			
	<u>5,670,419</u>	<u>72</u>	<u>5,398,756</u>	<u>72</u>
	<b>Total non-current assets</b>			
<b>Total assets</b>	<b><u>\$ 7,864,472</u></b>	<b><u>100</u></b>	<b><u>7,536,198</u></b>	<b><u>100</u></b>

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu

Manager: Rong-Feng Shenglu

Accounting supervisor: Hui-Mei Chao

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

**Balance Sheet (continued)**

**December 31, 2024 and 2023**

Unit: NTD Thousand

	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
	Amount	%	Amount	%
<b>Liabilities and equity</b>				
<b>Current liabilities:</b>				
2100 <b>Short-term loans (Notes 6 (11) and 8)</b>	\$ 1,777,904	23	1,663,317	23
2151 <b>Bills payable</b>	18,366	-	30,333	-
2152 <b>Other notes payable</b>	10,996	-	11,851	-
2170 <b>Accounts payable</b>	30,506	1	34,395	-
2200 <b>Other payables</b>	84,930	1	68,660	1
2230 <b>Current tax liabilities</b>	20,749	-	200	-
2300 <b>Other current liabilities (Note 6 (12))</b>	842	-	910	-
2320 <b>Long-term liabilities, current portion (Notes 6(13) and 8)</b>	<u>65,885</u>	<u>1</u>	<u>52,534</u>	<u>1</u>
<b>Total current liabilities</b>	<u>2,010,178</u>	<u>26</u>	<u>1,862,200</u>	<u>25</u>
<b>Non-current liabilities:</b>				
2540 <b>Long-term loans (Notes 6 (13) and 8)</b>	2,110,725	27	2,022,466	27
2570 <b>Deferred income tax liabilities (Note 6 (16))</b>	196,160	2	196,160	3
2640 <b>Net defined benefit liabilities-non-current (Note 6 (15))</b>	-	-	2,772	-
2645 <b>Refundable deposit (Note 7)</b>	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
<b>Total non-current liabilities</b>	<u>2,311,885</u>	<u>29</u>	<u>2,226,398</u>	<u>30</u>
<b>Total liabilities</b>	<u>4,322,063</u>	<u>55</u>	<u>4,088,598</u>	<u>55</u>
<b>Equity (Note 6 (17)):</b>				
3100 <b>Share capital</b>	<u>1,908,523</u>	<u>24</u>	<u>1,908,523</u>	<u>25</u>
3300 <b>Retained earnings:</b>				
3310 <b>Statutory reserve</b>	233,730	3	183,582	2
3320 <b>Special reserve</b>	-	-	77,268	1
3350 <b>Unappropriated retained earnings</b>	<u>971,925</u>	<u>12</u>	<u>949,419</u>	<u>13</u>
	<u>1,205,655</u>	<u>15</u>	<u>1,210,269</u>	<u>16</u>
3400 <b>Other equity interest</b>	<u>428,231</u>	<u>6</u>	<u>328,808</u>	<u>4</u>
<b>Total equity</b>	<u>3,542,409</u>	<u>45</u>	<u>3,447,600</u>	<u>45</u>
<b>Total liabilities and equity</b>	<u>\$ 7,864,472</u>	<u>100</u>	<u>7,536,198</u>	<u>100</u>

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu

Manager: Rong-Feng Shenglu

Accounting supervisor: Hui-Mei Chao

**Kao Hsing Chang Iron & Steel Corp.**  
**Statements of Comprehensive Income**  
**January 1 to December 31, 2024 and 2023**

Unit: NTD Thousand

		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6 (14) and 7)	\$ 1,458,367	100	1,460,295	100
5000	Operating costs (Notes 6 (5) (14) (15), 7 and 12)	1,237,533	85	1,258,760	86
5900	Operating margin	220,834	15	201,535	14
6000	Operating expenses (Notes 6 (15) and (20), 7 and 12):				
6100	Selling expenses	37,969	3	35,144	2
6200	Management expenses	82,291	6	77,746	5
	Total operating expenses	120,260	9	112,890	7
6900	Operating profit	100,574	6	88,645	7
	Non-operating income and expenses:				
7100	Interest income (Note 6 (21))	1,738	-	3,200	-
7010	Other income (Notes 6 (2) and (21))	42,412	3	66,874	5
7020	Other gains and losses (Note 6 (21))	(1,919)	-	(2,493)	-
7050	Finance costs (Note 6 (21))	(92,889)	(6)	(88,662)	(6)
7060	Share of profit (loss) of associates accounted for using equity method (Note 6 (6))	19,680	1	15,301	1
7229	Gains on disposal of non-current assets classified as held for sale (Note 6 (21))	-	-	329,307	23
	Total non-operating revenue and expenses	(30,978)	(2)	323,527	23
7900	Net profit before tax	69,596	4	412,172	30
7950	Less: Income tax expense (gain) (Note 6 (16))	20,866	1	(20,664)	(1)
	Current net income	48,730	3	432,836	31
8300	Other comprehensive income:				
8310	Items not reclassified into profit and loss				
8311	Gains (losses) on remeasurements of defined benefit plans (Note 6 (15))	14,472	1	3,850	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	115,902	8	415,689	28
8320	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss (Note 6 (6))	106,557	7	79,927	5
8349	Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6 (16))	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	236,931	16	499,466	33
8300	Other comprehensive income for the period (net after tax)	236,931	16	499,466	33
	Total comprehensive income for the period	<u>\$ 285,661</u>	<u>19</u>	<u>932,302</u>	<u>64</u>
	Earnings per share (Note 6 (18))				
9750	Basic earnings per share	<u>\$ 0.26</u>		<u>2.24</u>	
9850	Diluted earnings per share	<u>\$ 0.26</u>		<u>2.24</u>	

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu      Manager: Rong-Feng Shenglu      Accounting supervisor: Hui-Mei Chao

**Kao Hsing Chang Iron & Steel Corp.**  
**Statement of Changes in Equity**  
**January 1 to December 31, 2024 and 2023**

Unit: NTD Thousand

	Share capital	Additional paid in capital	Retained earnings			Unappropriated retained earnings	Other equity items	Treasury stock	Total equity interest
			Statutory reserve	Special reserve	Gain (loss) from unrealized valuation of financial assets measured at fair value through other comprehensive income				
<b>Balance on January 1, 2023</b>	<b>\$ 2,008,523</b>	<b>75,159</b>	<b>170,158</b>	<b>-</b>	<b>639,058</b>	<b>(77,268)</b>	<b>-</b>	<b>2,815,630</b>	
Current net income	-	-	-	-	432,836	-	-	432,836	
Other comprehensive income for the period	-	-	-	-	3,850	495,616	-	499,466	
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>436,686</b>	<b>495,616</b>	<b>-</b>	<b>932,302</b>	
<b>Earnings appropriation and distribution:</b>									
Statutory surplus reserve	-	-	13,424	-	(13,424)	-	-	-	
Provision for special reserve	-	-	-	77,268	(77,268)	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(100,426)	-	-	(100,426)	
Purchase of treasury shares	-	-	-	-	-	-	(199,906)	(199,906)	
Retirement of treasury shares	(100,000)	(75,159)	-	-	(24,747)	-	199,906	-	
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	89,540	(89,540)	-	-	
<b>Balance on December 31, 2023</b>	<b>1,908,523</b>	<b>-</b>	<b>183,582</b>	<b>77,268</b>	<b>949,419</b>	<b>328,808</b>	<b>-</b>	<b>3,447,600</b>	
Current net income	-	-	-	-	48,730	-	-	48,730	
Other comprehensive income for the period	-	-	-	-	14,472	222,459	-	236,931	
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,202</b>	<b>222,459</b>	<b>-</b>	<b>285,661</b>	
<b>Earnings appropriation and distribution:</b>									
Statutory surplus reserve	-	-	50,148	-	(50,148)	-	-	-	
Reversal of special reserve	-	-	-	(77,268)	77,268	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(190,852)	-	-	(190,852)	
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	123,036	(123,036)	-	-	
<b>Balance on December 31, 2024</b>	<b>\$ 1,908,523</b>	<b>-</b>	<b>233,730</b>	<b>-</b>	<b>971,925</b>	<b>428,231</b>	<b>-</b>	<b>3,542,409</b>	

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu

Manager: Rong-Feng Shenglu

Accounting supervisor: Hui-Mei Chao

**Kao Hsing Chang Iron & Steel Corp.**  
**Statement of Cash Flow**  
**January 1 to December 31, 2024 and 2023**

Unit: NTD Thousand

	<b>2024</b>	<b>2023</b>
<b>Cash flow from operating activities:</b>	<b>\$ 69,596</b>	<b>412,172</b>
<b>Adjustments:</b>		
<b>Income, expenses, and losses</b>		
Depreciation	59,269	57,655
Interest expenses	92,889	88,662
Interest income	(1,738)	(3,200)
Dividend income	(38,315)	(61,726)
Share of profit of associates accounted for using equity method	(19,680)	(15,301)
Gain on disposal of property, plant and equipment	-	(193)
Gain on disposal of non-current assets classified as held for sale	-	(329,307)
Unrealized gains on foreign currency exchange	-	(323)
<b>Total income, expenses, and losses</b>	<b>92,425</b>	<b>(263,733)</b>
<b>Changes in operating assets and liabilities:</b>		
<b>Net changes in assets related to business activities:</b>		
Decrease (increase) in bills receivables	(312)	4,291
Decrease in other notes receivables	200	-
Decrease (increase) in account receivables	9,518	(9,416)
Decrease (increase) in other receivables	(98)	841
Decrease in inventories	119,868	15,578
Decrease (increase) in other current assets	(3,683)	52
<b>Total net changes in operating assets</b>	<b>125,493</b>	<b>11,346</b>
<b>Net changes in liabilities related to operating activities:</b>		
Decrease in bills payable	(11,967)	(9,957)
(Decrease) increase in accounts payable	(3,889)	8,774
Increase (decrease) in other receivables	(4,203)	5,054
Decrease in other current liabilities	(68)	(7,313)
Decrease in net defined benefit liability	(2,792)	(21,805)
<b>Total changes in operating liabilities</b>	<b>(22,919)</b>	<b>(25,247)</b>
<b>Total net changes in assets and liabilities related to business activities</b>	<b>102,574</b>	<b>(13,901)</b>
<b>Total adjustment items</b>	<b>194,999</b>	<b>(277,634)</b>
<b>Cash inflow generated from operations</b>	<b>264,595</b>	<b>134,538</b>
Interest received	1,741	3,243
Dividends received	38,018	63,003
Interest paid	(92,441)	(86,886)
Tax paid	(281)	(4,288)
<b>Net cash flows from operating activities</b>	<b>211,632</b>	<b>109,610</b>
<b>Cash flow from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(1,838,382)	(1,439,156)
Disposal of financial assets at fair value through other comprehensive income	1,564,288	1,736,686
Investments accounted for using equity method	(66,500)	-
Proceeds from sale of non-current assets pending disposal	-	447,574
Acquisition of property, plant, and equipment	(43,869)	(39,635)
Disposal of property, plant, and equipment	-	193
Decrease (increase) in refundable deposits	221	(401)
Acquisition of investment property	(1,550)	(1,735)
Decrease in other financial assets	-	20,023
Dividends received	7,280	-
<b>Net cash inflow (outflow) from investing activities</b>	<b>(378,512)</b>	<b>723,549</b>
<b>Cash flow from financing activities:</b>		
Increase in short-term loan	3,610,261	1,903,160
Decrease in short-term loan	(3,495,674)	(2,114,914)
Increase in short-term notes and bills payable	380,000	325,000
Decrease in short-term notes and bills payable	(380,000)	(450,000)
Increase in long-term debt	133,610	50,000
Repayments of long-term debt	(32,000)	(5,000)
Cash dividends paid	(189,632)	(99,788)
Payments to acquire treasury shares	-	(199,906)
Decrease in notes payable from proceeds from capital reduction	(124)	(39)
<b>Net cash inflow (outflow) from financing activities</b>	<b>26,441</b>	<b>(591,487)</b>
<b>Increase (decrease) in current cash and cash equivalents</b>	<b>(140,439)</b>	<b>241,672</b>
<b>Beginning cash and cash equivalent balance</b>	<b>455,845</b>	<b>214,173</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 315,406</b>	<b>455,845</b>

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu

Manager: Rong-Feng Shenglu

Accounting supervisor: Hui-Mei Chao

Stock symbol:2008

**Kao Hsing Chang Iron & Steel Corp.**  
**Financial Statements and Independent**  
**Auditor's Report**  
**2024 and 2023**

**Address: No. 318, Zhonghua 1st Road, Gushan District, Kaohsiung City**  
**Telephone: (07) 555-6111**

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## Independent Auditors Report

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

### **Audit opinion**

We have duly audited the balance sheet of Kao Hsing Chang Iron & Steel Corp. as of December 31, 2024 and 2023, and the comprehensive income statement, statement of changes in equity and cash flow statement from January 1 to December 31, 2024 and 2023 as well as notes to the individual financial statements (including the summary of significant accounting policies).

In our opinion, the individual financial statements referred to above have been prepared, in all material respects, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Announcements issued by the Financial Supervisory Commission, and are fairly stated in terms of the financial position of Kao Hsing Chang Iron & Steel Corp. and its subsidiaries as of December 31, 2024 and 2023, and the financial performance and cash flows from January 1 to December 31, 2024 and 2023.

### **Basis for audit opinion**

We conducted the audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant and the Generally Accepted Auditing Standards. Our responsibility under these standards will be further explained in the section of our responsibility in reviewing the individual financial statements. The personnel subject to the independence norms of the firm affiliated with these accountants have maintained detachment and independence from Kao Hsing Chang Iron & Steel Corp. in accordance with accountant professional ethics norms, and have performed other responsibilities of the norms. The accountant believes that sufficient and appropriate audit evidence has been obtained to serve as the basis for expressing an audit opinion.

### **Key audit items**

Key audit items are those that, based on our professional judgment, are material to the examination of the individual financial statements of Kao Hsing Chang Iron & Steel Corp. for 2024. These items have been considered in the process of examining the individual financial statements taken as a whole and forming an opinion thereon, and we do not express an opinion on these items individually. The accountants judge that the key audit items that should be communicated in the audit report are as follows:

#### Inventory valuation

For accounting policies related to inventory evaluation, please refer to Note 4 (7) to the individual financial report on inventory; please refer to Note 5 of the individual financial report for accounting estimates and uncertainties in inventory evaluation and assumptions; please refer to Note 6 (5) to the individual financial report for the disclosure of inventory evaluation.

#### Explanation of the Key Audit Matters:

The main inventory of Kao Hsing Chang Iron and Steel Corporation, Ltd. is various steel pipes and hot rolled coils, which are measured at the lower of cost and net realizable value. Due to the impact of changes in raw material prices on the global steel market, the sales demand and prices of related products may fluctuate dramatically in a competitive and changing environment. The estimated net realizable value of inventory depends on the subjective judgment of the management of Kao Hsing Chang Iron & Steel Corp. Therefore, there is a risk that the net realizable value of inventory may be lower than the cost, which is a matter of high concern for us in conducting the financial statement audit.

#### Audit procedures:

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

#### **Responsibility of the Management and the Governance Unit to the Individual Financial Report**

The responsibility of the management is to properly prepare the individual financial report in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Announcements recognized and released by the Financial Supervisory Commission, and maintain essential internal controls related to the preparation of the individual financial report to ensure that there are no significant discrepancies in the individual financial report due to fraud or error.

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

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

#### **Our Responsibility in Auditing the Individual Financial Report**

The purpose of our audit of the individual financial report is to obtain reasonable assurance as to whether the overall individual financial report is free from material misrepresentations due to fraud or error, and to issue an audit report accordingly. Reasonable assurance means a high degree of assurance.

However, an audit performed in accordance with the Generally Accepted Auditing Standards does not provide assurance that material misrepresentations in the individual financial report can be detected. Misrepresentations may be the results of fraud or error. If the individual amounts or aggregated figures that are misrepresented are reasonably expected to affect the economic decisions made by individual financial report users, they are considered to be material.

When conducting our audit in accordance with Generally Accepted Auditing Standards, we exercised our professional judgment and maintained our professional skepticism. We also performed the following tasks:

1. Identifying and assessing the risks of material misrepresentations of the individual financial report arising from fraud or error, designing and implementing appropriate responses to the risks assessed, and obtaining sufficient and appropriate evidence to serve as the basis of the audit opinion. Because fraud may involve collusion, forgery, deliberate omission, false statement or violation of internal control, the risk of not detecting a major false expression caused by fraud is higher than that caused by error.
2. Obtaining an understanding of the internal control relevant to our 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 internal control of Kao Hsing Chang Iron & Steel Corp.
3. Evaluating the appropriateness of the accounting policies used by the management, and the reasonableness of the accounting estimates and related disclosures made by the management
4. Based on the evidence obtained, making a conclusion on the appropriateness of the management's adoption of going-concern-basis accounting, and whether there is any material uncertainty about the events or circumstances that may cast significant doubt on the ability of Kao Hsing Chang Iron & Steel Corp. to continue as a going concern. If the accountant believes that there are significant uncertainties in these events or circumstances, he must remind the users of individual financial reports in the audit report to pay attention to the relevant disclosures in the individual financial reports, or amend the audit opinions when such disclosures are inappropriate. The accountant's conclusion is based on the audit evidence obtained as of the date of the audit report. However, future events or circumstances may cause Kao Hsing Chang Iron & Steel Corp. to no longer have the ability to continue operations.
5. Evaluating the overall presentation, structure and content of the individual financial report (including the related notes), and whether the individual financial report presents fairly the related transactions and events.
6. Obtaining sufficient and appropriate audit evidence on the financial information of the investee companies, in order to express an opinion on the individual financial report. The accountant is responsible for the guidance, supervision and execution of audit cases, and is responsible for forming audit opinions for Kao Hsing Chang Iron & Steel Corp.

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

The accountant also provides the governance unit with a statement that the personnel of the accounting firm's affiliated firm subject to independence regulations have complied with the independence of the accountant's professional ethics and communicates with the governance unit all relationships that may be considered to affect the independence of the accountant and other matters (including related protective measures).

From the matters communicated with the governance unit, we decided on the key audit items for the audit of the 2024 individual financial report of Kao Hsing Chang Iron & Steel Corp. We identified such matters in our audit report, except for those that are not permitted by law to be disclosed publicly or, in the rarest of circumstances where we decided not to communicate those matters in our audit report, because the negative effect of such communication could be reasonably expected to outweigh the public interest that would be served.

KPMG Taiwan

Auditor:

Approval	Jin-Guan-Cheng VI No.
reference of	: 0960069825
the securities	Jin-Guan-Cheng-Shen No.
authority	1110338100
March 6, 2025	

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

**Balance Sheet**

**December 31, 2024 and 2023**

**Unit: NTD Thousand**

Assets	December 31, 2024		December 31, 2023	
	Amount	%	Amount	%
<b>Current assets:</b>				
1100	\$ 315,406	4	455,845	6
1120	1,147,178	15	805,992	11
1151	312	-	-	-
1152	-	-	200	-
1170	103,155	1	112,673	1
1200	2,074	-	20,583	-
1220	257	-	293	-
130X	602,758	8	722,626	10
1479	22,913	-	19,230	-
	<u>2,1</u>	<u>28</u>	<u>2,137,442</u>	<u>28</u>
<b>Total current assets</b>				
<b>Non-current assets:</b>				
1517	1,309,883	17	1,238,617	16
1550	826,156	10	629,037	9
1600	1,493,270	19	1,497,983	20
1755	-	-	3,290	-
1760	2,021,901	26	2,024,891	27
1920	4,717	-	4,938	-
1975	14,492	-	-	-
	<u>5,670,419</u>	<u>72</u>	<u>5,398,756</u>	<u>72</u>
<b>Total non-current assets</b>				
<b>Total assets</b>	<b><u>\$ 7,864,472</u></b>	<b><u>100</u></b>	<b><u>7,536,198</u></b>	<b><u>100</u></b>

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu

Manager: Rong-Feng Shenglu

Accounting supervisor: Hui-Mei Chao

**Kao Hsing Chang Iron & Steel Corp.**  
**Balance Sheet (continued)**  
**December 31, 2024 and 2023**

**Unit: NTD Thousand**

		<u>December 31, 2024</u>		<u>December 31, 2023</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<b>Liabilities and equity</b>					
<b>Current liabilities:</b>					
2100	Short-term loans (Notes 6 (11) and 8)	\$ 1,777,904	23	1,663,317	23
2151	Bills payable	-		30,333	-
2152	Other notes payable	10,996	-	11,851	-
2170	Accounts payable	30,506	1	34,395	-
2200	Other payables	84,930	1	68,660	1
2230	Current tax liabilities	20,749	-	-	-
2300	Other current liabilities (Note 6 (12))	842	-	910	-
2320	Long-term liabilities, current portion (Notes 6(13) and 8)	-	1	52,534	1
<b>Total current liabilities</b>		<u>2,0</u>	<u>26</u>	<u>1,862,200</u>	<u>25</u>
<b>Non-current liabilities:</b>					
2540	Long-term loans (Notes 6 (13) and 8)	2,110,725	27	2,0	27
2570	Deferred income tax liabilities (Note 6 (16))	196,160	2	-	3
2640	Net defined benefit liabilities-non-current (Note 6 (15))	-	-	2,772	-
2645	Refundable deposit (Note 7)	5,000	-	5,000	-
<b>Total non-current liabilities</b>		<u>2,311,885</u>	<u>29</u>	<u>2,226,398</u>	<u>30</u>
<b>Total liabilities</b>		<u>4,322,063</u>	<u>55</u>	<u>4,088,598</u>	<u>55</u>
<b>Equity (Note 6 (17)):</b>					
3100	Share capital	1,908,523	24	1,908,523	25
3300	Retained earnings:				
3310	Statutory reserve	233,730	3	183,582	2
3320	Special reserve	-	-	77,268	1
3350	Unappropriated retained earnings	971,925	12	949,419	13
		<u>1,205,655</u>	<u>15</u>	<u>1,210,269</u>	<u>16</u>
3400	Other equity interest	428,231	6	328,808	4
<b>Total equity</b>		<u>3,542,409</u>	<u>45</u>	<u>3,447,600</u>	<u>45</u>
<b>Total liabilities and equity</b>		<u>\$ 7,864,472</u>	<u>100</u>	<u>7,536,198</u>	<u>100</u>

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu

Manager: Rong-Feng Shenglu

Accounting supervisor: Hui-Mei Chao

**Kao Hsing Chang Iron & Steel Corp.**  
**Statements of Comprehensive Income**  
**January 1 to December 31, 2024 and 2023**

Unit: NTD Thousand

	2024		2023	
	Amount	%	Amount	%
4000 <b>Operating revenue (Notes 6 (14) and 7)</b>	\$ 1,458,367	100	1,460,295	100
5000 <b>Operating costs (Notes 6 (5) (14) (15), 7 and 12)</b>	1,237,533	85	1,258,760	86
5900 <b>Operating margin</b>	220,834	15	201,535	14
6000 <b>Operating expenses (Notes 6(15) and (20), 7 and 12):</b>				
6100     Selling expenses	37,969	3	35,144	2
6200     Management expenses	82,291	6	77,746	5
<b>Total operating expenses</b>	120,260	9	112,890	7
6900 <b>Operating profit</b>	100,574	6	88,645	7
<b>Non-operating income and expenses:</b>				
7100     Interest income (Note 6 (21))	1,738	-	3,200	-
7010     Other income (Notes 6(2) and (21))	42,412	3	66,874	5
7020     Other gains and losses (Note 6 (21))	(1,919)	-	(2,493)	-
7050     Finance costs (Note 6 (21))	(92,889)	(6)	(88,662)	(6)
7060     Share of profit (loss) of associates accounted for using equity method (Note 6(6))	19,680	1	15,301	1
7229     Gains on disposal of non-current assets classified as held for sale (Note 6(21))	-	-	329,307	23
<b>Total non-operating revenue and expenses</b>	(30,978)	(2)	323,527	23
7900 <b>Net profit before tax</b>	69,596	4	412,172	30
7950 <b>Less: Income tax expense (gain) (Note 6 (16))</b>	20,866	1	(20,664)	(1)
<b>Current net income</b>	48,730	3	432,836	31
8300 <b>Other comprehensive income:</b>				
8310 <b>Items not reclassified into profit and loss</b>				
8311       Gains (losses) on remeasurements of defined benefit plans (Note 6(15))	14,472	1	-	-
8316       Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	115,902	8	415,689	28
8320       Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss (Note 6(6))	106,557	7	79,927	5
8349       Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(16))	-	-	-	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	236,931	16	499,466	33
8300 <b>Other comprehensive income for the period (net after tax)</b>		16	499,466	33
<b>Total comprehensive income for the period</b>	<b>\$ 285,661</b>	<b>19</b>	<b>932,302</b>	<b>64</b>
<b>Earnings per share (Note 6 (18))</b>				
9750 <b>Basic earnings per share</b>	<b>\$ 0.26</b>		<b>2.24</b>	
9850 <b>Diluted earnings per share</b>	<b>\$ 0.26</b>		<b>2.24</b>	

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu

Manager: Rong-Feng  
Shenglu

Accounting supervisor: Hui-  
Mei Chao

**Kao Hsing Chang Iron & Steel Corp.**  
**Statement of Changes in Equity**  
**January 1 to December 31, 2024 and 2023**

**Unit: NTD Thousand**

	Share capital	Additional paid in capital	Retained earnings			Unappropriated retained earnings	Other equity items	Treasury stock	Total equity interest
			Statutory reserve	Special reserve	Gain (loss) from unrealized valuation of financial assets measured at fair value through other comprehensive income				
<b>Balance on January 1, 2023</b>	<b>\$ 2,008,523</b>	<b>75,159</b>	<b>170,158</b>	<b>-</b>	<b>639,058</b>	<b>(77,268)</b>	<b>-</b>	<b>2,815,630</b>	
Current net income	-	-	-	-	432,836	-	-	432,836	
Other comprehensive income for the period	-	-	-	-	3,850	495,616	-	499,466	
Total comprehensive income for the period	-	-	-	-	436,686	495,616	-	932,302	
Earnings appropriation and distribution:									
Statutory surplus reserve	-	-	13,424	-	(13,424)	-	-	-	
Provision for special reserve	-	-	-	77,268	(77,268)	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(100,426)	-	-	(100,426)	
Purchase of treasury shares	-	-	-	-	-	-	(199,906)	(199,906)	
Retirement of treasury shares	(100,000)	(75,159)	-	-	(24,747)	-	199,906	-	
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	89,540	(89,540)	-	-	
<b>Balance on December 31, 2023</b>	<b>1,908,523</b>	<b>-</b>	<b>183,582</b>	<b>77,268</b>	<b>949,419</b>	<b>328,808</b>	<b>-</b>	<b>3,447,600</b>	
Current net income	-	-	-	-	48,730	-	-	48,730	
Other comprehensive income for the period	-	-	-	-	14,472	222,459	-	236,931	
Total comprehensive income for the period	-	-	-	-	63,202	222,459	-	285,661	
Earnings appropriation and distribution:									
Statutory surplus reserve	-	-	50,148	-	(50,148)	-	-	-	
Reversal of special reserve	-	-	-	(77,268)	77,268	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(190,852)	-	-	(190,852)	
Disposal of equity instruments measured at fair value through other comprehensive income	-	-	-	-	123,036	(123,036)	-	-	
<b>Balance on December 31, 2024</b>	<b>\$ 1,908,523</b>	<b>-</b>	<b>233,730</b>	<b>-</b>	<b>971,925</b>	<b>428,231</b>	<b>-</b>	<b>3,542,409</b>	

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu

Manager: Rong-Feng Shenglu

Accounting supervisor: Hui-Mei Chao

**Kao Hsing Chang Iron & Steel Corp.**  
**Statement of Cash Flow**  
**January 1 to December 31, 2024 and 2023**

Unit: NTD Thousand

	2024	2023
<b>Cash flow from operating activities:</b>		
Profit before tax	\$ 69,596	412,172
<b>Adjustments:</b>		
Income, expenses, and losses		
Depreciation	59,269	57,655
Interest expenses	92,889	88,662
Interest income	(1,738)	(3,200)
Dividend income	(38,315)	(61,726)
Share of profit of associates accounted for using equity method	(19,680)	(15,301)
Gain on disposal of property, plant and equipment	-	(193)
Gain on disposal of non-current assets classified as held for sale	-	(329,307)
Unrealized gains on foreign currency exchange	-	(323)
Total income, expenses, and losses	92,425	(263,733)
Changes in operating assets and liabilities:		
Net changes in assets related to business activities:		
Decrease (increase) in bills receivables	(312)	4,291
Decrease in other notes receivables	200	-
Decrease (increase) in account receivables	9,518	(9,416)
Decrease (increase) in other receivables	(98)	841
Decrease in inventories	119,868	15,578
Decrease (increase) in other current assets	(3,683)	52
Total net changes in operating assets	125,493	11,346
Net changes in liabilities related to operating activities:		
Decrease in bills payable	(11,967)	(9,957)
(Decrease) increase in accounts payable	(3,889)	-
Increase (decrease) in other receivables	(4,203)	5,054
Decrease in other current liabilities	(68)	(7,313)
Decrease in net defined benefit liability	(2,792)	(21,805)
Total changes in operating liabilities	(22,919)	(25,247)
Total net changes in assets and liabilities related to business activities	102,574	(13,901)
Total adjustment items	194,999	(277,634)
Cash inflow generated from operations	264,595	134,538
Interest received	1,741	3,243
Dividends received	38,018	63,003
Interest paid	(92,441)	(86,886)
Tax paid	(281)	(4,288)
<b>Net cash flows from operating activities</b>	<b>211,632</b>	<b>109,610</b>
<b>Cash flow from investing activities:</b>		
Acquisition of financial assets at fair value through other comprehensive income	(1,838,382)	(1,439,156)
Disposal of financial assets at fair value through other comprehensive income	1,564,288	1,736,686
Investments accounted for using equity method	(66,500)	-
Proceeds from sale of non-current assets pending disposal	-	447,574
Acquisition of property, plant, and equipment	(43,869)	(39,635)
Disposal of property, plant, and equipment	-	-
Decrease (increase) in refundable deposits	221	(401)
Acquisition of investment property	(1,550)	(1,735)
Decrease in other financial assets	-	20,023
Dividends received	7,280	-
<b>Net cash inflow (outflow) from investing activities</b>	<b>(378,512)</b>	<b>-</b>
<b>Cash flow from financing activities:</b>		
Increase in short-term loan	3,610,261	1,903,160
Decrease in short-term loan	(3,495,674)	(2,114,914)
Increase in short-term notes and bills payable	380,000	325,000
Decrease in short-term notes and bills payable	(380,000)	(450,000)
Increase in long-term debt	133,610	50,000
Repayments of long-term debt	(32,000)	(5,000)
Cash dividends paid	(189,632)	(99,788)
Payments to acquire treasury shares	-	(199,906)
Decrease in notes payable from proceeds from capital reduction	(124)	(39)
<b>Net cash inflow (outflow) from financing activities</b>	<b>26,441</b>	<b>(591,487)</b>
<b>Increase (decrease) in current cash and cash equivalents</b>	<b>(140,439)</b>	<b>241,672</b>
<b>Beginning cash and cash equivalent balance</b>	<b>455,845</b>	<b>214,173</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 315,406</b>	<b>-</b>

(Please refer to the attached notes to financial statements)

Chairman: Tai-Rong Lu

Manager: Rong-Feng Shenglu

Accounting supervisor: Hui-Mei Chao

**Kao Hsing Chang Iron & Steel Corp.**  
**Notes to Financial Statements**  
**2024 and 2023**

**I. Company history**

Kao Hsing Chang Iron & Steel Corp. (hereinafter referred to as “the Company”) was approved to be established in January 1966, with its registered address at No. 318 Zhonghua First Road, Gushan District, Kaohsiung. The Company’s main businesses include manufacturing, processing and trading of various steel pipes and hot-rolled steel coils, manufacturing of metal building structures and components, leasing and parking lots.

**II. Financial statement approval date and procedures**

This financial report was approved and released by the board of directors on March 6, 2025.

**III. Application of new and amended standards and interpretations**

(I) Impact of adopting new and revised standards and interpretations recognized by the Financial Supervisory Commission (FSC)

The Company has applied the following newly revised International Financial Reporting Standards from January 1, 2024, and there has not been any significant impact on financial reporting.

- Amendment to International Accounting Standard 1: “Classification of Liabilities as Current or Non-current.”
- Amendment to International Accounting Standard 1: “Non-current Liabilities with Contractual Terms.”
- Amendment to International Accounting Standards 7 and International Financial Reporting Standards 7: “Supplier Financing Arrangements.”
- Amendment to International Financial Reporting Standard 16: “Lease Liabilities in Sale and Leaseback.”

(II) Impact of not adopting internationally recognized financial reporting standards recognized by the Financial Supervisory Commission

The Company evaluates that the application of the following newly revised International Financial Reporting Standards, effective from January 1, 2025, will not have a significant impact on financial reporting.

- Amendment to International Accounting Standard 21: “Lack of Convertibility”

(III) New and revised standards and interpretations not yet recognized by the Financial Supervisory Commission

Standards and interpretations amended and announced by the International Accounting Standards Board (IASB) yet to be approved by the FSC that may be of interest to the Company:

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

New or modified standards	Major amendments	Effective date of IASB announcement
Amendments to IFRS 18 regarding "Presentation and Disclosure in Financial Statements"	The new standards introduce three types of income and expenses, two small sums of gains and losses, and one single note about the performance measurement of management. These three amendments and enhancements provide a guide for how to perform disaggregation in financial statements, and provide users with better and more consistent information to lay the foundation. This will affect all companies.	December 1, 2027
Amendments to IFRS 18 regarding "Presentation and Disclosure in Financial Statements"	<ul style="list-style-type: none"> <li>• A more structured income statement: According to the existing standards, the Company uses different formats to express its operating results, so that investors can easily compare the financial performance of different companies. The new standard uses a more structured income statement, and introduces the new definition of "operating profits" as subtotal. All income and expenses are classified into three new categories based on the Company's main business activities.</li> <li>• Management performance measures (MPM): The new standard introduces the definition of the MPM and requires companies to provide an explanation in a single note attached to the financial statement on why they are able to provide information for each of the measures, its calculation, and the method for reconciliation using the measures' indicators and the amount recognized based on the IFRS standards.</li> <li>• More detailed disaggregation: The new standards include how companies can strengthen the guidance on information classification in financial statements. This includes whether the information should be included in the main financial statements or</li> </ul>	December 1, 2027

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

further divided in the notes.

The Company is currently evaluating the impact of the above-mentioned standards and interpretations on the Company's financial position and business results. The relevant impact will be disclosed when the evaluation is completed.

The Company expects that the following other newly issued and revised standards that have not yet been approved will not have a material impact on financial reporting.

- Amendment to International Financial Reporting Standards 10 and International Accounting Standards 28: "Asset Sales or Investments between Investors and Their Affiliates or Joint Ventures."
- Amendment to International Financial Reporting Standard 17: "Insurance Contracts" and International Financial Reporting Standard 17.
- IFRS 19 "Subsidiaries without Public Accountability: Disclosures"
- Amendment to International Financial Reporting Standards 9 and 7: "Amendments to the Classification and Measurement of Financial Instruments"
- Annual improvements to IFRS standards
- International Financial Reporting Standards 9 and 7: "Contracts Referencing Nature-dependent Electricity"

### IV. Summary of significant accounting policies

Below is a summary of significant accounting policies adopted for the preparation of financial statements. The following accounting policies have been applied consistently across all periods presented in this financial statement.

#### (I) Statement of compliance

This financial report is prepared in compliance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "Preparation Regulations") and International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Announcements recognized and released by the Financial Supervisory Commission (hereinafter referred to as "FSC recognized International Financial Reporting Standards and International Accounting Standards").

#### (II) Basis of preparation

##### 1. Basis of measurement

This financial statement is prepared on the basis of historical cost, except for the key balance sheet items listed below:

- (1) Financial assets at fair value through other comprehensive income
- (2) Net defined benefit liability (or asset) is the fair value of pension fund assets minus

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

the present value of defined benefit obligations and the ceiling effect described in Note 4 (14).

### 2. Functional currency and presentation currency

The Company designates the currency used in the main economic environment of its location as the functional currency. This financial statement is presented using the Company's functional currency (NTD). All financial figures denominated in NTD are presented in dollars.

### (III) Foreign currency

Foreign currency transactions are converted into the functional currency using exchange rates as of the date of transaction. Foreign currency monetary items outstanding at the end of each reporting period (referred to as "reporting date" below) are subsequently converted into the functional currency using the exchange rate applicable on that day. Foreign currency-denominated non-monetary items carried at fair value are converted into the functional currency using exchange rate as of the valuation date. Foreign currency-denominated non-monetary items carried at historical cost are converted using exchange rate as of the initial transaction date.

Foreign currency exchange differences arising from conversions are usually recognized in profit or loss, but are recognized in other comprehensive income in the following situations:

1. Equity instruments designated to be measured at fair value through other comprehensive income;
2. Financial liabilities that are designated as net investment hedging of foreign operating institutions, and are within the effective scope of hedging; or
3. Eligible cash flow hedges are within the effective scope of hedges.

### (IV) Standard for classifying current and non-current assets and liabilities

Assets that match any of the following criteria are classified as current assets by the Company; assets that do not fall into the current category are classified as non-current assets:

1. It is expected to realize the asset during its normal business cycle, or intended to sell or consume it.
2. The asset is held primarily for trading purposes.
3. It is to realize the asset within twelve months after the reporting period.
4. The asset is cash or cash equivalent (as defined in IASB No. 7), unless it is subject to restrictions on exchanging or using it to settle liabilities at least twelve months after the reporting period.

Liabilities that match any of the following criteria are classified as current liabilities by

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

the Company; liabilities that do not fall into the current category are classified as non-current liabilities:

1. It is expected to settle the liability within the normal operating cycle.
2. The liability is held primarily for trading purposes.
3. The liability is settled within twelve months after the reporting period.
4. The liability is not settled at the end of the reporting period and has no right to defer the settlement for at least 12 months after the reporting period.

### (V) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalent refers to short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Time deposits and callable bonds that meet the definition above and are held for short-term cash commitments rather than investment or other purposes are recognized as cash equivalents.

### (VI) Financial instruments

Accounts receivable and debt securities issued are recognized at the time occurred. All other financial assets and financial liabilities are recognized at initiation when the Company becomes a party to a financial instrument contract. Financial assets or liabilities that are not carried at fair value through profit and loss (excluding accounts receivable without major financial component) are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Accounts receivable without major financial component are initially measured at transaction price.

#### 1. Financial assets

Purchase and sale of financial asset that conforms to customary practices is accounted using trade day or settlement day accounting, and the same approach is applied consistently to financial assets of the same classification.

The Company's financial assets are classified into: financial assets carried at cost after amortization, and equity instruments at fair value through other comprehensive income. Only when the Company changes the ways financial assets are managed will it reclassify the affected financial assets according to policy, starting from the next reporting period.

##### (1) Financial assets at amortized cost

Financial assets that meet all of the following conditions and are not designated to be carried at fair value through profit and loss shall be carried at cost after amortization:

- Financial assets that are held for the purpose of collecting contractual cash flow.

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

- Contractual terms of the financial asset give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

These assets are subsequently carried at initial cost plus/less accumulated amortization calculated using the effective interest rate method and after adjusting for loss provisions. Interest income, gain/loss on foreign currency exchange, and impairment loss are recognized through profit and loss. When decommissioned, gains or losses are recognized through profit and loss.

### (2) Financial assets at fair value through other comprehensive income

Debt instruments that satisfy all of the following conditions and are not designated to be carried at fair value through profit and loss shall be carried at fair value through other comprehensive income:

- Financial assets that are held for the purpose of collecting contractual cash flow and sale.
- Contractual terms of the financial asset give rise to cash flows on specific dates, and the cash flows are intended solely to pay principals and interests accruing on outstanding principals.

At initiation, the Company can make an irrevocable choice to account for subsequent fair value changes in equity instruments not held for trading through other comprehensive income. The above choice is determined on an instrument-by-instrument basis.

Investments in debt instruments are subsequently measured at fair value. Interest income, gain/loss on currency exchange, and impairment loss calculated using the effective interest method are recognized through profit and loss; other net gains or losses are recognized through other comprehensive income. When removed from balance sheet, amounts accumulated under other comprehensive income are reclassified into profit and loss.

Investments in equity instruments are subsequently measured at fair value. Dividend income is recognized through profit and loss (unless the dividends clearly represent a partial recovery of the investment cost). Other net gains or losses are recognized through other comprehensive income and are not reclassified into profit and loss.

Dividend income from equity investments are recognized on the day the Company becomes entitled to collect them (which is usually the ex-dividend day).

### (3) Impairment loss of financial assets

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost, including cash and cash equivalents, notes receivable, accounts receivable, other notes receivable, other receivables, and refundable deposits and contract assets.

Loss provisions for the following financial assets are made based on 12-month expected credit loss; for all other financial assets, loss provisions are made based on expected credit loss for the remaining lifetime:

- Debt securities that are deemed to be of low risk as of the reporting date; and
- Other debt instruments and bank deposits that exhibit no significant increase in credit risk (i.e. risk of default over the financial instrument's expected duration) since initial recognition.

Loss provisions for notes and accounts receivable and contract assets are measured based on expected credit loss over the remaining lifetime.

When assessing whether a financial instrument has significantly increased in credit risk since initial recognition, the Company uses reasonable and verifiable information (that can be obtained without excessive cost or investment) including qualitative and quantitative data in conjunction with its own past experience, credit rating, and forecasts.

A financial instrument is deemed to be of low credit risk if: the instrument exhibits low risk of default, the debtor has ample capacity to fulfill contractual cash flow obligations in the short term, and the debtor is prone to adverse economic or operational development that may (but does not necessarily) undermine its capacity to fulfill contractual cash flow obligations over the long term.

The Company considers credit risk to have increased significantly if contractual payment is overdue for more than 30 days.

The Company considers financial asset to have defaulted if contractual payment is overdue for more than 90 days, or if the borrower is unlikely to fulfill credit obligation and make pay full payment to the Company.

Expected credit loss for the remaining lifetime refers to the amount of credit losses that the financial instrument is likely to incur due to any possible default event in the remaining lifetime.

12-month expected credit loss refers to the amount of credit loss that a financial instrument may incur due to default event in the next 12 months (or shorter, if the financial instrument's expected remaining lifetime is less than 12 months).

The longest duration by which expected credit loss is measured shall be the

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

maximum contract duration in which the Company is exposed to credit risk.

Expected credit loss is estimated by weighing credit losses for the remaining lifetime of a financial instrument against probability of occurrence. Credit losses are measured as the shortfall of cash collected, which is the difference between the amount of contractual cash flow collectible and the amount of cash flow the Company expects to collect. Expected credit losses are discounted at effective interest rate applicable to the financial asset.

The Company assesses financial assets carried at cost after amortization for credit impairment on every reporting date. A financial asset is deemed to have credit-impaired if estimated future cash flow exhibits one or several adverse events. Evidence of credit impairment includes any observable data that can be used to establish the following with respect to a financial asset:

- The borrower or issuer encounters significant financial distress;
- Event of default, such as delinquency or more than 90-day overdue;
- The Company grants compromise to the borrower for reasons relating to financial distress or contractual obligation that the Company would not have done so otherwise;
- The borrower is very likely to file for bankruptcy or undergo financial restructuring; or
- Occurrence of financial distress that may cause the financial asset to be removed from active market.

Loss provisions on financial assets carried at cost after amortization are deducted from book value. However, loss provisions on debt investments held at fair value through other comprehensive income are adjusted through profit and loss and recognized through other comprehensive income (without reducing asset book value).

When the Company has reason to believe that it may not recover part or all of a financial asset, the total book value of financial asset is reduced directly to reflect the expectation. If the counterparty is a corporate entity, the Company would analyze the timing and amount of charge-off based on rational expectations about recoverability. The Company expects no major reversal of amounts that it has charged off. However, the Company may still make claims on charged-off financial assets according to its recovery procedures.

#### (4) Derecognition of financial assets

Financial assets can be removed from balance sheet only if all contractual cash flow entitlements have ended, or if the asset has been transferred with virtually all

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

risks and returns of ownership assumed by another party, or in situations where the Company neither transfers nor retains virtually all risks and returns of ownership or control over such financial asset.

The Company will continue recognizing financial assets it has signed transfer agreement for on the balance sheet if it retains virtually all risks and returns associated with the ownership of the transferred asset.

### 2. Financial liabilities and equity instruments

#### (1) Classification of liabilities and equity

Debt and equity instruments issued by the Company are classified into financial liabilities or equity depending on the terms of the underlying contract and the definitions of financial liability and equity used.

#### (2) Equity transactions

Equity instrument refers to any contract that represents the Company's entitlement to assets net of liabilities. Equity instruments issued by the Company are recognized at the amount of proceeds received net of direct issuing costs.

#### (3) Financial liabilities

Financial liabilities are classified into those that are carried at cost after amortization and those that are carried at fair value through profit and loss. Financial liabilities are carried at fair value through profit and loss if they are held for trading, characterized as derivative instrument, or designated to be so at initial recognition. Financial liabilities at fair value through profit and loss are carried at fair value with net gains and losses, including any interest expense, recognized through profit and loss.

Financial liabilities are subsequently carried at cost after amortization using the effective interest method. Interest expenses and gains/losses on currency exchange are recognized through profit and loss. Any gains or losses that are derecognized are also recognized in profit or loss.

#### (4) Derecognition of financial liabilities

Financial liabilities are removed from balance sheet upon fulfillment, cancellation, or expiry of contractual obligation.

When removing financial liabilities from balance sheet, any differences between the book value and the amount paid or payable (including any non-cash assets transferred and any liabilities assumed as part of the arrangement) are recognized through profit and loss.

#### (5) Offset between financial assets and liabilities

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Financial assets and financial liabilities may be offset against each other and reported on the balance sheet in net amount only when the Company is legally entitled to do so, and has the intention to settle assets and liabilities in net amount or realize them both at the same time.

### (VII) Inventories

Inventory is stated at the lower of cost or net realizable value. Cost includes all costs incurred to acquire, produce, process, and bring inventory to its usable state and location, and is calculated using the weighted average method. Cost of finished products and work-in-progress includes manufacturing overheads, which are allocated proportionally based on normal production capacity.

Net realizable value refers to the estimated selling price less all additional costs required for completion and all associated marketing expenses under normal circumstances.

### (VIII) Investment in associated companies

Associated company is an entity in which the Company has significant influence over financial and operating decisions, but no single or joint control.

The Company accounts for associated companies using the equity method. Under the equity method, investments are accounted at cost at initiation and the investment cost includes transaction cost. The book value of associated company includes goodwill recognized at initiation less any cumulative impairment losses.

The financial statements include profit and loss and other comprehensive income from associated companies, recognized based on percentage of equity ownership and adjusted for consistency of accounting policy, from the day the Company gains significant influence until the day it no longer exercises significant influence. If an associated company undergoes a change of equity that is not attributed to profit, loss, or other comprehensive income and has no impact on the Company's shareholding percentage, the Company will account for changes in ownership interest based on shareholding percentage, and recognize the change as "capital reserve."

Unrealized gains and losses arising from transactions between the Company and associated companies are recognized in corporate financial statements only for the percentage of ownership that is controlled by non-related investors. The Company will stop recognizing losses on associated companies when its share of the loss equals or exceeds the value of equity held. The Company will recognize extra losses and liabilities only for legal obligations and deemed obligations that arise in relation to ownership of investees, or payments made on behalf of investees.

### (IX) Investment properties

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Investment properties refer to real estate properties that are held for rental income or capital gain, or both, as opposed to normal business activities such as sale, production, supply of products, rendering of services, or administration. Investment properties are initially accounted at cost, and subsequently carried at cost less accumulated depreciation and cumulative impairment. These assets are subject to the same depreciation method and parameters such as useful year and residual value as does property, plant, and equipment.

Gain or loss on disposal of investment property (calculated as the difference between net disposal proceeds and book value of the asset) is recognized through profit and loss.

Rental income from investment properties are recognized as other income using the straight-line method over the lease tenor. Any lease incentives offered are recognized as part of rental income over the lease tenor.

### (X) Property, plant, and equipment

#### 1. Recognition and measurement

Property, plant, and equipment are carried at cost (including capitalized borrowing costs) less accumulated depreciation and any cumulative impairment.

Major components of property, plant, and equipment that have different useful lives are accounted as separate categories (of major components).

Gain or loss on disposal of property, plant, and equipment is recognized through profit and loss.

#### 2. Subsequent costs

Subsequent expenditures are capitalized only when their future economic benefits are likely to flow into the Company.

#### 3. Depreciation

Depreciation is calculated based on the cost of assets minus residual value, and recognized in profit or loss using the straight-line method over the estimated useful life of each component.

No depreciation is provided on land.

The following useful life estimates are used for the current and comparative periods:

(1) Buildings and structures	2–60
(2) Machinery and equipment	2–25
(3) Other equipment	2–25

The Company reviews its depreciation method, useful life, and residual value estimates on each reporting date of the fiscal year. Changes are made as deemed necessary and appropriate.

### (XI) Leases

The Company evaluates whether a contract meets the criteria of (or contains arrangements characterized as) lease on the day of establishment. A contract is considered as lease or deemed to contain lease elements if it involves a transfer of control over identified

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

assets for a period of time in exchange for consideration.

### 1. The Company as lessee

The Company recognizes right-of-use assets and lease liabilities on the lease start date. Right-of-use assets are measured at cost at initiation; this cost includes the initial amount of lease liability, adjusted for any lease payments paid on or before the lease start date, plus any initial direct costs incurred and any estimated costs to dismantle/remove the asset and restore the location or the asset to its original state, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis from the lease start date until the end of useful life of right-of-use asset or until expiry of the lease tenor, whichever the earlier. Furthermore, the Company regularly assesses right-of-use assets for impairment and accounts for impairment losses as they occur. Right-of-use assets are also adjusted in circumstances where lease liabilities are subject to remeasurement.

Lease liabilities are initially measured as the present value of unpaid lease payments as at the lease start date. Interest rate implicit in a lease is used as the discount rate if it can be easily determined; if the rate cannot be easily determined, the Company's incremental borrowing rate will be used as the discount rate instead. In general, the Company uses incremental borrowing rate as the discount rate.

The types of lease payments included in the calculation of lease liabilities include:

- (1) Fixed payments, including substantive fixed payments.
- (2) For lease payments that depend on changes in a certain index or rate, the index or rate from the lease start date is used as the initial measurement.
- (3) Expected residual value guarantee amount to be paid.
- (4) The exercise price or penalty to be paid when reasonably determining the exercise of the purchase option or lease termination option.

Lease liabilities subsequently accrue interest using the effective interest approach, and are remeasured in the following circumstances:

- (1) Changes in the index or rate used to determine lease payments that result in changes in future lease payments.
- (2) Changes in the expected residual value guarantee amount to be paid.
- (3) Changes in the evaluation of the option to purchase the underlying asset.
- (4) Changes in the evaluation of the lease term due to changes in the estimation of whether to exercise the option of extension or termination.
- (5) Modifications to the subject matter, scope or other terms of the lease.

When lease liability is remeasured due to: a change in the index or rate used to

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

determine lease payment, a change in guaranteed residual value, or a purchase, extension, or termination of embedded options, a corresponding adjustment shall also be made to the book value of right-of-use asset at the same time. When book value of the right-of-use asset has been reduced to zero, further remeasurements shall be recognized through profit and loss instead.

If there is any contract amendment that reduces the scope of lease, the book value of right-of-use asset is reduced accordingly to reflect partial or total termination of lease arrangement. Any difference between right-of-use asset and remeasured lease liability is recognized through profit and loss.

Right-of-use assets that do not meet the definition of investment property and lease liabilities are presented on the balance sheet as single-line items.

For short-term leases and low-value underlying asset leases, the Company chooses not to recognize right-of-use assets and lease liabilities, but to recognize related lease payments as expenses on a straight-line basis over the lease period.

### 2. The Company as lessor

Lease arrangements that the Company is a lessor of are investigated to determine whether virtually all risks and returns associated with ownership of the asset are transferred on the day of lease establishment. If so, the contract would be classified as a financial lease; if not, the asset would be classified as an operating lease. When assessing leases, the Company takes into consideration whether the lease tenor covers a major portion of the asset's useful life, among other indicators.

For lease arrangements where the Company is the intermediate lessor of a sublease, the Company would account for the main lease and the sublease separately, and classify the sublease based on the right-of-use asset given rise by the main lease. If the master lease is short-term in nature and exempted from lease recognition, the sub-lease shall be classified as operating lease.

If the agreement contains lease and non-lease components, the Company uses IFRS 15 to allocate the consideration in the contract.

For operating leases, the Company states the received lease payments as rent income over the lease term on a straight-line basis.

### (XII) Impairment loss of non-financial assets

The Company evaluates non-financial assets (excluding inventory and deferred income tax assets) for signs of impairment in the book value on each reporting date. Assets that exhibit any of the signs will have recoverable amount estimated.

For the purpose of impairment testing, assets that generate cash inflows that are largely

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

independent of the cash inflows from other assets or groups of assets are determined as a smallest identified asset group.

Recoverable amount is determined as fair value less disposal cost or the utilization value, whichever the higher. Utilization value is assessed by discounting projected cash flows to the present value using the pre-tax discount rate. This discount rate reflects the time value that the market has currently priced for the given currency, and risks that are specific to the given asset or cash-generating unit.

If the recoverable amount of an individual asset or cash-generating unit falls below its book value, the difference is recognized as impairment loss.

Impairment losses are immediately recognized through current profit and loss against a reduction to the book value of goodwill that has been allocated to the cash-generating unit; any remaining amount of impairment will then be taken to reduce book values of other assets within the unit on a pro-rated basis (i.e. proportionally based on book value weight of each asset).

Non-financial assets other than goodwill may be reversed only to the extent that the book value (less depreciation or amortization) of the asset has not been recognized as an impairment loss in prior years.

### (XIII) Revenue recognition

#### 1. Revenue from customer contracts

Income is measured as the amount of consideration the Company expects to receive for the delivery of merchandise or service. The Company recognizes income when control of merchandise or service has been transferred to customers and the contractual obligations fulfilled. The Company's main revenue items are as follows:

##### (1) Sales of goods

The Company's manufacturing and sales of various steel pipes and hot-rolled steel coils are recognized as revenue when the control over the products is transferred. Product control is deemed to have transferred upon delivery, at a time when customer is able to exercise full discretion over the use of sales channel and selling price and no unfulfilled obligations exist that may otherwise affect customer's acceptance of the product. Delivery is deemed to have taken place when products are shipped to the designated location where all risks of obsolescence and loss are assumed by the customer, and that the customer accepts the products according to sales contract, thereby voiding the acceptance clause, or under any other circumstances where the Company has objective evidence to prove having satisfied all inspection criteria.

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

The Company recognizes accounts receivable at the time merchandise is delivered, as the Company has unconditional rights to collect consideration at this point.

### (2) Financial component

The Company expects no more than one year between the time merchandise is transferred to customers and the time payment is received for such merchandise for all its customers. As a result, no time value adjustment is made to the transaction price.

### (XIV) Employee benefits

#### 1. Defined contribution plans

Contributions to the defined contribution plan are expensed over the duration of employees' service.

#### 2. Defined benefit plans

The Company calculates net obligation of defined benefit plan by discounting future benefit payouts that employees have earned in current or previous periods of employment to the present value, and deducting the fair value of any pension fund asset.

Defined benefit obligations are estimated by certified actuaries on a yearly basis using the Projected Unit Credit Method. If the calculated result is favorable to the Company, the amount of assets recognized shall not exceed the present value of future economic benefits, whether they are realized through refund of plan contributions or decrease of future contributions. Present value of economic benefits is calculated after taking into consideration all minimum contribution requirements.

Remeasurement of net defined benefit liabilities, including actuarial gains/losses, return on plan assets (excluding interest), and changes in the effect of the asset ceiling (excluding interest), are immediately recognized through other comprehensive income and accumulated in retained earnings. The Company determines net interest expenses (income) on net defined benefit liabilities (assets) using the balance of net defined benefit liabilities (assets) and discount rate as at the beginning of the reporting period. The net interest expense and other expenses of defined benefit plans are recognized in profit or loss.

When the plan is amended or curtailed, any change in benefit that arises in relation to service cost in previous periods or curtailment gains/losses is immediately recognized through profit and loss. The Company will recognize gain or loss on settlement of defined benefit plan, if any.

#### 3. Short-term employee benefits

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Short-term employee benefit obligations are expensed at the time service is rendered. These amounts are recognized as liability when the Company becomes legally obligated or is deemed obligated to pay employees for past services rendered, and that such obligations can be estimated reliably.

### (XV) Income tax

Income tax expense comprises current income tax and deferred income tax. Current income tax and deferred income tax are recognized through profit and loss, except for amounts that arise in relation to business combination and items that are recognized directly under equity or other comprehensive income.

Current income tax includes all income taxes refundable/payable for the current year, which is calculated based on current year's taxable income (or loss), plus any adjustment to income tax payable/refundable in previous years. The amount is the best estimate of the expected payment or receipt based on the statutory tax rate or substantive legislative tax rate on the reporting date.

Deferred income tax is measured and recognized based on the temporary difference between the book amount of assets and liabilities on the reporting date and their tax basis. No deferred income tax is recognized on temporary differences that arise under the following circumstances:

1. Assets or liabilities initially recognized in transactions not for business merger, and at the time of the transaction (i) do not affect accounting profits and taxable income (losses), and (ii) do not generate any corresponding taxable and deductible temporary differences.
2. Temporary differences arising from investments in subsidiaries, associates and joint venture equity that the Company can control at the time of reversal and are likely not to be reversed in the foreseeable future.
3. Temporary taxable differences arising from the initial recognition of goodwill.

Unused tax losses and tax credits can be added to deductible temporary differences and recognized as deferred tax assets, to the extent that the Company is likely to earn taxable income to offset against. Deferred tax assets are evaluated on each reporting date. Tax benefits that are not likely to be realized will be reduced down to the realizable amount, and the Company may reverse the amount it had reduced when it becomes likely to generate sufficient taxable income.

Deferred income tax is calculated using tax rate that the Company expects to be effective at the time the temporary difference is reversed. In this financial report, the statutory tax rate or effective tax rate as at the reporting date was used for calculation.

Deferred income tax assets and deferred income tax liabilities are offset against each

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

other only when the following conditions are met:

1. There is the legal enforcement power to offset current income tax assets and current income tax liabilities against each other.
2. Deferred income tax assets and liabilities are related to one of the following taxpayers who are subject to income tax under the same tax authority.
  - (1) The same tax paying entity.
  - (2) Different tax paying entities, but each entity intends to settle current income tax liabilities and assets on a net basis or simultaneously realize assets and settle liabilities in each future period when significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled.

### (XVI) Earnings per share

Earnings attributable to the Company's common shareholders are presented in basic and diluted earnings per share. Basic earnings per share is calculated by dividing the amount of profits attributable to the Company's common shareholders with the weighted average number of outstanding common shares for the given period. Diluted earnings per share is calculated after adjusting the amount of profits attributable to the Company's common shareholders and weighted average number of common shares for the dilutive effect of potential common shares. Potential common shares with a dilutive effect are intended as share-based payment for employee remuneration, including those that have not yet been resolved by the shareholders' meeting.

### (XVII) Segment Information

An operating segment is a section of the Company that generates income and incurs expenses as part of its activities (including income and expenses from transacting with other sections of the Company). Operating results of all segments are reviewed regularly by the Company's main decision maker for resource allocation and performance evaluation. All operating segments are individually capable of producing financial information.

## V. Sources of uncertainty to significant accounting judgments, estimates, and assumptions

When the management of the Company prepares the financial statements, it is necessary to make judgments and estimates about the future (including climate-related risks and opportunities), which will affect the adoption of accounting policies and the amount of assets, liabilities, revenues and expenses reported. The actual results may differ from estimates.

The management continues to review the estimates and basic assumptions, which are consistent with the Company's risk management and climate-related commitments. Changes in the estimated value are deferred and recognized in the future period of the affected period.

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Uncertainty of the following assumptions and estimates has material risk of causing a significant adjustment to the carrying amount of assets and liabilities in the following fiscal year. The relevant information is as follows:

### Inventory valuation

Due to the fact that inventory is measured at the lower of cost and net realizable value, the Company would assess inventory on the reporting date for any decrease in sales value due to normal wear, obsolescence, or absence of market demand, and reduce inventory cost to net realizable value accordingly. This inventory evaluation is mainly based on the estimated demand for products in a specific future period, so significant changes may occur due to sales demand and prices. For details on inventory valuation, please refer to Note VI (V).

## VI. Notes to major accounts

### (I) Cash and cash equivalents

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Reserve cash	\$ 259,195	221,015
Demand deposit	305,327,938	335,059,330
Check deposit	9,818,775	20,564,563
Cash equivalents – callable bonds	-	100,000,000
Cash and cash equivalents presented in the cash flow statement	<u>\$ 315,405,908</u>	<u>455,844,908</u>

Please refer to Note 6 (22) for detailed analysis of the exchange rate risk and sensitivity of our financial assets, as well as disclosure of credit risk.

### (II) Financial assets at fair value through other comprehensive income

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Equity instruments at fair value through other comprehensive income:		
TWSE/TPEX listed shares:		
HIWIN	\$ -	23,500,000
Chuntai Resource Technology	-	2,160,000
China Steel Chemical	67,233,000	59,250,000
ASE Technology Holding	8,100,000	-
Cleanaway Company Limited	126,000,000	86,400,000
Delta Electronics	-	47,025,000
Taiwan Semiconductor Manufacturing	-	5,930,000
Genius Electronic Optical	-	46,255,000

**Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)**

	<b><u>December 31,</u></b> <b><u>2024</u></b>	<b><u>December 31,</u></b> <b><u>2023</u></b>
ChainQui Construction Development	1,501,950	1,567,050
Asia Optical	-	28,080,000
VisEra Technologies Company Limited.	46,125,000	22,120,000
Eternal Materials	27,800,000	14,550,000
AOpen Onc.	14,595,000	15,950,000
Yageo	91,970,000	41,790,000
Kaimei Electronic Corp.	110,400,000	116,325,000
Walsin Lihwa Corporation	47,400,000	65,705,000
Episil Technologies	49,650,000	36,050,000
CHPT	-	11,280,000
Quanta Computer	71,750,000	4,490,000
Sunspring Metal	9,930,000	7,575,000
Hon Hai Precision Industry	36,800,000	31,350,000
Foxconn Precision	-	21,240,000
Win Semiconductors	28,000,000	23,850,000
Far EasTone Telecommunications	53,640,000	47,880,000
Giga-Byte Technology	68,125,000	39,900,000
Airoha Technology	84,480,000	5,770,000
Inventec	55,110,000	-
Episil-Precision	4,715,000	-
Chang Wah Technology	23,380,000	-
Acer E-Enabling Service Business	18,687,500	-
AMAX-KY	52,375,000	-
Caliway Biotech	6,150,000	-
KINIK	14,325,000	-
Novatek Microelectronics	25,100,000	-
ITH-KY	3,836,000	-
Subtotal	<u>1,147,178,450</u>	<u>805,992,050</u>
Non-listed domestic and foreign companies:		
CSGT Metals	41,936,593	57,119,417
Universal Venture Capital Investment	12,628,000	12,740,000
KHH Arena Corporation	75,528,750	77,096,250
ENRESTEC	295,951,430	272,785,904
Guangdong Haowei Electronics	759,590,704	679,254,284

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Apex Logistic	2,870,000	4,084,500
Upcycle Inc.	<u>121,377,256</u>	<u>135,536,720</u>
Subtotal	<u>1,309,882,733</u>	<u>1,238,617,075</u>
Total	<u><b>\$ 2,457,061,183</b></u>	<u><b>2,044,609,125</b></u>
	<u><b>113.12.31</b></u>	<u><b>112.12.31</b></u>
Current	\$ 1,147,178,450	805,992,050
Non-current	<u>1,309,882,733</u>	<u>1,238,617,075</u>
	<u><b>\$ 2,457,061,183</b></u>	<u><b>2,044,609,125</b></u>

This category of equity instruments is held not for trading, and therefore is designated to be measured at fair value through other comprehensive income.

Due to the designation above as equity instrument investments measured at fair value through other comprehensive income, the Company recognized a dividend income of NTD38,315,347 and NTD 61,725,709 in 2024 and 2023, respectively, and accounted for under the “Other income” account of the statement of comprehensive income.

The Company sold equity instrument investments designated to be measured at fair value through other comprehensive income in 2024 and 2023, respectively due to investment strategy considerations. The fair values at the time of disposal were NTD 1,545,387,393 and NTD 1,750,821,230, and the cumulative disposal benefits were NTD 111,373,975 and NTD 68,559,035. Therefore, the aforementioned cumulative disposal benefits have been transferred from other equity to retained earnings.

For market risk information, please refer to Note VI (XXII).

None of the above financial assets was pledged as collateral.

### (III) Notes and accounts receivable

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Notes receivable due to business operations	\$ 311,597	-
Accounts receivable measured at amortized cost	103,155,158	112,673,131
Less: loss provisions	<u>-</u>	<u>-</u>
	<u><b>\$ 103,466,755</b></u>	<u><b>112,673,131</b></u>

The Company adopts a simplified approach to estimate expected credit losses for all notes receivable and accounts receivable, i.e. measurement using expected credit losses during the term of existence. For this measurement purpose, these notes receivable and accounts receivable are grouped according to the common credit risk characteristics

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

representing the customer's ability to pay all due amounts according to contract terms, and have been included in forward-looking information, including overall economic and related industry information. Expected credit loss analysis for notes and accounts receivable is explained below:

		<b>December 31, 2024</b>		
		<b>Book value of notes and accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Provision for expected credit loss over the remaining duration</b>
Not overdue	\$	103,466,755	-	-
Overdue		-	-	-
	<b>\$</b>	<b>103,466,755</b>		<b>-</b>
		<b>December 31, 2023</b>		
		<b>Book amount of accounts receivable</b>	<b>Weighted average expected credit loss rate</b>	<b>Provision for expected credit loss over the remaining duration</b>
Not overdue	\$	112,673,131	-	-
Overdue		-	-	-
	<b>\$</b>	<b>112,673,131</b>		<b>-</b>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

The table of changes in the loss allowance on the Company's accounts receivable is as follows:

	<u>2024</u>	<u>2023</u>
Opening balance	\$ -	-
Closing balance	<u>\$ -</u>	<u>-</u>

The Company does not hold any collateral for such balance.

### (IV) Other receivables and notes

#### 1. Other accounts receivable (includes refundable deposits)

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Other receivable – proceeds from disposal of stocks	\$ -	18,901,133
Other receivables – purchase allowances	73,301	188,107
Other receivables – other	2,144,692	1,934,215
Other receivables – dividend income	326,996	30,000
Guarantee deposits paid	4,717,394	4,938,207
Less: loss provisions	<u>(470,460)</u>	<u>(470,460)</u>
	<u>\$ 6,791,923</u>	<u>25,521,202</u>
	<u>113.12.31</u>	<u>112.12.31</u>
Presented as net other receivables	\$ 2,074,529	20,582,995
Presented as guarantee deposits paid	<u>4,717,394</u>	<u>4,938,207</u>
	<u>\$ 6,791,923</u>	<u>25,521,202</u>

Others mainly comprise proceeds from the sale of scraps.

#### 2. Other notes receivable

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Other notes receivable – rental	\$ -	200,000
Less: loss provisions	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>200,000</u>

For more information on credit risk, please refer to Note VI (XXII).

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (V) Inventory

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Raw materials	\$ 277,876,600	386,791,583
Work-in-progress	126,344,850	90,670,552
Finished goods	196,985,804	243,896,147
Inventory in transit	1,465,424	1,182,744
Scraps	85,617	85,425
	<u>\$ 602,758,295</u>	<u>722,626,451</u>

### Detailed breakdown of sales cost:

	<u>2024</u>	<u>2023</u>
Reclassified into sales costs and expenses	\$ 1,223,693,673	1,222,985,601
Inventory devaluation loss (gain from price recovery)	(12,840,519)	9,299,624
Unallocated manufacturing overheads	32,650,227	32,933,221
Leftover sales revenue	(17,198,269)	(18,083,015)
Others	(81,822)	297,694
Processing costs	75,500	-
Lease cost	11,234,144	11,326,694
	<u>\$ 1,237,532,934</u>	<u>1,258,759,819</u>

The increase in the market value of inventories in 2024 caused the net realizable value of inventories to increase and to reverse the previously recognized loss on valuation.

None of the Company's inventory was pledged as collateral.

### (VI) Investments accounted for using equity method

The Company holds 38.32% of the voting shares of KHC Steel International Corp. Although the remaining 61.68% of the shares are not concentrated among specific shareholders, the Company is still unable to obtain more than half of the board seats of KHC Steel International Corp. and cannot obtain more than half of the voting rights at the shareholders' meeting. Therefore, it is determined that the Company only has significant influence over KHC Steel International Corp.

The Company holds 45.79% of the voting shares of Hsieh Chang Hsing Trading Co., Ltd. Although the remaining 54.21% of the shares are not concentrated among specific shareholders, the Company is still unable to obtain more than half of the board seats of Hsieh Chang Hsing Trading Co., Ltd. and cannot obtain more than half of the voting rights at the shareholders' meeting. Therefore, it is determined that the Company only has significant

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

influence over KHC Steel International Corp.

Associated companies accounted using the equity method as at the reporting date:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
KHC Steel International Corp.	\$ 200,802,257	165,770,897
Hsieh Chang Hsing Trading Co., Ltd.	375,585,800	284,106,872
Sunward Refractories Co., Ltd.	85,534,192	80,926,347
Smartway Ark Alliance Co., Ltd.	97,649,288	98,232,542
Da Dong Metroway Alliance CO., LTD.	35,057,341	-
Da Gang Metroway Alliance CO., LTD.	31,526,759	-
	<u>\$ 826,155,637</u>	<u>629,036,658</u>

### 1. Affiliates

The Company's share of gains (losses) from associated companies is summarized below:

	<u>2024</u>	<u>2023</u>
KHC Steel International Corp.	\$ 3,882,627	1,489,346
Hsieh Chang Hsing Trading Co., Ltd.	11,688,466	6,227,454
Sunward Refractories Co., Ltd.	4,607,845	8,382,116
Smartway Ark Alliance Co., Ltd.	(583,254)	(797,729)
Da Dong Metroway Alliance CO., LTD.	57,341	-
Da Gang Metroway Alliance CO., LTD.	26,759	-
	<u>\$ 19,679,784</u>	<u>15,301,187</u>

The Company's share of other comprehensive income from associated companies is summarized below:

	<u>2024</u>	<u>2023</u>
KHC Steel International Corp.	\$ 26,766,572	15,024,009
Hsieh Chang Hsing Trading Co., Ltd.	79,790,462	64,904,182
Sunward Refractories Co., Ltd.	-	-
Smartway Ark Alliance Co., Ltd.	-	-
Da Dong Metroway Alliance CO., LTD.	-	-
Da Gang Metroway Alliance CO., LTD.	-	-
	<u>\$ 106,557,034</u>	<u>79,928,191</u>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Financial information of associated companies is summarized below; the following information has not been adjusted for the Company's ownership percentage:

(1) Summary financial information of KHC Steel International Corp.

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Current assets	\$ 17,114,472	88,522,808
Non-current assets	<u>566,278,588</u>	<u>357,158,588</u>
	<b><u>\$ 583,393,060</u></b>	<b><u>445,681,396</u></b>
Current liabilities	\$ 59,197,496	12,903,788
Non-current liabilities	<u>181,323</u>	<u>181,323</u>
	<b><u>\$ 59,378,819</u></b>	<b><u>13,085,111</u></b>
	<u>2024</u>	<u>2023</u>
Revenue	<u>\$ -</u>	<u>-</u>
Current net income	10,134,207	3,886,602
Other comprehensive income	<u>69,850,136</u>	<u>39,206,705</u>
Total comprehensive income	<b><u>\$ 79,984,343</u></b>	<b><u>43,093,307</u></b>
	<u>2024</u>	<u>2023</u>
Share of net assets attributable to the Company as of the beginning of the period	\$ 165,770,897	128,274,407
Comprehensive income attributable to the Company in the period	30,649,199	16,513,355
Dividends received from affiliated companies in the current period	(7,280,000)	-
Share of equity instruments disposed of by affiliates recognized in the period	<u>11,662,161</u>	<u>20,983,135</u>
Share of net assets attributable to the Company as of the end of the period	<b><u>\$ 200,802,257</u></b>	<b><u>165,770,897</u></b>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (2) Hsieh Chang Hsing Trading Co., Ltd.

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Current assets	\$ 40,640,096	14,507,733
Non-current assets	780,257,500	605,984,420
	<u><b>\$ 820,897,596</b></u>	<u><b>620,492,153</b></u>
Current liabilities	\$ 662,174	36,000
Non-current liabilities	-	-
	<u><b>\$ 662,174</b></u>	<u><b>36,000</b></u>
	<u>2024</u>	<u>2023</u>
Revenue	<u>\$ -</u>	<u>-</u>
Current net income	25,526,239	13,600,031
Other comprehensive income	174,253,030	141,743,137
Total comprehensive income	<u><b>\$ 199,779,269</b></u>	<u><b>155,343,168</b></u>
	<u>2024</u>	<u>2023</u>
Share of net assets attributable to the Company as of the beginning of the period	\$ 284,106,872	212,975,236
Comprehensive income attributable to the Company in the period	91,478,928	71,131,636
Share of net assets attributable to the Company as of the end of the period	<u><b>\$ 375,585,800</b></u>	<u><b>284,106,872</b></u>

### (3) Summary financial information of Sunward Refractories Co., Ltd.

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Current assets	\$ 370,514,834	349,394,151
Non-current assets	161,620,283	167,183,076
	<u><b>\$ 532,135,117</b></u>	<u><b>516,577,227</b></u>
Current liabilities	\$ 149,916,522	132,002,348
Non-current liabilities	146,105,573	171,501,084
	<u><b>\$ 296,022,095</b></u>	<u><b>303,503,432</b></u>
	<u>2024</u>	<u>2023</u>
Revenue	<u><b>\$ 569,881,399</b></u>	<u><b>552,275,402</b></u>
Current net income	23,039,227	41,910,581
Other comprehensive income	-	-

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Total comprehensive income	<u>\$ 23,039,227</u>	<u>41,910,581</u>
	<u>2024</u>	<u>2023</u>
Share of net assets attributable to the Company as of the beginning of the period	\$ 42,614,759	34,232,643
Comprehensive income attributable to the Company in the period	<u>4,607,845</u>	<u>8,382,116</u>
Share of net assets attributable to the Company as of the end of the period	47,222,604	42,614,759
Add: Goodwill	<u>38,311,588</u>	<u>38,311,588</u>
Book value of net assets attributable to the Company as of the end of the period	<u>\$ 85,534,192</u>	<u>80,926,347</u>
(4) Summary financial information of Smartway Ark Alliance Co., Ltd.		
	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Current assets	\$ 177,938,834	187,012,105
Non-current assets	<u>40,769,898</u>	<u>40,445,867</u>
	<u>\$ 218,708,732</u>	<u>227,457,972</u>
Current liabilities	\$ 1,710,315	9,163,434
Non-current liabilities	<u>-</u>	<u>-</u>
	<u>\$ 1,710,315</u>	<u>9,163,434</u>
	<u>2024</u>	<u>2023</u>
Revenue	<u>\$ -</u>	<u>-</u>
Current net loss	(1,296,121)	(1,772,730)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income	<u>\$ (1,296,121)</u>	<u>(1,772,730)</u>
	<u>2024</u>	<u>2023</u>
Share of net assets attributable to the Company as of the beginning of the period	\$ 98,232,542	99,030,271
Comprehensive income attributable to the Company in the period	<u>(583,254)</u>	<u>(797,729)</u>
Share of net assets attributable to the Company as of the end of the period	<u>\$ 97,649,288</u>	<u>98,232,542</u>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (5) Summary financial information of Da Dong Metroway Alliance CO., LTD.

	<b><u>December 31,</u></b>
	<b><u>2024</u></b>
Current assets	\$ 50,686,046
Non-current assets	49,557,785
	<b><u>\$ 100,243,831</u></b>
Current liabilities	\$ 80,000
Non-current liabilities	-
	<b><u>\$ 80,000</u></b>
	<b><u>2024</u></b>
Revenue	<b><u>\$ -</u></b>
Current net income	163,831
Other comprehensive income	-
Total comprehensive income	<b><u>\$ 163,831</u></b>
	<b><u>2024</u></b>
Share of net assets attributable to the Company as of the beginning of the period	\$ -
Increase in capital for affiliates in the period	35,000,000
Comprehensive income attributable to the Company in the period	57,341
Share of net assets attributable to the Company as of the end of the period	<b><u>\$ 35,057,341</u></b>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (6) Summary financial information of Da Dong Metroway Alliance CO., LTD.

	<b><u>December 31,</u></b> <b><u>2024</u></b>
Current assets	\$ 49,357,926
Non-current assets	<u>40,798,957</u>
	<b><u>\$ 90,156,883</u></b>
Current liabilities	\$ 80,428
Non-current liabilities	<u>-</u>
	<b><u>\$ 80,428</u></b>
	<b><u>2024</u></b>
Revenue	<u>\$ -</u>
Current net income	76,455
Other comprehensive income	<u>-</u>
Total comprehensive income	<b><u>\$ 76,455</u></b>
	<b><u>2024</u></b>
Share of net assets attributable to the Company as of the beginning of the period	\$ -
Increase in capital for affiliates in the period	31,500,000
Comprehensive income attributable to the Company in the period	<u>26,759</u>
Share of net assets attributable to the Company as of the end of the period	<b><u>\$ 31,526,759</u></b>

### 2. Guarantee

None of the Company's equity-accounted investments was pledged as collateral.

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (VII) Property, plant, and equipment

Changes in cost, accumulated depreciation, and impairment of the Company's property, plant, and equipment are explained below:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Others</u>	<u>Total</u>
Cost or deemed cost:					
Balance on January 1, 2024	\$ 1,106,417,035	1,449,938,949	2,293,476,286	263,650,514	5,113,482,784
Additions	-	-	17,565,000	29,160,400	46,725,400
Reclassification	-	4,200,000	-	(4,200,000)	-
Balance on December 31, 2024	<b><u>\$ 1,106,417,035</u></b>	<b><u>1,454,138,949</u></b>	<b><u>2,311,041,286</u></b>	<b><u>288,610,914</u></b>	<b><u>5,160,208,184</u></b>
Balance on January 1, 2023	\$ 1,106,417,035	1,447,268,902	2,268,211,701	259,870,686	5,081,768,324
Additions	-	470,047	23,676,241	9,849,172	33,995,460
Disposals	-	-	(1,464,000)	(817,000)	(2,281,000)
Reclassification	-	2,200,000	3,052,344	(5,252,344)	-
Balance on December 31, 2023	<b><u>\$ 1,106,417,035</u></b>	<b><u>1,449,938,949</u></b>	<b><u>2,293,476,286</u></b>	<b><u>263,650,514</u></b>	<b><u>5,113,482,784</u></b>
Accumulated depreciation and impairment:					
Balance on January 1, 2024	\$ -	1,177,164,453	2,191,984,368	246,350,489	3,615,499,310
Depreciation	-	18,183,598	26,370,511	6,884,859	51,438,968
Balance on December 31, 2024	<b><u>\$ -</u></b>	<b><u>1,195,348,051</u></b>	<b><u>2,218,354,879</u></b>	<b><u>253,235,348</u></b>	<b><u>3,666,938,278</u></b>
Balance on January 1, 2023	\$ -	1,159,264,368	2,166,654,395	241,807,300	3,567,726,063
Depreciation	-	17,900,085	26,793,973	5,360,189	50,054,247
Disposals	-	-	(1,464,000)	(817,000)	(2,281,000)
Balance on December 31, 2023	<b><u>\$ -</u></b>	<b><u>1,177,164,453</u></b>	<b><u>2,191,984,368</u></b>	<b><u>246,350,489</u></b>	<b><u>3,615,499,310</u></b>
Book value:					
December 31, 2024	<b><u>\$ 1,106,417,035</u></b>	<b><u>258,790,898</u></b>	<b><u>92,686,407</u></b>	<b><u>35,375,566</u></b>	<b><u>1,493,269,906</u></b>
January 1, 2023	<b><u>\$ 1,106,417,035</u></b>	<b><u>288,004,534</u></b>	<b><u>101,557,306</u></b>	<b><u>18,063,386</u></b>	<b><u>1,514,042,261</u></b>
December 31, 2023	<b><u>\$ 1,106,417,035</u></b>	<b><u>272,774,496</u></b>	<b><u>101,491,918</u></b>	<b><u>17,300,025</u></b>	<b><u>1,497,983,474</u></b>

Please refer to Note 8 for the details of the Company's property, plant and equipment which are provided as collateral.

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (VIII) Right-of-use asset

For the Company's right-of-use assets recognized by leased houses and buildings and their costs, depreciation and deduction or reversal of impairment losses, details of any changes thereof are listed as follows:

	<u>Buildings</u>
Cost of right-of-use asset:	
Balance on January 1, 2024 (that is, the balance on December 31)	<u>\$ 19,741,680</u>
Balance on January 1, 2023 (that is, the balance on December 31)	<u>\$ 19,741,680</u>
Accumulated depreciation and impairment losses:	
Balance on January 1, 2024	\$ 16,451,400
Provision for depreciation	<u>3,290,280</u>
Balance on December 31, 2024	<u>\$ 19,741,680</u>
Balance on January 1, 2023	\$ 13,161,120
Provision for depreciation	<u>3,290,280</u>
Balance on December 31, 2023	<u>\$ 16,451,400</u>
Book value:	
December 31, 2024	<u>\$ -</u>
January 1, 2023	<u>\$ 6,580,560</u>
December 31, 2023	<u>\$ 3,290,280</u>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (IX) Investment properties

Changes in the Company's investment properties are detailed below:

	<u>Land and improvement</u>	<u>Buildings</u>	<u>Total</u>
Cost or deemed cost:			
Balance on January 1, 2024	\$ 2,009,584,634	30,306,468	2,039,891,102
Additions	-	1,550,000	1,550,000
Balance on December 31, 2024	<u>\$ 2,009,584,634</u>	<u>31,856,468</u>	<u>2,041,441,102</u>
Balance on January 1, 2023	\$ 2,009,584,634	28,571,515	2,038,156,149
Additions	-	1,734,953	1,734,953
Balance on December 31, 2023	<u>\$ 2,009,584,634</u>	<u>30,306,468</u>	<u>2,039,891,102</u>
Accumulated depreciation and impairment losses:			
Balance on January 1, 2024	\$ -	15,000,247	15,000,247
Depreciation	-	4,539,481	4,539,481
Balance on December 31, 2024	<u>\$ -</u>	<u>19,539,728</u>	<u>19,539,728</u>
Balance on January 1, 2023	\$ -	10,690,056	10,690,056
Depreciation	-	4,310,191	4,310,191
Balance on December 31, 2023	<u>\$ -</u>	<u>15,000,247</u>	<u>15,000,247</u>
Book value:			
December 31, 2024	<u>\$ 2,009,584,634</u>	<u>12,316,740</u>	<u>2,021,901,374</u>
January 1, 2023	<u>\$ 2,009,584,634</u>	<u>17,881,459</u>	<u>2,027,466,093</u>
December 31, 2023	<u>\$ 2,009,584,634</u>	<u>15,306,221</u>	<u>2,024,890,855</u>
Fair value:			
December 31, 2024			<u>\$ 9,032,971,738</u>
January 1, 2023			<u>\$ 5,017,475,405</u>
December 31, 2023			<u>\$ 6,447,948,791</u>

Investment property includes land that has been leased out as carpark without contingent rent. Please refer to Note VI(XIV) for details (including rental income and direct operating expenses incurred).

The investment property of the Company as of December 31, 2024 and 2023 is measured at fair value based on repeatability, and its fair value is evaluated by the Company using the information of comparable property transactions in similar locations. The input value used in the fair value evaluation technology belongs to Level III.

Please refer to Note 8 for the details of the Company's investment property provided as collateral.

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (X) Other current assets

Details of the Company's other current assets are explained below:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Prepaid insurance premiums	\$ 114,396	131,918
Supplies inventory count	16,985,455	17,129,705
Prepaid purchases	3,831,697	7,389
Others	1,981,130	1,960,920
	<u>\$ 22,912,678</u>	<u>19,229,932</u>

### (XI) Short-term borrowings

Details regarding the Company's short-term loan are as follows:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Loans under L/C	\$ 242,904,052	263,316,932
Secured bank loan	1,535,000,000	1,400,000,000
Total	<u>\$ 1,777,904,052</u>	<u>1,663,316,932</u>
Unused limit	<u>\$ 987,095,948</u>	<u>1,266,683,068</u>
Interest rate range	<u>2.10%~2.385%</u>	<u>2.076%~2.25%</u>

For details on bank loans secured by the Company's assets, please see Note VIII.

### (XII) Other current liabilities

Details of the Company's other current liabilities are explained below:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Advance receipts – advance rent receipts	\$ -	190,475
Advance sales receipts – contract liabilities	707,967	581,645
Others	133,815	137,597
	<u>\$ 841,782</u>	<u>909,717</u>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (XIII) Long-term borrowings

Details, conditions, and terms of long-term loans of the Company are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Secured bank loan	\$ 2,176,610,000	2,075,000,000
Less: Portion due within one year	<u>(65,885,246)</u>	<u>(52,534,246)</u>
Total	<u>\$ 2,110,724,754</u>	<u>2,022,465,754</u>
Unused limit	<u>\$ 1,836,390,000</u>	<u>1,775,000,000</u>
Interest rate range	<u>2.65%~2.75%</u>	<u>2.5%~2.55%</u>
Maturity date	<u>Oct. 16, 2025~Oct 23, 2030</u>	<u>Sep 29, 2025~Oct 23, 2030</u>

For details on bank loans secured by the Company's assets, please see Note VIII.

### (XIV) Operating lease

#### 1. The Company as lessee

The Company rents office space from related parties in the form of operating lease; please refer to Note VII for details.

#### 2. The Company as lessor

For the Company's lease of its investment property and some machinery and equipment, as almost all risks and rewards associated with the ownership of the underlying assets have not been transferred, these lease contracts are classified as operating leases. Please refer to Note 6(9) for details on investment property.

The rental income generated from investment property in 2024 and 2023 was NTD 39,851,144 and NTD 36,481,907, respectively, reported under operating income. The maintenance and upkeep expenses incurred from investment property were NTD 11,234,144 and NTD 11,326,694, respectively, reported under operating costs.

### (XV) Employee benefits

#### 1. Defined benefit plans

Reconciliation between present value of defined benefit obligations and fair value of plan assets:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Present value of defined benefit obligations	\$ 101,459,440	111,168,532
Fair value of plan assets	<u>(115,951,119)</u>	<u>(108,396,585)</u>
Net defined benefit (assets) liabilities	<u>\$ (14,491,679)</u>	<u>2,771,947</u>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Contributions for defined benefit plan are made to a dedicated pension fund account opened with Bank of Taiwan. For retirees who opted for the pension scheme mentioned in the Labor Standards Act, the amount of pension benefit is calculated based on average salary for the six months preceding their retirement and the number of basis points accumulated over the duration of their service.

### (1) Plan asset composition

Pension fund contributions that the Company has made in accordance with the Labor Standards Act are collectively managed by the Bureau of Labor Funds (BLF), Ministry of Labor. Pursuant to "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," plan assets can only be allocated to investments that offer annual yields higher than the 2-year time deposit rate quoted by local banks.

As of the reporting date, the balance of the Company's labor pension reserve account at Bank of Taiwan is NTD 115,919,047. Please visit the BLF website for more details such as fund yield and allocation of fund assets.

### (2) Changes in the present value of defined benefit obligations

The changes in the present value of the Company's defined benefit obligations for 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Defined benefit obligations on January 1	\$ 111,168,532	122,519,242
Service cost and interest in the current period	2,220,608	2,636,799
Remeasurement of net defined benefit liabilities (assets)		
- Actuarial gains/losses due to adjustment by experience	(2,480,063)	(4,018,053)
- Actuarial gains/losses due to change of financial assumption	(2,498,594)	968,308
Amount of direct payment	<u>(6,951,043)</u>	<u>(10,937,764)</u>
Defined benefit obligations on December 31	<u>\$ 101,459,440</u>	<u>111,168,532</u>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (3) Changes in the fair value of plan assets

The changes in the fair value of the Company's defined benefit plan assets for 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Fair value of plan assets on January 1	\$ 108,396,585	94,092,359
Remeasurement of net defined benefit liabilities (assets)		
- Return on plan assets (excluding current period interest)	9,493,597	799,831
Amount contributed to the plan	3,582,358	23,081,086
Expected return on plan assets	1,429,622	1,361,073
Benefits paid from plan	<u>(6,951,043)</u>	<u>(10,937,764)</u>
Fair value of plan assets on December 31	<u><b>\$ 115,951,119</b></u>	<u><b>108,396,585</b></u>

### (4) Expenses recognized as profit or loss

The details of the expenses recognized in 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Current period service costs	\$ 755,547	852,866
Net interest on net defined benefit liabilities	<u>35,439</u>	<u>422,860</u>
	<u><b>\$ 790,986</b></u>	<u><b>1,275,726</b></u>
Operating costs	\$ 685,649	1,097,063
Management expenses	<u>105,337</u>	<u>178,663</u>
	<u><b>\$ 790,986</b></u>	<u><b>1,275,726</b></u>

### (5) Remeasurement of net defined benefit liabilities recognized as other comprehensive income

Cumulative remeasurement of net defined benefit obligations recognized in other comprehensive income:

	<u>2024</u>	<u>2023</u>
Accumulated balance on January 1	\$ (29,826,558)	(33,676,134)
Amount recognized in the current period	<u>14,472,254</u>	<u>3,849,576</u>
Cumulative balance on December 31	<u><b>\$ (15,354,304)</b></u>	<u><b>(29,826,558)</b></u>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (6) Actuarial assumptions

The significant actuarial assumptions used by the Company to determine the present value of defined benefit obligations on the reporting date are as follows:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Discount rate	1.750%	1.375%
Future salary increase	1.000%	1.000%

The contribution amount the Company expects to pay to the defined benefit plan within one year after the reporting date in 2024 is NTD 384,864.

The weighted average duration of the defined benefit plan is 8.89years.

### (7) Sensitivity analysis

The impact of changes in the major actuarial assumptions adopted as of December 31, 2024 and 2023 on determining the present value of benefit obligations is as follows:

	<b>Effect of (gains) losses to defined benefit obligations</b>	
	<b>Increase</b>	<b>Decrease</b>
December 31, 2024		
Discount rate (change of 0.25%)	\$ (1,610,422)	1,654,402
Future salary increment (change of 0.25%)	1,593,622	(1,558,760)
December 31, 2023		
Discount rate (change of 0.25%)	(1,922,875)	1,978,766
Future salary increment (change of 0.25%)	1,902,744	(1,858,155)

The above sensitivity analysis assumes changes to one variable at a time while keeping all other variables constant. In reality, however, multiple assumptions may change at the same time and are related to each other. The sensitivity analysis was conducted using the same method as how net pension liabilities are presented in the balance sheet.

Methodology and assumption for current period's sensitivity analysis are consistent with those of the previous period.

## 2. Defined contribution plans

The Company's defined contribution benefit plan is based on the provisions of the Labor Pension Act, with a contribution rate of 6% of the monthly wages of workers, and the fund is transferred to the individual account of labor pension at the Bureau of Labor Insurance. Under this plan, the Company is free from statutory or inferred pension

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

obligations once it has contributed this amount to the Bureau of Labor Insurance.

The pension expenses of the Company for 2024 and 2023 under the defined contribution pension measures are NTD 4,801,681 and NTD 4,820,080 respectively, which have been allocated to the Bureau of Labor Insurance.

### 3. Short-term employee benefits

Below are details of employee benefit liabilities:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Paid leave of absence (presented as other payables)	\$ <u>7,185,177</u>	<u>7,234,808</u>

### (XVI) Income tax

Below are details of the Company's income tax expenses:

	<u>2024</u>	<u>2023</u>
Current income tax expense – generated in the period	\$ 20,874,102	2,268,418
Current income tax income – current income tax after adjustment for the previous period	(7,901)	(8,460,384)
Deferred income tax income	-	(14,472,357)
Income tax expense (benefit)	<u>\$ 20,866,201</u>	<u>(20,664,323)</u>

The Company did not recognize any income tax expense under equity and other comprehensive income in 2024 and 2023.

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

The relationship between the Company's income tax expense and pre-tax net profit for 2024 and 2023 is adjusted as follows:

	<u>2024</u>	<u>2023</u>
Net profit before tax	<u>\$ 69,596,019</u>	<u>412,171,531</u>
Income tax calculated by applying local tax rate of the country where the Company is located	\$ 13,919,203	82,434,306
Overestimation of land value-added tax	-	(14,472,357)
Non-deductible expenses	4,686,108	3,177,143
Exempt income	(5,588,178)	(74,976,786)
Effect of gains on investment accounted for using equity method	(3,935,956)	(3,060,237)
Recognition of tax losses not recognized in the previous period	(4,486,033)	(673,912)
Changes in temporary difference not recognized as deferred income tax asset	(4,470,306)	(4,832,096)
Previous overestimation	(7,901)	(8,460,384)
Levy on undistributed retained earnings	15,449,264	-
Basic income tax amount	<u>5,300,000</u>	<u>200,000</u>
Income tax expense	<u>\$ 20,866,201</u>	<u>(20,664,323)</u>

### 1. Deferred income tax assets and liabilities

#### (1) Unrecognized deferred income tax assets

The following items were not recognized as deferred income tax asset:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Deductible temporary differences	\$ 328,961,112	351,312,640
Tax losses	<u>2,047,065,160</u>	<u>2,455,692,484</u>
	<u>\$ 2,376,026,272</u>	<u>2,807,005,124</u>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Tax losses, as defined in the Income Tax Act, are losses certified by the tax authority in the last 10 years that can be taken to reduce current year's taxable income. On December 31, 2024, the Company estimated taxable income generated from the future year's profits and evaluated that loss deductions and deductible temporary differences are not likely to be used as taxable income deductions, and therefore did not recognize deferred tax assets. If there is an increase in taxable income resulting from revenue gains in the future, it will be recognized as a deferred tax asset.

On December 31, 2024, the deduction periods of tax losses from the deferred tax assets not recognized by the Company are as follows:

<u>Year of loss</u>	<u>Losses not yet deducted</u>	<u>Final year available for deduction</u>
2015	\$ 413,721,031	2025
2016	417,474,366	2026
2017	318,954,784	2027
2018	529,810,099	2028
2019	214,044,806	2029
2020	<u>153,060,074</u>	2030
Total	<u><u>\$ 2,047,065,160</u></u>	

### (2) Recognized deferred income tax liabilities

The changes in deferred income tax liabilities for 2024 and 2023 are as follows:

	<u>Land value increment tax</u>
<b>Deferred income tax liabilities:</b>	
<b>Balance on January 1, 2024</b>	\$ <u>196,159,973</u>
<b>Balance on December 31, 2024</b>	<u><b>\$ 196,159,973</b></u>
<b>Balance on January 1, 2023</b>	\$ 210,632,330
Debit (credit) to profit and loss	<u>(14,472,357)</u>
<b>Balance on December 31, 2023</b>	<u><b>\$ 196,159,973</b></u>

### 2. Income tax approval status

The settlement and declaration of the Company's profit-seeking enterprise income tax was approved by the tax collection authority up to 2022.

### (XVII) Capital and other equity items

As of December 31, 2024 and 2023, the total authorized share capital of the Company was NTD 5,800,000,000, with a face value of NTD 10 per share, divided into 580,000,000 shares. There are 190,852,293 issued shares, and payment for all issued shares has been

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

received.

The details of the Company's adjustment table for the number of outstanding shares in 2024 and 2023 are as follows:

(expressed in share)	Common shares	
	2024	2023
Opening balance	190,852,293	200,852,293
Retirement of treasury shares	-	(10,000,000)
Closing balance	<u>190,852,293</u>	<u>190,852,293</u>

### 1. Ordinary share capital

On May 9, 2023, the Company passed a board resolution to cancel its 10,000,000 treasury shares and reduce its capital totaling NTD 199,906,204. The relevant legal registration procedures have been completed.

### 2. Retained earnings

According to the Company's articles of incorporation, if the Company makes a profit for a year, the profit shall be first used to pay taxes and offset the cumulative deficit, and then allocate 10% of the remaining balance as the legal reserve unless it has reached the same amount as the Company's paid-in capital. The residual balance can then be paid out in cash dividends, and any earnings remaining may be added to undistributed earnings carried from previous years and distributed as stock dividends, subject to board of directors' proposal and shareholders' resolution in a shareholder meeting. Dividends shall be distributed at an appropriate ratio between cash dividends and stock dividends. Cash dividends shall not be lower than 50%.

#### (1) Legal reserve

The Company Act stipulates that, subject to resolution of a shareholder meeting, companies with no cumulative losses may distribute statutory reserve in cash or in shares; however, only the amount of statutory reserve that exceeds paid-up capital by more than 25% can be distributed.

#### (2) Special reserve

According to the regulations of the Financial Supervisory Commission, the difference between the net deduction of other shareholders' equity recognized in the current year and the special reserve balance set aside in the previous period shall be set aside as a special reserve from the current period's profit and loss and the undistributed earnings in the previous period. For the cumulative deduction amount of other shareholders' equity in the previous period, the special reserve allocated from the undistributed earnings in the previous period shall not be allocated. If contra equity

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

items are reversed on a later date, the Company may also reverse a matching amount from its special reserves and distribute it to shareholders. On December 31, 2024 and 2023, the balance of this special reserve was NTD 0 and NTD 77,268,026.

### (3) Distribution of earnings

On June 20, 2024 and 2023, the Company passed the earnings distribution plan for 2023 and 2022 through a resolution of the shareholders' meeting. The amounts of dividends distributed to owners are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Distribution rate (NTD)</u>	<u>Amount</u>	<u>Distribution rate (NTD) (note)</u>	<u>Amount</u>
Dividends distributed to owners of ordinary shares:				
Cash dividends	\$ 1.00	<u>190,852,293</u>	0.52619827	<u>100,426,147</u>

(Note) The shareholders' meeting resolved to pay a dividend of NTD 0.5 per share, which was adjusted to NTD 0.52619827 in conjunction with the cancellation of treasury shares which affected the number of outstanding shares.

On March 6, 2025, the Company's board of directors drafted the earnings distribution plan for 2024, and the amounts of dividends to be distributed to owners are as follows:

	<u>2024</u>	
	<u>Distribution rate (NTD)</u>	<u>Amount</u>
Dividends distributed to owners of ordinary shares:		
Cash	\$ 0.50	<u>95,426,147</u>

### 3. Treasury stock

In accordance with Article 28-2 of the Securities and Exchange Act, the Company passed a board resolution on May 9, 2023 to buy back 10,000,000 treasury shares to maintain the Company's credit and shareholder rights, and all of them were canceled on May 17, 2023.

The treasury shares held by the Company shall not be pledged in accordance with the Securities and Exchange Act, and shall not enjoy shareholder rights before they are transferred.

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### 4. Other equity (balance after tax)

	<b>Investments at fair value through other comprehensive income</b>
Balance on January 1, 2024	\$ 328,808,336
(II) Unrealized valuation gains on financial assets at fair value through other comprehensive income	
The Company	115,901,652
Associated companies	106,557,034
Disposal of equity instruments at fair value through other comprehensive income:	
The Company	(111,373,975)
Associated companies	<u>(11,662,161)</u>
Balance on December 31, 2024	<b><u>\$ 428,230,886</u></b>
	<b>Investments at fair value through other comprehensive income</b>
Balance on January 1, 2023	\$ (77,268,026)
(II) Unrealized valuation gains on financial assets at fair value through other comprehensive income	
The Company	415,690,341
Associated companies	79,928,191
Disposal of equity instruments at fair value through other comprehensive income:	
The Company	(68,559,035)
Associated companies	<u>(20,983,135)</u>
Balance on December 31, 2023	<b><u>\$ 328,808,336</u></b>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (XVIII) Earnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share for 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
1. Basic earnings per share		
Net profit attributable to holders of the Company's ordinary shares	<u>\$ 48,729,818</u>	<u>432,835,854</u>
Weighted average number of outstanding ordinary shares (unit: share)	<u>190,852,293</u>	<u>193,279,435</u>
	<u>\$ 0.26</u>	<u>2.24</u>
2. Diluted earnings per share		
Net profit attributable to holders of the Company's ordinary shares	<u>\$ 48,729,818</u>	<u>432,835,854</u>
Weighted average number of outstanding ordinary shares (unit: share)	190,852,293	193,279,435
Effect of employee stock remuneration	<u>31,732</u>	<u>99,275</u>
Weighted average number of outstanding ordinary shares (unit: share)	<u>190,884,025</u>	<u>193,378,710</u>
	<u>\$ 0.26</u>	<u>2.24</u>

### (XIX) Revenue from contracts with customers

	<u>2024</u>	<u>2023</u>
Sale of merchandise	\$ 1,418,432,235	1,423,813,049
Rent income from investment property	39,851,144	36,481,907
Processing income	<u>83,678</u>	<u>-</u>
	<u>\$ 1,458,367,057</u>	<u>1,460,294,956</u>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### 1. Revenue details

	<b>2024</b>		
	<b>Steel Pipe</b>	<b>Others</b>	<b>Total</b>
	<b>Department</b>		
Main regions and markets:			
Taiwan	\$ 1,279,703,510	96,384,628	1,376,088,138
North America	81,481,577	-	81,481,577
Northeast Asia	797,342	-	797,342
<b>Total</b>	<b>\$ 1,361,982,429</b>	<b>96,384,628</b>	<b>1,458,367,057</b>
Key products/services:			
Steel pipes	\$ 1,333,580,298	-	1,333,580,298
Zinc products	28,402,131	-	28,402,131
Steel coils	-	56,448,401	56,448,401
Others	-	85,083	85,083
Rental income	-	39,851,144	39,851,144
<b>Total</b>	<b>\$ 1,361,982,429</b>	<b>96,384,628</b>	<b>1,458,367,057</b>
<b>2023</b>			
	<b>Steel Pipe</b>	<b>Others</b>	<b>Total</b>
	<b>Department</b>		
Main regions and markets:			
Taiwan	\$ 1,218,277,866	108,533,482	1,326,811,348
North America	132,768,394	-	132,768,394
Northeast Asia	715,214	-	715,214
<b>Total</b>	<b>\$ 1,351,761,474</b>	<b>108,533,482</b>	<b>1,460,294,956</b>
Key products/services:			
Steel pipes	\$ 1,329,566,202	-	1,329,566,202
Zinc products	22,195,272	-	22,195,272
Steel coils	-	72,049,005	72,049,005
Others	-	2,570	2,570
Rental income	-	36,481,907	36,481,907
<b>Total</b>	<b>\$ 1,351,761,474</b>	<b>108,533,482</b>	<b>1,460,294,956</b>

### 2. Balance of the contract

	<b>December 31,</b>	<b>December 31,</b>	<b>January 1,</b>
	<b>2024</b>	<b>2023</b>	<b>2022</b>
Notes and accounts receivable	\$ 103,466,755	112,673,131	107,548,541
Less: loss provisions	-	-	-
<b>Total</b>	<b>\$ 103,466,755</b>	<b>112,673,131</b>	<b>107,548,541</b>
Contract liabilities – advance sales	<b>\$ 707,967</b>	<b>581,645</b>	<b>7,894,803</b>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

receipts

Please refer to Note 6(3) for the disclosure of accounts receivable and their impairment.

The beginning balance of contractual liabilities on January 1, 2024 and 2023 was recognized as income in 2024 and 2023, with amounts of NTD 581,444 and NTD 7,412,930, respectively.

Changes in contract liability were mainly attributed to differences between the timing at which the Company is deemed to have fulfilled its obligations by delivering merchandise or service to customers and the timing at which payment is collected from customers.

### (XX) Remuneration of employees and directors

According to the articles of association of the Company, if there is a profit in the year, no less than 0.5% shall be allocated as employees' remuneration and no more than 5% shall be allocated as directors' remuneration. However, profits must first be taken to offset against cumulative losses if any.

The estimated amounts of employees' remuneration for 2024 and 2023 are NTD 414,200 and NTD 2,160,000, respectively. The estimated amounts of directors' remuneration are both NTD 0. The estimates are based on the pre-tax net profit of the Company for that period minus the amount before deducting employees' and directors' remuneration, multiplied by the distribution of employees' and directors' remuneration as stipulated in the Company's articles of incorporation, and recognized as operating expenses for various periods. Visit the Market Observation Post System for inquiries. There is no difference between the above-mentioned and the actual distribution resolved by the Board of Directors. Please visit the MOPS for the relevant information.

### (XXI) Non-operating income and expense

#### 1. Interest income

The details of the Company's interest income in 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Interest from bank deposits	\$ 1,505,238	2,848,977
Guarantee deposit interest calculation	232,754	350,526
	<u>\$ 1,737,992</u>	<u>3,199,503</u>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### 2. Other income

The details of the Company's other income in 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Rental income	\$ 190,475	229,133
Dividend income	38,315,347	61,725,709
Scrapped tire disposal income	100,913	727,794
Others	<u>3,805,139</u>	<u>4,191,720</u>
	<u><b>\$ 42,411,874</b></u>	<u><b>66,874,356</b></u>

### 3. Other gains and losses

The details of the Company's other gains and losses in 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Foreign exchange gains	\$ 798,369	11,504
Gain on disposal of property, plant and equipment	-	192,667
Tax and others	<u>(2,716,921)</u>	<u>(2,697,812)</u>
	<u><b>\$ (1,918,552)</b></u>	<u><b>(2,493,641)</b></u>

### 4. Finance costs

The details of the Company's finance costs in 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Interest expense - interest on bank borrowings	<u><b>\$ (92,889,500)</b></u>	<u><b>(88,661,943)</b></u>

### 5. Gains on disposal of non-current assets classified as held for sale

On November 11, 2022, the Company sold its investment property at No. 2, Xinfeng Section, Sanmin District, Kaohsiung by board resolution. On December 26, 2022, the Company signed a sales contract with the counterparty for a total transaction proceed of NTD 452,373,000. The Company completed the land transfer with the counterparty in April 2023, and the disposal interest was NTD 329,307,124. As of December 31, 2024, all relevant transaction proceeds have been received.

## (XXII) Financial instruments

### 1. Credit risk

#### (1) Credit risk exposure

For financial assets, the book value represents the maximum credit risk exposure.

#### (2) Concentration of credit risk

There was no significant concentration of sales to any single customer and the Company sells its products to diversified locations. As a result, there was no significant

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

concentration of credit risk in accounts and notes receivable. The Company also monitors customers' financial position on a regular basis as a means to reduce credit risk.

### (3) Credit risk of accounts receivable

For credit risk information on notes receivable and accounts receivable, please refer to Note VI (III). Other financial assets carried at cost after amortization include other notes receivable, other receivables, and guarantee deposits paid.

The following chart has been prepared based on 12-month expected credit loss or expected credit loss over remaining duration, and shows loss provisions and the state of credit impairment in the above mentioned financial assets carried at cost after amortization:

	<b>December 31, 2024</b>			
	<b>At cost after amortization</b>			
	<b>12 month expected loss</b>	<b>Expected losses over duration - not impaired</b>	<b>Expected losses over duration - impaired</b>	<b>Total</b>
Other notes and accounts receivable	\$ -	2,074,529	470,460	2,544,989
Guarantee deposits paid	4,717,394	-	-	4,717,394
Loss provisions	-	-	(470,460)	(470,460)
Cost after amortization	<b><u>\$ 4,717,394</u></b>	<b><u>2,074,529</u></b>	<b><u>-</u></b>	<b><u>6,791,923</u></b>
Book value	<b><u>\$ 4,717,394</u></b>	<b><u>2,074,529</u></b>	<b><u>-</u></b>	<b><u>6,791,923</u></b>

	<b>December 31, 2023</b>			
	<b>At cost after amortization</b>			
	<b>12 month expected loss</b>	<b>Expected losses over duration - not impaired</b>	<b>Expected losses over duration - impaired</b>	<b>Total</b>
Other notes and accounts receivable	\$ -	20,782,995	470,460	21,253,455
Guarantee deposits paid	4,938,207	-	-	4,938,207
Loss provisions	-	-	(470,460)	(470,460)
Cost after amortization	<b><u>\$ 4,938,207</u></b>	<b><u>20,782,995</u></b>	<b><u>-</u></b>	<b><u>25,721,202</u></b>

**Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)**

Book value **\$ 4,938,207** **20,782,995** **-** **25,721,202**

Changes in loss provision on financial assets carried at cost after amortization are explained below:

	<b>2024</b>			
	<b>12 month expected loss</b>	<b>Expected losses over duration - not impaired</b>	<b>Expected losses over duration - impaired</b>	<b>Total</b>
Opening balance	\$ -	-	470,460	470,460
Closing balance	<b>\$ -</b>	<b>-</b>	<b>470,460</b>	<b>470,460</b>
	<b>2023</b>			
	<b>12 month expected loss</b>	<b>Expected losses over duration - not impaired</b>	<b>Expected losses over duration - impaired</b>	<b>Total</b>
Opening balance	\$ -	-	470,460	470,460
Closing balance	<b>\$ -</b>	<b>-</b>	<b>470,460</b>	<b>470,460</b>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### 2. Liquidity risk

The following shows the expiry dates of financial liabilities, including estimated interest but excluding the effect of net agreements.

	<u>Book value</u>	<u>Contractual cash flow</u>	<u>Within 6 months</u>	<u>6 - 12 months</u>	<u>1 - 2 years</u>	<u>2 - 5 years</u>	<u>More than 5 years</u>
<b>December 31, 2024</b>							
Non-derivative instruments							
Short-term loans (floating rate)	\$ 1,777,904,052	(1,799,270,690)	(885,625,827)	(913,644,863)	-	-	-
Notes payable (non-interest bearing)	18,366,409	(18,366,409)	(18,366,409)	-	-	-	-
Other notes payable (non-interest bearing)	10,995,717	(10,995,717)	(10,995,717)	-	-	-	-
Accounts payable (non-interest bearing)	30,506,227	(30,506,227)	(30,506,227)	-	-	-	-
Other payables (non-interest bearing)	84,929,668	(84,929,668)	(76,783,952)	(8,145,716)	-	-	-
Guarantee deposits paid (non-interest bearing)	5,000,000	(5,000,000)	-	(5,000,000)	-	-	-
Long-term loan (floating rate)	<u>2,176,610,000</u>	<u>(2,265,940,756)</u>	<u>(34,681,719)</u>	<u>(49,762,710)</u>	<u>(1,683,127,339)</u>	<u>(394,169,091)</u>	<u>(104,199,897)</u>
	<b>\$ 4,104,312,073</b>	<b>(4,215,009,467)</b>	<b>(1,056,959,851)</b>	<b>(976,553,289)</b>	<b>(1,683,127,339)</b>	<b>(394,169,091)</b>	<b>(104,199,897)</b>
<b>December 31, 2023</b>							
Non-derivative instruments							
Short-term loans (floating rate)	\$ 1,663,316,932	(1,679,280,842)	(766,298,650)	(912,982,192)	-	-	-
Notes payable (non-interest bearing)	30,333,490	(30,333,490)	(30,333,490)	-	-	-	-
Other notes payable (non-interest bearing)	11,850,879	(11,850,879)	(11,850,879)	-	-	-	-
Accounts payable (non-interest bearing)	34,394,780	(34,394,780)	(34,394,780)	-	-	-	-
Other payables (non-interest bearing)	68,659,944	(68,659,944)	(60,169,944)	(8,490,000)	-	-	-
Guarantee deposits paid (non-interest bearing)	5,000,000	(5,000,000)	-	-	(5,000,000)	-	-
Long-term loan (floating rate)	<u>2,075,000,000</u>	<u>(2,201,556,177)</u>	<u>(27,726,563)</u>	<u>(43,550,111)</u>	<u>(1,564,591,539)</u>	<u>(358,846,946)</u>	<u>(206,841,018)</u>
	<b>\$ 3,888,556,025</b>	<b>(4,031,076,112)</b>	<b>(930,774,306)</b>	<b>(965,022,303)</b>	<b>(1,569,591,539)</b>	<b>(358,846,946)</b>	<b>(206,841,018)</b>

The Company does not anticipate that the cash flow timing in the maturity analysis will be significantly earlier, or that the actual amounts will differ significantly

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### 3. Exchange rate risk

#### (1) Exchange rate risk exposure

The Company had the following financial assets and liabilities that were exposed to significant foreign currency/exchange rate risk:

	December 31, 2024			December 31, 2023		
	Foreign currency (NTD)	Exchange rate	NTD	Foreign currency (NTD)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 966,377.91	32.785	31,682,699	265,903.48	30.705	8,164,566
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	-	-	-	406,288.41	30.705	12,475,086

#### (2) Sensitivity analysis

The exchange rate risk of the Company's monetary items mainly comes from cash and cash equivalents, accounts receivable, borrowings, and accounts payable denominated in foreign currencies, which generate foreign currency exchange gains and losses during translation. On December 31, 2024 and 2023, when the New Taiwan dollar depreciates or appreciates by 4% relative to the US dollar, while all other factors remain unchanged, the net profit after tax for 2024 will decrease or increase by NTD 1,013,846, and the net profit after tax for 2022 will increase or decrease by NTD 137,937. The same base is used for the analysis of both periods.

Because the functional currency of the Company is New Taiwan dollar, the foreign currency exchange gains and losses (including realized and unrealized) for 2024 and 2023 were NTD 798,369 and NTD 11,504, respectively.

### 4. Interest rate analysis

Interest rate risk exposure concerning the Company's financial liabilities has been explained as part of liquidity risk in this footnote.

The following sensitivity analysis has been prepared based on interest rate risk exposures of non-derivatives as at the reporting date. For liabilities that bear floating interests, the analysis is conducted by assuming that the amount of liabilities outstanding as at the reporting date remained outstanding throughout the entire year. The rate of change used by the Company to report interest rates to the key management is a 50 basis point increase or decrease in interest rates, which also represents the management's evaluation of the reasonable range of possible changes in interest rates.

If the interest rate increased/decreased by 50 basis points while other variables

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

remained unchanged, the Company's net income would have increased/decreased by NTD 15,818,056 and NTD 14,953,268 in 2024 and 2023, respectively. This potential change is primarily the result of the Company's floating-interest rate loans.

### 5. Other price risks

Price of security on reporting date	2024		2023	
	Other comprehensive income after tax	After-tax profit/loss	Other comprehensive income after tax	After-tax profit/loss
10% increase	<u>\$ 114,717,845</u>	<u>-</u>	<u>80,599,205</u>	<u>-</u>
10% decrease	<u>\$ (114,717,845)</u>	<u>-</u>	<u>(80,599,205)</u>	<u>-</u>

### 6. Fair value information

#### (1) Types and fair value of financial instruments

Financial liabilities at fair value through profit and loss and financial assets at fair value through other comprehensive income are measured at fair value on a recurring basis. Book value and fair value of financial assets and liabilities are shown below (categorized by level of fair value input; however, the Company is not required to disclose fair value for financial instruments that are not subject to fair value assessment and where the book value resembles the fair value):

	Book value	December 31, 2024			
		Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through other comprehensive income</b>					
Domestic listed (OTC) stocks	\$ 1,147,178,450	1,147,178,450	-	-	1,147,178,450
Domestic non-listed (non-OTC) stocks	<u>1,309,882,733</u>	-	-	1,309,882,733	1,309,882,733
	<u>\$ 2,457,061,183</u>				
<b>Financial assets carried at cost after amortization</b>					
Cash and cash equivalents	\$ 315,405,908	-	-	-	-
Notes and accounts receivable	103,466,755	-	-	-	-
Other notes and accounts receivable	2,074,529	-	-	-	-
Guarantee deposits paid	<u>4,717,394</u>	-	-	-	-
	<u>\$ 425,664,586</u>				
<b>Financial liabilities carried at cost after amortization</b>					
Bank loan	\$ 3,954,514,052	-	-	-	-
Notes and accounts payable	48,872,636	-	-	-	-
Other notes and accounts payable	95,925,385	-	-	-	-
Guarantee deposits received	<u>5,000,000</u>	-	-	-	-
	<u>\$ 4,104,312,073</u>				

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

	Book value	December 31, 2023			
		Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets at fair value through other comprehensive income</b>					
Domestic listed (OTC) stocks	\$ 805,992,050	805,992,050	-	-	805,992,050
Domestic non-listed (non-OTC) stocks	1,238,617,075	-	-	1,238,617,075	1,238,617,075
	<u>\$ 2,044,609,125</u>				
<b>Financial assets carried at cost after amortization</b>					
Cash and cash equivalents	\$ 455,844,908	-	-	-	-
Notes and accounts receivable	112,673,131	-	-	-	-
Other notes and accounts receivable	20,782,995	-	-	-	-
Guarantee deposits paid	4,938,207	-	-	-	-
	<u>\$ 594,239,241</u>				
<b>Financial liabilities carried at cost after amortization</b>					
Bank loan	3,738,316,932	-	-	-	-
Notes and accounts payable	64,728,270	-	-	-	-
Other notes and accounts payable	80,510,823	-	-	-	-
Guarantee deposits received	5,000,000	-	-	-	-
	<u>\$ 3,888,556,025</u>				

(2) When measuring its assets and liabilities, the Company uses market observable input values as much as possible. Levels of fair value assessment are classified based on the types of input used:

Level 1: Open market quotation (unadjusted) for the same asset or liability.

Level 2: In addition to the public quotation included in Level 1, the input parameters of assets or liabilities are directly (i.e. prices) or indirectly (i.e. derived from prices) observable.

Level 3: Market inputs/parameters that are not observable (non-observable parameters).

(3) Fair value evaluation techniques for financial instruments not measured at fair value

The Company is of the opinion that financial instruments not measured at fair value either are close to maturity or have future payments/receipts that closely resemble the book value. For this reason, their fair values are estimated using book value as at the balance sheet date.

(4) Fair value evaluation techniques for financial instruments measured at fair value

(4.1) Non-derivative financial instruments

Financial instruments that are openly quoted in an active market shall have fair value determined at the openly quoted price. Market prices published on major exchange are used to determine the fair value of public-listed/OTC-traded equity instruments, while market prices of actively traded government bonds published by TPEX are used to determine the fair value of debt instruments that are openly quoted on an active market.

A financial instrument is deemed to be openly quoted on an active market

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

if reliable quotations (that resemble transactions actually and frequently taking place in a fair market) can be obtained from stock exchange, brokers, underwriters, industry associations, pricing institutions, or the authority on a timely and frequent basis. A market is deemed inactive if it fails to satisfy the above conditions. In general, increasing or excessive bid-ask spread and lack of transaction volume are considered signs of inactive market.

Public listed and OTC-traded shares are deemed to have satisfied the standard conditions and hence treated as financial assets with active market. Their fair values are determined based on market quotations.

Fair value of equity instruments without public quotation held on hand is estimated using the market comparable company approach, which takes into account an investee's net equity and price-to-book multiple of comparable TWSE/TPEX listed company inferred from market quotation. This estimate has already been adjusted and discounted for equity security's lack of marketability.

### (4.2) Derivative financial instruments

Fair values are determined using pricing models that are widely accepted among market participants, such as the discounted cash flow model and the options pricing model. Forward exchange contracts and currency swap contracts are generally valued based on counterparties' market quotations.

### (5) Transfer between Level 1 and Level 2

There was no transfer in the fair value level of financial instruments evaluated by the Company in 2024 and 2023.

### (6) List of changes in Level 3

	<b>At fair value through other comprehensive income</b>	
	<b>Equity instruments without open quotation</b>	
<b>Balance on January 1, 2024</b>	\$	1,238,617,075
Recognized in other comprehensive income		71,265,658
<b>Balance on December 31, 2024</b>	<b>\$</b>	<b>1,309,882,733</b>
<b>Balance on January 1, 2023</b>	\$	955,656,283
Recognized in other comprehensive income		(185,644,892)
Purchase		64,315,900
Reclassification		33,000,000
<b>Balance on December 31, 2023</b>	<b>\$</b>	<b>1,238,617,075</b>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

- (7) Quantitative information on fair value measurement of significant unobservable input values (Level 3)

Assets that involve the use of level 3 fair value input are financial assets at fair value through other comprehensive income - equity securities.

Assets that have been classified as level 3 fair value input only use one significant and unobservable input.

Quantitative information of significant and unobservable inputs:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant and unobservable input</u>	<u>Relationship between fair value and significant and unobservable input</u>
Financial assets at fair value through other comprehensive income - equity instruments without active market	Market approach	Lack of market liquidity discount (both 17.5% on December 31, 2024 and December 31, 2023)	• The higher discount for lack of liquidity, the lower the fair value

- (8) Sensitivity analysis of fair value to reasonable alternative assumptions for fair value measurement at Level 3

The Company considers its fair value assessment approach of financial instruments to be reasonable, but uses of different valuation model or parameter may lead to different results. For financial instruments classified as level 3 input, impacts to other comprehensive income in the event of a change in valuation parameter are explained below:

<b>Financial assets at fair value through other comprehensive income</b>	<u>Input</u>	<u>Upward/ downward variation</u>	<u>Fair value changes reflected in other comprehensive income</u>	
			<u>Favorable variation</u>	<u>Adverse variation</u>
<b>December 31, 2024</b>				
Equity instruments without active market	Market liquidity discounted 17.5%	1%	<u>\$ 15,876,291</u>	<u>(15,876,291)</u>
<b>December 31, 2023</b>				
Equity instruments without active market	Market liquidity discounted 17.5%	1%	<u>\$ 15,013,710</u>	<u>(15,013,710)</u>

Favorable and adverse variations are determined by how they affect fair value. Fair value is calculated using appropriate valuation technique while incorporating different levels of unobservable input and parameter.

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (XXIII) Financial risk management

#### 1. Summary

Use of financial instrument exposes the Company to the following risks:

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

This footnote discloses exposure, assessment, and management goals, policies, and procedures for the abovementioned risks. For further quantitative disclosures, please see notes to the financial statement.

#### 2. Risk management framework

The Company's Treasury Department and Administrative Department are responsible for establishing risk management policies for various business activities. Both the scope and severity of risk exposures are analyzed to facilitate supervision and management of financial risks associated with the Company's operations. Internal auditors, too, play a supervisory role.

The Company's risk management policy has been established to facilitate identification and analysis of the risks encountered. The policy introduces appropriate risk limits and controls, along with risk supervision practices and compliance requirements. The risk management policy is regularly revised to reflect changes in market condition and the Company's operations.

#### 3. Credit risk

Credit risk refers to the risk of financial losses incurred by the Company due to the inability of customers or counterparties of financial instruments to fulfill contractual obligations, mainly arising from the accounts receivable and bank deposits of the Company's customers.

##### (1) Accounts receivable and other receivables

Credit risk exposure of the aforementioned accounts varies from customer to customer. The management also takes into consideration common factors including default risk of customers' industries and countries, as these risks are also likely to affect credit risk. There was no significant concentration of sales to few customers, and the Company was not susceptible to any significant concentration of credit risk.

The Company has established its own credit policy, which requires every new customer to have credit rating analyzed before being awarded standard payment and delivery terms and payment. Sales limits are assigned on a customer-by-customer basis. The limit represents the maximum amount of uncollected sales proceeds one

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

customer may accumulate without additional approval from the Company, and is regularly reviewed. To mitigate credit risk, the Company requires most of its overseas customers to issue letters of credit.

The Company maintains a doubtful debt account that reflects its estimate of possible losses on notes, accounts, and other receivables. The doubtful debt account is used primarily to account for losses arising from the possibility of debts becoming unrecoverable due to financial distress or business-related dispute of certain customers.

### (2) Bank deposit

Credit risks associated with bank deposit are assessed and monitored by the Company's Treasury Department. The Company transacts and deals only with banks of strong credit standing, hence there is no material concern in terms of contract fulfillment or credit risk exposure.

### 4. Liquidity risk

Liquidity risk is the risk that cannot deliver cash or other financial assets to pay off financial liabilities, and cannot perform related obligations. The Company supervises the financing amount in the bank through management personnel to ensure sufficient funds and compliance with the terms of the loan contract. Meanwhile, it also conducts financing negotiations with financial institutions to maintain a certain credit amount and reduce liquidity risks. As of December 31, 2024 and 2023, the unused bank financing amounts of the Company were NTD 2,823,485,948 and NTD 3,041,683,068, respectively.

### 5. Market risk

Market risk refers to the effect a change of market price may have on the income or value of financial instruments held on hand, whether it is an exchange rate instrument, interest rate instrument, equity instrument or otherwise. The goal of market risk management is to control market risk exposure within a tolerable range while optimizing investment returns.

#### (1) Currency risk

The Company is exposed to exchange rate risks arising from sales, purchases, and loans that are denominated in non-functional currencies. NTD represents the Company's main functional currency. The main denomination currencies of these transactions are the New Taiwan dollar and the US dollar.

Furthermore, the Company adopts natural hedge as a general guideline, and hedges foreign currency capital requirements and net positions (being the difference between foreign currency assets and liabilities) depending on the state of the foreign currency market. Currency swaps are among the most common hedging instruments

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

used, and all of which have maturity shorter than one year.

Loan interests accrue in the same currency as the principals borrowed. Generally speaking, the currency of the loan is the same as the currency of the cash flow generated by the Company's operations, mainly in NT dollars, but also in US dollars. This practice provides effective hedge without use of derivative instruments, hence no hedge accounting is required.

### (2) Interest rate risk

Capital borrowed by the Company may give rise to fair value or cash flow volatility due to exchange rate changes. The Company adopts a policy that monitors changes in the borrowing rate against trends of the market interest rate. It manages interest rate risk by borrowing capital through an appropriate combination of floating rate and fixed rate sources.

### (3) Equity instrument price risk

Equity instrument price risk refers to future price uncertainty associated with the equity instruments held on hand. The Company manages equity instrument price risk through diversification of investment portfolio and regular update of issuers' financial position.

## (XXIV) Capital management

Objectives of the Company's capital management practices are to ensure the ability to sustain operations, deliver shareholder returns, and perform in line with the interests of other stakeholders while maintaining optimal capital structure for minimal funding cost. The Company may maintain or adjust its capital structure by changing the amounts of dividend paid, reducing and refunding share capital back to shareholders, issuing new shares, or liquidating assets against liabilities.

The Company manages capital using debt-to-capital ratio as the primary form of measurement. This ratio is calculated by dividing net liabilities with gross capital. Net liabilities are calculated by deducting cash and cash equivalents from total liabilities, as shown in the balance sheet. Total capital refers to all components of equity (i.e. share capital, capital surplus, retained earnings and other equity) plus net liabilities.

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

The debt to capital ratios on December 31, 2024 and 2023 are as follows:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Total liabilities	\$ 4,322,063,092	4,088,597,662
Less: Cash and cash equivalents	<u>315,405,908</u>	<u>455,844,908</u>
Net liabilities	<u><b>\$ 4,006,657,184</b></u>	<u><b>3,632,752,754</b></u>
Total equity interest	<u><b>\$ 3,542,409,313</b></u>	<u><b>3,447,600,848</b></u>
Gross capital	<u><b>\$ 7,549,066,497</b></u>	<u><b>7,080,353,602</b></u>
Debt-to-capital ratio	<u><b>53.07%</b></u>	<u><b>51.31%</b></u>

The capital management method of the Company remained unchanged as of December 31, 2024.

### (XXV) Non-cash investing and financing activities

The Company did not have non-cash transactions in 2024, and the reconciliations of the liabilities from financing activities in 2023 are as follows:

	<u>January 1, 2022</u>	<u>Cash flow</u>	<u>Changes without cash effect</u>		<u>December 31,</u> <u>2023</u>
			<u>Reclassification</u>	<u>Interest amortization</u>	
Short-term notes and bills payable	\$ 124,699,972	(125,000,000)	-	300,028	-
Short-term loan	3,205,071,179	(211,754,247)	(1,330,000,000)	-	1,663,316,932
Long term borrowings	<u>700,000,000</u>	<u>45,000,000</u>	<u>1,330,000,000</u>	-	<u>2,075,000,000</u>
Total liabilities from financing activities	<u><b>\$ 4,029,771,151</b></u>	<u><b>(291,754,247)</b></u>	<u><b>-</b></u>	<u><b>300,028</b></u>	<u><b>3,738,316,932</b></u>

## VII. Related party transactions

### (I) Name and relationship of related parties

Transactions with related parties during the reporting period of the financial statements are as follows:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Employee Welfare Committee of Kao Hsing Chang Iron & Steel Corp.	Employee welfare committee of the Company
Kao Hsing Smelting & Chemical Fiber Co., Ltd.	A company managed by key management personnel
Upcycle Inc.	A company managed by key management personnel
Sunward Refractories Co., Ltd.	Associated companies of the Company

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Smartway Ark Alliance Co., Ltd.

Associated companies of the Company

### (II) Material transactions with related parties

#### 1. Revenue from sales and scraps

	<u>2024</u>	<u>2023</u>
Kao Hsing Smelting & Chemical Fiber Co., Ltd.	<u>\$ 15,315,829</u>	<u>9,574,985</u>

Proceeds sold to related parties are collected 10 days after month-end via promissory note; proceeds on sale of scraps to non-related parties are collected either within 10 days after month-end or in advance before shipment.

#### 2. Leases

(1) The Company leased an office from the Employee Welfare Committee of Kao Hsing Chang Iron & Steel Corp. for the use of the headquarters. The lease period is from January 1, 2015 to December 31, 2024, and the payment method is a one-off payment of the rent for the lease period at the time of contract signing.

The lease deposits of the aforementioned lease paid on December 31, 2024 and 2023 are both 4,000,000. As of December 31, 2024 and 2023, the balances of the right-of-use assets were NTD 0 and NTD 3,290,280, respectively.

(2) The Company rented out the factory building in Zhuyuan section, Renwu District, Kaohsiung to Sunward Refractories Co., Ltd. in November 2020. The lease period was from November 2020 to November 2025, and the lease deposit collected on December 31, 2024 and 2023 was both NTD 5,000,000. The recognized rental income for 2024 and 2023 were NTD 31,198,838 and NTD 29,052,354, respectively, recognized in the comprehensive income statement as operating income. As of December 31, 2024 and 2023, all receivables arising from the aforementioned transactions have been received.

#### 3. Accounts receivable from related parties

Details of related party receivables are shown below:

<u>Account category</u>	<u>Type of related party</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accounts receivable	A company managed by key management personnel	\$ 2,894,752	-
2. Other receivables	A company managed by key management personnel	<u>355,276</u>	<u>534,813</u>
		<u>\$ 3,250,028</u>	<u>534,813</u>

#### 4. Others

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

- (1) In 2023, Upcycle Inc. processed a capital increase in cash, and the Company increased the investment amount in it by NTD 31,315,900. As of December 31, 2023, the relevant registration changes procedures have been completed.
- (2) As of December 31, 2024 and 2023, the bank short-term loans and short-term notes and bills payable and the credit available were jointly guaranteed by the key management personnel of the Company.
- (3) The Company provided labor services to Smartway Ark Alliance Co., Ltd. in 2024. The labor service revenue generated in 2024 was NTD 1,548,040. The aforementioned service was debited to the operating expenses in the statement of comprehensive income. As of December 31, 2024, the estimated receivables from the aforementioned transactions were NTD 154,034, which were debited to the other receivables in the balance sheet.

### (III) Transactions of key management personnel

Compensation to key management personnel includes the following:

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 10,803,058	10,304,882
Retirement benefits	<u>60,636</u>	<u>64,692</u>
	<b><u>\$ 10,863,694</u></b>	<b><u>10,369,574</u></b>

In addition, the Company also provides cars for management personnel to use. As of December 31, 2024 and 2023, the outstanding balance of such car equipment was NTD 5,590,142 (cost NTD 11,270,000 minus accumulated depreciation NTD 11,663,958) and NTD 563,490 (cost NTD 11,270,000 minus accumulated depreciation NTD 10,706,510). The depreciation expenses for 2024 and 2023 were NTD 957,448 and NTD 375,664, respectively. The Chairman has been assigned a driver, whose salary is determined according to the Company's Employee Salary Policy.

### VIII. Assets collateralized and pledged

Book value of assets pledged by the Company is explained below:

<u>Name of asset</u>	<u>Targets of collateralization and pledge</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Property, plant, and equipment	Short-term loans and long-term loans	\$ 943,486,055	955,031,992
Investment property	Short-term loans and long-term loans	<u>2,007,081,635</u>	<u>2,009,571,539</u>
		<b><u>\$ 2,950,567,690</u></b>	<b><u>2,964,603,531</u></b>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### IX. Major contingent liabilities and unrecognized contractual commitments

- (I) As of December 31, 2024 and 2023, the payable guarantee notes issued by the Company for purchase of goods were NTD 40,950,000 and NTD 41,620,000, respectively.
- (II) As of December 31, 2024 and 2023, the unused balance of letters of credit issued by the Company were NTD 80,163,064 and NTD 39,439,116, respectively.
- (III) As of December 31, 2024 and 2023, the committed amounts of the sales contracts signed by the Company were NTD 13,044,420 and NTD 4,498,632, respectively, and NTD 710,894 and NTD 931,707 were respectively provided as performance bonds (including bid deposits), recognized under guarantee deposits paid in the financial report. If the delivery is not made according to the agreement, a penalty of 1/1000 to 3/1000 of the unpaid portion of the payment will be imposed every day.

### X. Losses from major disasters: None.

### XI. Major post-balance sheet events: None.

### XII. Others

- (I) A summary of employee benefits, depreciation and amortization expenses is listed below by function:

Function	2024			2023		
	Presented as operating cost	Presented as operating expense	Total	Presented as operating cost	Presented as operating expense	Total
<b>By nature</b>						
Employee benefit expenses						
Salary expenses	84,861,405	35,773,133	120,634,538	85,144,817	35,841,593	120,986,410
Labor/health insurance premium	9,984,368	4,067,191	14,051,559	10,065,589	3,837,474	13,903,063
Pension expense	3,876,236	1,716,431	5,592,667	4,408,704	1,687,102	6,095,806
Directors' compensation	-	4,550,998	4,550,998	-	4,338,000	4,338,000
Other employee benefit expenses	5,055,581	1,855,636	6,911,217	5,154,830	1,917,400	7,072,230
Depreciation	51,143,993	8,124,736	59,268,729	50,571,083	7,083,635	57,654,718
Amortization	-	-	-	-	-	-

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

The additional information on the number of employees and employee benefit expenses for 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Number of employees	<u>220</u>	<u>219</u>
No. of directors without concurrent position as employee	<u>6</u>	<u>6</u>
Average employee benefit expenses	<u>\$ 687,804</u>	<u>695,106</u>
Average employee salary expenses	<u>\$ 563,713</u>	<u>568,011</u>
Adjustments to average employee salary expenses	<u>(0.76) %</u>	
Supervisor remuneration	<u>\$ -</u>	<u>-</u>

Information on the Company's salary and remuneration policies (including for directors, managers and employees) is as follows:

- I. Employees' salary and remuneration mainly includes basic compensation (including base salary and special environmental allowances), year-end bonuses and performance bonuses.
  1. Salary payment standards are determined based on the salary market situation, company operation status and organizational structure. Furthermore, it will be adjusted in due course according to market salary dynamics, changes in the overall economy and industrial climate and governmental laws and regulations.
  2. Employees' salary and remuneration are determined based on the academic experience, professional knowledge and skills, professional seniority and experience and personal performance, and do not differ based on age, gender, race, religion, political stance, marital status, or affiliation with the labor union.
  3. Bonuses are paid based on the Company's operational performance and individual employee's performance.
  4. The starting salary standards for inexperienced and foreign workers comply with government regulations.
  5. According to the articles of association of the Company, if the Company has a profit in the year, no less than 0.5% shall be allocated as employees' remuneration. However, profits must first be taken to offset against cumulative losses if any.
- II. Managers' salary and remuneration are based on factors such as the Company's business strategy, profitability, performance and job contribution, with reference to the salary market level, including salary, job allowance, severance pay, various bonuses, rewards and allowances. In addition, according to the articles of incorporation of the Company, if there is any profit in the year, no less than 0.5% shall be allocated as employees' remuneration. However, profits must first be taken to offset against cumulative losses if any.
- III. Other than a fixed monthly fee for business execution, the remuneration of the Chairman

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

also includes salary, various bonuses and rewards. In addition, according to the articles of incorporation of the Company, if there is any profit in the year, no less than 5% shall be allocated as directors' remuneration. However, profits must first be taken to offset against cumulative losses if any.

### XIII. Other disclosures

#### (I) Information Related to Significant Transactions

The information related to major transactions that the Company is required to disclose in accordance with the Regulations Governing the Preparation of Financial Reports for 2024 is as follows:

1. Loans to others: None.
2. Endorsement and guarantee for others: None.
3. Holding of securities at the end of the period (excluding investment in subsidiaries, affiliates and joint venture equity):

Holder	Name and type of securities	Relationship with the securities issuer	Account category	Closing amount				Remarks
				Shares	Book value	Shareholding percentage	Fair value	
The Company	Share/China Steel Chemical	-	Current financial assets at fair value through other comprehensive income	730,000	67,233,000	0.31%	67,233,000	
The Company	Stocks/ ASE Technology Holding	-	Current financial assets at fair value through other comprehensive income	50,000	8,100,000	- %	8,100,000	
The Company	Stock/Cleanaway	-	Current financial assets at fair value through other comprehensive income	700,000	126,000,000	0.64%	126,000,000	
The Company	Share/ChainQui Construction Development	-	Current financial assets at fair value through other comprehensive income	93,000	1,501,950	0.04%	1,501,950	
The Company	Stocks/Eternal Materials	-	Current financial assets at fair value through other comprehensive income	1,000,000	27,800,000	0.08%	27,800,000	
The Company	Stock/AOpen Inc.	-	Current financial assets at fair value through other comprehensive income	300,000	14,595,000	0.38%	14,595,000	
The Company	Share/Yageo	-	Current financial assets at fair value through other comprehensive income	170,000	91,970,000	0.03%	91,970,000	
The Company	Stock/Kaimei	-	Current financial assets at fair value through other comprehensive income	1,600,000	110,400,000	1.56%	110,400,000	

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Holder	Name and type of securities	Relationship with the securities issuer	Account category	Closing amount				Remarks
				Shares	Book value	Shareholding percentage	Fair value	
The Company	Stock/Walsin Technology	-	Current financial assets at fair value through other comprehensive income	2,000,000	47,400,000	0.05%	47,400,000	
The Company	Stock/Episil Technologies	-	Current financial assets at fair value through other comprehensive income	1,000,000	49,650,000	0.26%	49,650,000	
The Company	Stock/Quanta Computer	-	Current financial assets at fair value through other comprehensive income	250,000	71,750,000	0.01%	71,750,000	
The Company	Share/Sunspring Metal	-	Current financial assets at fair value through other comprehensive income	300,000	9,930,000	0.15%	9,930,000	
The Company	Stock/Hon Hai Precision Industry	-	Current financial assets at fair value through other comprehensive income	200,000	36,800,000	- %	36,800,000	
The Company	Share/Win Semiconductors	-	Current financial assets at fair value through other comprehensive income	250,000	28,000,000	0.06%	28,000,000	
The Company	Stock/Giga-Byte Technology	-	Current financial assets at fair value through other comprehensive income	250,000	68,125,000	0.04%	68,125,000	
The Company	Stock/Far Eastone Telecommunications	-	Current financial assets at fair value through other comprehensive income	600,000	53,640,000	0.02%	53,640,000	
The Company	Stock/Airoha Technology	-	Current financial assets at fair value through other comprehensive income	120,000	84,480,000	0.08%	84,480,000	
The Company	Stock/VisEra Technologies	-	Current financial assets at fair value through other comprehensive income	150,000	46,125,000	0.07%	46,125,000	
The Company	Stock/Inventec	-	Current financial assets at fair value through other comprehensive income	1,100,000	55,110,000	0.03%	55,110,000	
The Company	Stock/Chang Wah Technology Co., LTD.	-	Current financial assets at fair value through other comprehensive income	700,000	23,380,000	0.07%	23,380,000	
The Company	Stock/ Acer E-Enabling Service Business	-	Current financial assets at fair value through other comprehensive income	65,000	18,687,500	0.16%	18,687,500	
The Company	Stock/Episil-Precision	-	Current financial assets at fair value through other comprehensive income	100,000	4,715,000	0.03%	4,715,000	

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Holder	Name and type of securities	Relationship with the securities issuer	Account category	Closing amount				Remarks
				Shares	Book value	Shareholding percentage	Fair value	
The Company	stock/AMAX-KY	-	Current financial assets at fair value through other comprehensive income	250,000	52,375,000	0.06%	52,375,000	
The Company	Stock/KINIK	-	Current financial assets at fair value through other comprehensive income	50,000	14,325,000	0.03%	14,325,000	
The Company	Stock/Novatek Microelectronics Corp.		Current financial assets at fair value through other comprehensive income	50,000	25,100,000	0.01%	25,100,000	
The Company	Stock/Caliway Biotech		Current financial assets at fair value through other comprehensive income	10,000	6,150,000	0.01%	6,150,000	
The Company	Stock/ITH-KY		Current financial assets at fair value through other comprehensive income	70,000	3,836,000	0.01%	3,836,000	
The Company	Share/Chunghwa Picture Tubes	-	Non-current financial assets at fair value through other comprehensive income	71,210	-	-	-	
The Company	Share/CSGT Metals Vietnam Joint Stock Company	-	Non-current financial assets at fair value through other comprehensive income	1,328,940	41,936,593	6.00%	41,936,593	
The Company	Share/Universal Venture Capital Investment Crop.	-	Non-current financial assets at fair value through other comprehensive income	1,400,000	12,628,000	1.16%	12,628,000	
The Company	Share/KHH Arena Corporation	-	Non-current financial assets at fair value through other comprehensive income	5,000,000	75,528,750	2.00%	75,528,750	
The Company	Stock/Apex Logistic	-	Non-current financial assets at fair value through other comprehensive income	350,000	2,870,000	5.15%	2,870,000	
The Company	Share/ENRESTEC Inc.	The Company is a director of the securities issuer	Non-current financial assets at fair value through other comprehensive income	19,101,651	295,951,430	18.71%	295,951,430	
The Company	Stock/Guangdong Haowei Electronics Co., Ltd.	The Company is a director of the securities issuer	Non-current financial assets at fair value through other comprehensive income	28,014,706	759,590,704	18.68%	759,590,704	
The Company	Stock/Upcycle Inc.	The Company is a director of the securities issuer	Non-current financial assets at fair value through other comprehensive income	8,846,900	121,377,256	8.48%	121,377,256	

4. Aggregate purchases or sales of the same securities reaching NT\$300 million or 20 percent of paid-in capital or more: None

5. Acquisition of real estate reaching NT\$300 million or 20 percent of paid-in capital or

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

- more: None.
6. The amount of property disposed of reaches NTD 300 million or 20% of the paid-in capital: None.
  7. The amount of related parties' purchase or sale of goods reaches NTD 100 million or 20% of the paid-in capital: None.
  8. The amount of accounts receivable from related parties reaches NTD 100 million or 20% of the paid-in capital:
  9. Engagement in derivative instrument trading: None.

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

### (II) Information Related to reinvestments

The information on the Company's reinvestments in 2024 is as follows (excluding mainland investments):

Name of investor	Name of investee	Location	Main business activities	Sum of initial investment		Period-end holding position			Current period profit/loss of the investee	Investment gains/losses recognized in the current period	Remarks
				End of current period	End of previous year	Shares	Ratio	Book value			
The Company	KHC Steel International Corp.	Gushan District, Kaohsiung City	Trading of steel pipes and steel sheets	105,800,000	105,800,000	7,280,000	38.32%	200,802,257	10,134,207	3,882,627	-
The Company	Hsieh Chang Hsing Trading Co., Ltd.	Gushan District, Kaohsiung City	Holding of various production and banking businesses	171,728,510	171,728,510	17,172,851	45.79%	375,585,800	25,526,239	11,688,466	-
The Company	Sunward Refractories Co., Ltd.	Renwu District, Kaohsiung City	Ceramic products and refractory material manufacturing	107,906,001	107,906,001	4,588,600	20.00%	85,534,192	23,039,227	4,607,845	-
The Company	Smartway Ark Alliance Co., Ltd.	Gushan District, Kaohsiung City	Real estate construction	99,000,000	99,000,000	9,900,000	45.00%	97,649,288	(1,296,121)	(583,254)	-
The Company	Da Dong Metroway Alliance CO., LTD.	Qianzhen District, Kaohsiung City	Real estate construction	35,000,000	-	3,500,000	35.00%	35,057,341	163,831	57,341	-
The Company	Da Gang Metroway Alliance CO., LTD.	Qianzhen District, Kaohsiung City	Real estate construction	31,500,000	-	3,150,000	35.00%	31,526,759	76,455	26,759	-

(III) Mainland investment information: None.

(IV) Major shareholder information

Unit: Shares

Name	Shares	Number of shares held	Percentage of shareholding
Huida Investment Co., Ltd.		40,999,312	21.48%
Tai-Rung Lu		27,551,329	14.43%
Hsieh Chang Hsing Trading Co., Ltd.		26,007,915	13.62%
Lu Ho-Lin		16,426,010	8.60%
KHC Steel International Corp.		15,784,000	8.27%

The Company has applied to Taiwan Depository and Clearing Corporation to obtain the information listed in this table to explain the following matters:

- (1) The major shareholder information in this table is compiled by the Taiwan Depository and Clearing Corp. on the last business day at the end of each quarter by calculating the total number of ordinary shares held by each shareholder in the Company (including treasury shares) settled via scripless registration and exceeding 5% in total. As for the share capital recorded in the Company's financial statements and the Company's actual completed non-physical registration of the number of shares delivered, there may be differences or discrepancies due to different calculation bases.
- (2) If the data above pertains to shares delivered by shareholders to a trust, it is disclosed in

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

individual sub-accounts under the trustee's special trust account. As for shareholders' declarations of insider equity holdings exceeding 10% in accordance with the Securities and Exchange Act, such shareholdings include personal shareholdings plus the shares delivered to a trust and have the right to use the trust property, and so on. For information on insider equity declarations, please refer to the Market Observation Post System.

### XIV. Segment information

- (I) Information on the profit or loss, assets, liabilities and their measurement basis and adjustments of departments to be reported

The management allocates resources and evaluates segment performance based on pre-tax segment profits (excluding extraordinary gains/losses and exchange gains/losses), as shown on internal management reports verified by the main operational decision maker. Due to the fact that income tax, extraordinary gains/losses, and exchange gains/losses are managed at the group level, the Company does not allocate income tax expenses (benefits), extraordinary gains/losses, and exchange gains/losses to reporting segments. The reported amounts are consistent with the amounts used by the management for decision-making.

Accounting policies adopted by various operating segments are consistent with those described in Note IV - "Summary of significant accounting policies."

Disclosure and reconciliation of segment information:

	<b>Steel Pipe Department</b>	<b>Others</b>	<b>Reconciliation and elimination</b>	<b>Total</b>
<b>2024</b>				
Revenues:				
Revenues from external customers	\$ 1,361,982,429	96,384,628	-	1,458,367,057
Inter-segment revenues	-	-	-	-
Total revenues	<u>\$ 1,361,982,429</u>	<u>96,384,628</u>	<u>-</u>	<u>1,458,367,057</u>
Interest expenses	<u>\$ -</u>	<u>-</u>	<u>(92,889,500)</u>	<u>(92,889,500)</u>
Depreciation and amortization	<u>\$ 40,969,674</u>	<u>6,062,998</u>	<u>12,236,057</u>	<u>59,268,729</u>
Share of equity- accounted associated companies	<u>\$ -</u>	<u>-</u>	<u>19,679,784</u>	<u>19,679,784</u>
Profit/loss of reported segment	<u>\$ 83,767,572</u>	<u>(9,519,584)</u>	<u>(4,651,969)</u>	<u>69,596,019</u>
Assets:				

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

	<u>Steel Pipe Department</u>	<u>Others</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Equity-accounted investments	\$ -	-	826,155,637	826,155,637
Capital spending for non-current assets	\$ 35,583,000	1,201,000	11,491,400	48,275,400
Assets of reported segment	\$ 1,529,627,203	20,492,957	6,314,352,245	7,864,472,405
<b>2023</b>				
Revenues:				
Revenues from external customers	\$ 1,351,761,474	108,533,482	-	1,460,294,956
Inter-segment revenues	-	-	-	-
Total revenues	\$ 1,351,761,474	108,533,482	-	1,460,294,956
Interest expenses	\$ -	-	(88,661,943)	(88,661,943)
Depreciation and amortization	\$ 41,248,065	5,440,987	10,965,666	57,654,718
Share of equity-accounted associated companies	\$ -	-	15,301,187	15,301,187
Profit/loss of reported segment	\$ 75,399,917	(13,278,708)	350,050,322	412,171,531
Assets:				
Equity-accounted investments	\$ -	-	629,036,658	629,036,658
Capital spending for non-current assets	\$ 31,290,413	2,235,000	2,205,000	35,730,413
Assets of reported segment	\$ 1,661,487,746	20,830,770	5,853,879,994	7,536,198,510

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Significant reconciliation of information between the reporting segments mentioned above:

1. Undistributed gains and losses of departments to be reported:

	<u>2024</u>	<u>2023</u>
Gain on disposal of non-current assets classified as held for sale	\$ -	329,307,124
Gain on disposal of property, plant and equipment	-	192,667
Financial costs – interest expenses	(92,889,500)	(88,661,943)
Others	<u>88,237,531</u>	<u>109,212,474</u>
Total	<u><u>\$ (4,651,969)</u></u>	<u><u>350,050,322</u></u>

2. Assets of departments not to be reported:

	<u>2024</u>	<u>2023</u>
Cash and bank deposits	\$ 315,315,908	455,754,908
Equity-accounted investments	826,155,637	629,036,658
Property, plant, and equipment	622,033,065	616,406,121
Right-of-use asset	-	3,290,280
Investment property	2,021,901,374	2,024,890,855
Financial assets at fair value through other comprehensive income	2,457,061,183	2,044,609,125
Others	<u>71,885,078</u>	<u>79,892,047</u>
Total	<u><u>\$ 6,314,352,245</u></u>	<u><u>5,853,879,994</u></u>

(II) Information by region

Disclosure of regional information is as follows. Income location is determined based on customers' geographic presence, whereas location of non-current assets is determined based on the asset's physical presence.

<u>Location</u>	<u>2024</u>	<u>2023</u>
Revenues from external customers:		
Taiwan	\$ 1,376,088,138	1,326,811,348
United States	81,481,577	132,768,394
Japan	<u>797,342</u>	<u>715,214</u>
	<u><u>\$ 1,458,367,057</u></u>	<u><u>1,460,294,956</u></u>
<u>Location</u>	<u>113.12.31</u>	<u>112.12.31</u>
Non-current assets:		
Taiwan	<u><u>\$ 3,515,171,280</u></u>	<u><u>3,526,164,609</u></u>

## Notes to Financial Statements of Kao Hsing Chang Iron & Steel Corp. (continued)

Non-current assets include property, plant, and equipment, investment property, and right-of-use assets, but exclude non-current financial instruments and retirement benefits.

### (III) Major customer information

<u>Customer</u>	<u>2024</u>	<u>2023</u>
#22198499	\$ 503,351,197	471,906,377
#86454661	262,073,403	232,126,704
#84289961	154,848,012	125,758,195
	<u>\$ 920,272,612</u>	<u>829,791,276</u>

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

**Schedule of cash and cash equivalents**

**December 31, 2024**

**Unit: NTD**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash dividends	Reserve cash	\$ 259,195
Cash in banks	Check deposit	9,818,775
	Demand deposit	273,645,239
	Foreign currency deposit (USD 966,377.91, exchange rate 32.785)	<u>31,682,699</u>
Total		<u><b>\$ 315,405,908</b></u>

## Kao Hsing Chang Iron & Steel Corp.

### Schedule of financial assets at fair value through other comprehensive income - current

December 31, 2024

Unit: NTD

Financial instruments	Number of shares/ Number of units	Face value	Total	Acquisition cost	Fair value		Provision of guarantee or collateral	
					Unit price	Total		
KINIK	Listed shares	50,000	\$ 10	500,000	15,261,714	286.50	14,325,000	None
Inventec	Listed shares	1,100,000	10	11,000,000	55,663,437	50.10	55,110,000	None
Episil-Precision	Listed shares	100,000	10	1,000,000	7,057,938	47.15	4,715,000	None
China Steel Chemical	Listed shares	730,000	10	7,300,000	77,311,093	92.10	67,233,000	None
ASE Technology Holding	Listed shares	50,000	10	500,000	7,629,457	162.00	8,100,000	None
Novatek Microelectronics	Listed shares	50,000	10	500,000	25,003,409	502.00	25,100,000	None
Chang Wah Technology	TPEX listed shares	700,000	10	7,000,000	25,348,583	33.40	23,380,000	None
Cleanaway Company Limited	Listed shares	700,000	10	7,000,000	137,895,192	180.00	126,000,000	None
ChainQui Construction Development	Listed shares	93,000	10	930,000	3,352,906	16.15	1,501,950	None
Acer E-Enabling Service Business	TPEX listed shares	65,000	10	650,000	18,850,793	287.50	18,687,500	None
Caliway Biotech	Listed shares	10,000	10	100,000	5,626,018	615.00	6,150,000	None
VisEra Technologies Company Limited.	Listed shares	150,000	10	1,500,000	43,939,589	307.50	46,125,000	None
AMAX-KY	Listed shares	250,000	10	2,500,000	75,927,061	209.50	52,375,000	None
Eternal Materials	Listed shares	1,000,000	10	10,000,000	35,103,899	27.80	27,800,000	None
ITH-KY	Listed shares	70,000	10	700,000	3,716,286	54.80	3,836,000	None
Yageo	Listed shares	170,000	10	1,700,000	88,866,465	541.00	91,970,000	None
Kaime Electronic Corp.	Listed shares	1,600,000	10	16,000,000	146,031,858	69.00	110,400,000	None
Walsin Lihwa Corporation	Listed shares	2,000,000	10	20,000,000	90,613,184	23.70	47,400,000	None
Episil Technologies	TPEX listed shares	1,000,000	10	10,000,000	65,050,404	49.65	49,650,000	None
Sunspring Metal	Listed shares	300,000	10	3,000,000	14,272,864	33.10	9,930,000	None
Hon Hai Precision Industry	Listed shares	200,000	10	2,000,000	38,444,702	184.00	36,800,000	None
Win Semiconductors	TPEX listed shares	250,000	10	2,500,000	60,527,565	112.00	28,000,000	None
Giga-Byte Technology	Listed shares	250,000	10	2,500,000	73,037,126	272.50	68,125,000	None
Quanta Computer	Listed shares	250,000	10	2,500,000	70,445,737	287.00	71,750,000	None
AOpen Onc.	Listed shares	300,000	10	3,000,000	24,983,426	48.65	14,595,000	None
Far EasTone Telecommunications	Listed shares	600,000	10	6,000,000	76,474,839	89.40	53,640,000	None
Airoha Technology	Listed shares	120,000	10	1,200,000	79,416,100	704.00	84,480,000	None
<b>Total</b>					<b>\$ 1,365,851,645</b>		<b>1,147,178,450</b>	

### Notes receivable schedule

Customer name	Summary	Amount
#29129785	Operation and business	<b>\$ 311,597</b>

**Kao Hsing Chang Iron & Steel Corp.****Schedule of net accounts receivable****December 31, 2024****Unit: NTD**

<b>Customer name</b>	<b>Summary</b>	<b>Amount</b>
Related party:		
Kao Hsing Smelting & Chemical Fiber Co., Ltd.	Operation and business	\$ 2,894,752
Non-related party:		
#22198499	Operation and business	43,538,751
#86454661	Operation and business	21,458,058
#86220355	Operation and business	14,420,644
#84289961	Operation and business	8,772,454
Others (if the balance of each account is less than 5% of accounts receivable, it shall be reported together)	Operation and business	<u>12,070,499</u>
Total		<b><u>\$ 103,155,158</u></b>

**Schedule of other net receivables**

<b>Item</b>	<b>Summary</b>	<b>Amount</b>
Related party:		
Income receivable from sale of scrap		\$ 355,276
Personnel service fee receivable		154,034
Non-related party:		
Income receivable from sale of scrap		1,117,350
Income from dividends receivable		326,996
Receivable purchase discounts		73,301
Receivables from scaffolding		470,460
Others		<u>47,572</u>
Total		2,544,989
Less: Allowance for bad debts		<u>(470,460)</u>
Net		<b><u>\$ 2,074,529</u></b>

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

**Schedule of inventories**

**December 31, 2024**

**Unit: NTD**

<b>Item</b>	<b>Amount</b>	
	<b>cost</b>	<b>Net realizable value</b>
Finished goods	\$ 214,242,669	225,074,179
Less: loss provisions	<u>(17,256,865)</u>	
Subtotal	<u>196,985,804</u>	
Work-in-progress	127,012,469	152,378,420
Less: loss provisions	<u>(667,619)</u>	
Subtotal	<u>126,344,850</u>	
Raw materials	196,430,008	289,726,287
Less: loss provisions	<u>(38,168)</u>	
Subtotal	<u>196,391,840</u>	
Materials	81,488,374	89,812,182
Less: loss provisions	<u>(3,614)</u>	
Subtotal	<u>81,484,760</u>	
Inventory in transit	1,465,424	1,465,424
Scraps	<u>85,617</u>	85,617
Total	<u><u>\$ 602,758,295</u></u>	

**Schedule of other current assets**

For information concerning other current assets please refer to Note VI (X)

## Kao Hsing Chang Iron & Steel Corp.

### Financial assets measured at fair value through other comprehensive gains and losses - schedule of non-current changes

January 1 to December 31, 2024

Unit: NTD

Name	Beginning of period		Increase in the current period		Decrease in the current period		End of period		Provision of guarantee or pledge
	Shares	Fair value	Shares	Amount	Shares	Amount	Shares	Fair value	
Universal Venture Capital Investment Corporation	1,400,000	\$ 12,740,000	-	-	-	112,000 <sup>(Note 1)</sup>	1,400,000	12,628,000	None
Hanwei Arena Development Co., Ltd.	5,000,000	77,096,250	-	-	-	1,567,500 <sup>(Note 1)</sup>	5,000,000	75,528,750	None
CSGT Metals Vietnam Joint Stock Company	1,328,940	57,119,417	-	-	-	15,182,824 <sup>(Note 1)</sup>	1,328,940	41,936,593	None
ENRESTEC Inc.	19,101,651	272,785,904	-	23,165,526 <sup>(Note 1)</sup>	-	-	19,101,651	295,951,430	None
Guangdong Haowei Electronics Co., Ltd.	28,014,706	679,254,284	-	80,336,420 <sup>(Note 1)</sup>	-	-	28,014,706	759,590,704	None
Apex Logistic CO., LTD.	350,000	4,084,500	-	-	-	1,214,500 <sup>(Note 1)</sup>	350,000	2,870,000	None
Upcycle Inc.	8,846,900	135,536,720	-	-	-	14,159,464 <sup>(Note 1)</sup>	8,846,900	121,377,256	None
Chunghwa Picture Tubes	71,210	-	-	-	-	-	71,210	-	None
<b>Total</b>		<b><u>\$ 1,238,617,075</u></b>		<b><u>103,501,946</u></b>		<b><u>32,236,288</u></b>		<b><u>1,309,882,733</u></b>	

Note 1: This is the number of changes in the evaluation of the current period.

**Kao Hsing Chang Iron & Steel Corp.**  
**Schedule of changes in investments accounted for using equity**  
**method**

**January 1 to December 31, 2024**

**Unit: NTD**

Name	Balance at the beginning of the period		Increase in the current period		Decrease in the current period		Balance at the end of period			Market price or net equity value		Provision of guarantee or pledge
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Percentage of shareholding	Amount	Unit price	Total price	
C Steel International Corp.	7,280,000	\$ 165,770,897	-	42,311,360 (註1)	-	7,280,000 (註5)	7,280,000	38.32%	200,802,257	27.58	200,802,257	None
eh Chang Hsing Trading Co., Ltd.	17,172,851	284,106,872	-	91,478,928 (註2)	-	-	17,172,851	45.79%	375,585,800	21.87	375,585,800	None
ward Refractories Co., Ltd.	4,588,600	80,926,347	-	4,607,845 (註3)	-	-	4,588,600	20.00%	85,534,192	18.64	85,534,192	None
artway Ark Alliance Co., Ltd.	9,900,000	98,232,542	-	-	-	583,254 (註4)	9,900,000	45.00%	97,649,288	9.86	97,649,288	None
Dong Metroway Alliance CO., LTD.	-	-	3,500,000	35,057,341 (註6)	-	-	3,500,000	35.00%	35,057,341	10.02	35,057,341	None
Gang Metroway Alliance CO., LTD.	-	-	3,150,000	31,526,759 (註7)	-	-	3,150,000	35.00%	31,526,759	10.01	31,526,759	None
<b>Total</b>		<b>\$ 629,036,658</b>		<b>204,982,233</b>		<b>7,863,254</b>			<b>826,155,637</b>		<b>826,155,637</b>	

Note 1: This is the investment profit recognized in the current period of NTD 3,882,627, and the proportional unrealized profit of the invested company's financial assets recognized is NTD 26,766,572 and disposal of stock interest is NTD 11,662,161.

Note 2: This is the investment profit recognized in the current period of NTD 11,688,466, and the proportional unrealized profit of the invested company's financial assets recognized is NTD 79,790,462.

Note 3: This is the investment benefit recognized in the current period.

Note 4: Investment losses recognized in the current period.

Note 5: This is the cash dividend received from the invested company.

Note 6: This is the acquired equity of Da Dong Metroway Alliance CO., LTD. for NT\$35,000,000 and investment benefit recognized in the current period for NT\$57,341.

Note 7: This is the acquired equity of Da Gang Metroway Alliance CO., LTD. for NT\$31,500,000 and investment benefit recognized in the current period: NT\$26,759.

**Kao Hsing Chang Iron & Steel Corp.**  
**Schedule of changes in property, plant, and  
equipment**

**January 1 to December 31, 2024**

**Unit: NTD**

For information about changes in property, plant and equipment, please refer to Note VI (VII).

**Schedule of changes in accumulated  
depreciation of property, plant and  
equipment**

<u>Item</u>	<u>Opening balance</u>	<u>Increase in the period</u>	<u>Decrease in the period</u>	<u>Closing balance</u>
Buildings	\$ 1,012,943,298	18,183,598	-	1,031,126,896
Machinery	1,377,058,555	26,370,511	-	1,403,429,066
Others	149,210,006	6,884,859	-	156,094,865
<b>Total</b>	<b>\$ 2,539,211,859</b>	<b>51,438,968</b>	<b>-</b>	<b>2,590,650,827</b>

**Schedule of accumulated impairment  
changes of property, plant and equipment**

<u>Item</u>	<u>Opening balance</u>	<u>Increase in the period</u>	<u>Decrease in the period</u>	<u>Closing balance</u>
Buildings	\$ 164,221,155	-	-	164,221,155
Machinery	814,925,813	-	-	814,925,813
Others	97,140,483	-	-	97,140,483
<b>Total</b>	<b>\$ 1,074,661,010</b>	<b>-</b>	<b>-</b>	<b>1,076,287,451</b>

**Kao Hsing Chang Iron & Steel Corp.**  
**Schedule of Changes in Right-of-Use Assets**  
**January 1 to December 31, 2024**

**Unit: NTD**

Please refer to Note 6 (8) for information on changes in right-of-use assets.

**Schedule of Changes in Accumulated  
Depreciation of Right-of-Use Assets**

Please refer to Note 6 (8) for relevant information on changes in accumulated depreciation of right-of-use assets.

**Kao Hsing Chang Iron & Steel Corp.**  
**Schedule of changes in invested real estate**

**January 1 to December 31, 2024**

**Unit: NTD**

For information about changes in invested real estate, please refer to Note VI (IX).

**Schedule of changes in accumulated  
depreciation of invested real estate**

Please refer to Note 6 (9) for relevant information on changes in accumulated depreciation of investment property.

**Schedule of guarantee deposits paid  
December 31, 2024**

<b>Item</b>	<b>Summary</b>	<b>Amount</b>
Guarantee deposits paid	performance bonds and bid deposit	\$ 710,894
	rental deposit	4,000,000
	Others	6,500
Total		<b>\$ 4,717,394</b>

## Kao Hsing Chang Iron & Steel Corp.

### Schedule of short-term loans

December 31, 2024

Unit: NTD

<u>Loan type</u>	<u>Explanation</u>	<u>Closing balance</u>	<u>Contract period</u>	<u>Interest rate range</u>	<u>Financing amount</u>	<u>Mortgage or collateral</u>
Loans under L/C	Changhua Bank	\$ 242,904,052	Within one year	2.35%	Total amount 1,900,000,000	Land
Secured loans	Changhua Bank	900,000,000	Within one year	2.39%	Total amount 1,900,000,000	Land
Secured loans	Fubon Bank	500,000,000	Within one year	2.300%	Total amount 500,000,000	Land
Secured loans	Bank of Taiwan	100,000,000	Within one year	2.385%	Total amount 150,000,000	Land
Secured loans	Shin Kong Bank	<u>35,000,000</u>	Within one year	2.100%	Total amount 35,000,000	Land
Total		<u>\$ 1,777,904,052</u>				

### Schedule of bills payable

<u>Supplier</u>	<u>Summary</u>	<u>Amount</u>
#23201198	Business	\$ 5,339,303
#79438907	Business	1,367,650
#81082380	Business	1,313,288
#13189076	Business	1,170,750
Others (if the balance of each account is less than 5% of notes payable, it shall be reported together)	Business	<u>9,175,418</u>
Total		<u>\$ 18,366,409</u>

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

**Schedule of other bills payable**

**December 31, 2024**

**Unit: NTD**

<u>Payment counterparty</u>	<u>Summary</u>	<u>Amount</u>
Each shareholder	Capital reduction and refund of shares	\$ 5,559,110
Each shareholder	Dividends	1,822,793
#13189076	Funds for equipment	2,320,500
#81082380	Funds for equipment	803,250
Others (if the balance of each account is less than 5% of other notes payable, it shall be reported together)		<u>490,064</u>
Total		<u><b>\$ 10,995,717</b></u>

**Schedule of accounts payable**

<u>Supplier</u>	<u>Summary</u>	<u>Amount</u>
#23201198	Business	\$ 19,828,707
#27208480	Business	1,541,753
#84723705	Business	1,935,862
Others (if the balance of each account is less than 5% of accounts payable, it shall be reported together)	Business	<u>7,199,905</u>
Total		<u><b>\$ 30,506,227</b></u>

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

**Schedule of other payables**

**December 31, 2024**

**Unit: NTD**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Salary and bonus		\$ 14,035,090
Paid leave		7,185,117
Utility bills		2,962,104
Tax		2,807,238
Stock delivery payment		15,217,652
Freight and customs declaration fee		7,915,907
Cargo allowance		1,594,407
Funds for equipment		4,791,150
Pension		773,488
Repair costs		1,540,730
Labor health insurance		1,133,592
Guarantee deposits – current		8,185,716
Interest		5,472,788
Other		11,314,689
Total		<u>\$ 84,929,668</u>

**Schedule of other current liabilities**

Please refer to Note 6 (12) for information about other current liabilities schedule.

## Kao Hsing Chang Iron & Steel Corp.

### Schedule of long-term loans

December 31, 2024

Unit: NTD

Creditor	Summary	Borrowing amount			Contract period	Interest rate	Mortgage or guarantee
		Due within one year	Due after one year or more	Total			
Changhua Bank	Secured loans	\$ 65,885,246	597,114,754	663,000,000	Oct. 23, 2020–Oct 23, 2030	2.68%	Land
Huatai Bank	Secured loans	-	1,400,000,000	1,400,000,000	Oct. 21, 2024–Oct 16, 2025	2.65%	Land
Huatai Bank	Secured loans	-	113,610,000	113,610,000	Dec. 12, 2024–Oct 16, 2025	2.75%	Land
Total		<u>\$ 65,885,246</u>	<u>2,110,724,754</u>	<u>2,176,610,000</u>			

### Schedule of deferred income tax liabilities

Item	Summary	Amount
Land revaluation value-added tax provision	Property, plant and equipment — Land	\$ 138,600,366
	Investment property	<u>57,559,607</u>
Total		<u>\$ 196,159,973</u>

### Schedule of guarantee deposits received

Item	Summary	Amount
Guarantee deposits received	Land lease deposit	<u>\$ 5,000,000</u>

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

**Schedule of net operating income**

**January 1 to December 31, 2024**

**Unit: NTD**

<b>Item</b>	<b>quantity (KG)</b>	<b>Amount</b>
Steel pipes	32,138,296	\$ 1,333,580,298
Hot rolled steel coil	2,739,831	56,448,401
Zinc products	383,778	28,402,131
Others	32,819	85,083
Rental income		<u>39,851,144</u>
Total		<u><b>\$ 1,458,367,057</b></u>

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

**Schedule of operating costs**

**January 1 to December 31, 2024**

**Unit: NTD**

Item	Amount
Direct raw materials	
Beginning stock	\$ 255,501,663
Plus: Feedstock this period	685,323,331
Inventory at the end of period	(196,430,008)
Direct raw materials consumed in this period	744,394,986
Direct labor	66,967,978
Manufacturing expenses	309,505,815
Unallocated manufacturing overheads	(32,650,227)
Manufacturing costs	1,088,218,552
Work in progress at the beginning of the period	91,872,202
Plus: Outsourcing	18,136,314
inventory profit	31,456
Less: Self-use	(11,016)
Work in progress at the end of the period	(127,012,469)
Cost of finished goods for the current period	1,071,235,039
Finished goods at beginning of period	264,534,244
Plus: Outsourcing	96,526,095
inventory profit	50,366
Less: Self-use	(203,877)
Finished goods at end of period	(214,242,669)
Cost of goods sold before adjustment	1,217,899,198
Cost of goods sold plus (minus) adjustment	
Income from sale of scrap	(17,198,269)
Net inventory profit	(81,822)
Gain from price recovery of inventory	(12,840,519)
Unallocated manufacturing overheads	32,650,227
Others	5,794,475
Adjusted cost of goods sold	1,226,223,290
Processing costs	75,500
Leasing costs	11,234,144
Operating costs	<b>\$ 1,237,532,934</b>

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

**Schedule of selling expenses**

**January 1 to December 31, 2024**

**Unit: NTD**

<b>Item</b>	<b>Summary</b>	<b>Amount</b>
Salary	Employee salary, overtime pay and bonus	\$ 9,107,786
Shipping expense	Sales freight expense	21,202,141
Warehouse rent and assembling and disassembling expense	Warehouse rent at customs, etc.	1,293,410
Others	Rent, utilities, pension, labor and health insurance, entertainment expenses, etc.	<u>6,365,649</u>
Total		<u><b>\$ 37,968,986</b></u>

**Schedule of management expenses**

<b>Item</b>	<b>Summary</b>	<b>Amount</b>
Salary	Employee salary, overtime pay and bonus	\$ 30,142,145
Entertainment expenses	Entertainment expenses	22,724,190
Labor expenses	Public expenses for services such as lawyers and accountants	2,432,000
Utility bills	Utility bills for office premises	1,306,864
Tax	Housing tax and land value tax, etc.	4,662,726
Pension	Employee pensions	1,203,694
Others	Stationery printing, training expenses, post and telecommunications expenses, travel expenses and repair expenses, etc.	<u>19,819,097</u>
Total		<u><b>\$ 82,290,716</b></u>

**Schedule of non-operating income and expenses**

For information on non-operating income and expenses, please refer to Note VI (XXI).

Kao Hsing Chang Iron & Steel Corp.



Chairman

呂 泰 榮

