



HSIN KUANG STEEL CO., LTD.

2024 General Shareholders Meeting

Time : 9:00 AM, June 14 (Friday), 2024

Location : No. 120, Gongye 8th Road, Guanyin District, Taoyuan City

(The Company's Guanyin Plant Conference Office)

Attendance : Total outstanding Hsin Kuang shares : 321,146,341 shares , Total shares represented by shareholders present in person or by proxy : 223,580,478 shares , This includes a total of 61,327,003 shares attended electronically , Percentage of shares held by shareholders present in person or by proxy : 69.61% .

Chairman : Mr.Alexander M.T.Su, the Chairman of the Board of Directors

Recorder : Daisy Y.H. Chen

Directors present : Alexander M.T.Su (Chairman of Han De Investment Co., Ltd.) 、Ming-shan,Jheng 、Fisher C.H.Yu 、Johnathon Y.J.Su

Independent Directors present : Winston Won 、Po-Yung Chu 、Paul T.Y.Huang 、Wei-Tsung Liu

Staff present : Deloitte & Touche Sheng-Hsiung Yao, CPA

Tung Wah Law Firm Ke-ming Liao, Lawyer

I. The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

II. Chairman's Address (omitted)

III. Report Items :

Case 1 2023 Business Report.

Case 2 Audit Committee's Report.

Case 3 Report on the 2023 distribution of remuneration to employees, directors, and supervisors.

Case 4 The distribution of surplus cash dividends in 2023.

IV. Acceptance and Discussions :

Case 1 : Ratification of the 2023 business report and financial statements. (proposed by the Board of Directors)

Description :

- (I). The Company's 2023 financial statements, including the balance sheet, comprehensive income statement, statement of changes in equity, and the cash flow statement, have been audited by CPA Sheng-Hsiung Yao and CPA Shu-Ju Lin of Deloitte and recognized in the 5th meeting of the Company's 16th-term Board of Directors.
- (II). Please refer to and ratify the Company's 2023 Business Report, Independent Auditor's Report, and the aforementioned financial statements in Attachment 1 from page 10 to page 12 and Attachment 3 and 4 from page 14 to 33 of the Proceedings Manual.

(Questions raised by the shareholders and the management's responses were omitted)

Voting Results :

Shares represented at the time of voting : 223,580,478

| Voting Results* | % of the total represented share present |
|--|--|
| Votes in favor: : 205,061,952 votes (43,276,148 votes) | 91.72% |
| Votes against : 13,681 votes (13,681 votes) | 0.01% |
| Votes invalid : none | 0.00% |
| Votes abstained : 18,504,845 votes (18,037,174 votes) | 8.27% |

* The votes in favor exceeded the statutory number, and the bill was passed as is.

Case 2 : Approval of 2023 earnings distribution proposal. (proposed by the Board of Directors)

Description:

- (I). The earnings distribution proposal is for the distribution of distributable earnings of 2023 in cash dividend of NT\$3 per ordinary share. The distribution of shareholder cash dividends shall be calculated to the NT\$. The total fractional amounts less than NT\$1 shall be listed in ascending order according to the amount and account number, until it means the total distribution amount for shareholder cash dividends.
- (II). The distribution of cash dividends will be handled by the board of directors in accordance with the company's articles of association and will be reported at the shareholders' meeting.
- (III). Please refer to and ratify the Company's 2023 Earnings Distribution Statement in Attachment 5 on page 34 of the Proceedings Manual.

Hsin Kuang Steel Co., Ltd. 2023 Earnings Distribution Statement

Unit: NT\$

| Item | Amount | |
|---|---------------|-----------------|
| | Subtotal | Total |
| Undistributed earnings retained in the previous year | | 2,936,746,055 |
| Minus: Actuarial gains and losses on defined benefit plan (2023) | 414,027 | |
| Minus: Changes in equity of ownership of subsidiaries | 2,003,348 | |
| Plus: Disposal of equity instruments at fair value through other comprehensive income | 152,639,526 | |
| Plus: Net profit after tax of the current year | 1,654,841,827 | 1,805,063,978 |
| Distributable earnings of the current year | | 4,741,810,033 |
| Provisions and Distributions | | |
| Statutory reserve (10%) | (180,506,398) | |
| Shareholder cash dividends – NT\$3 per share | (963,439,023) | (1,143,945,421) |
| Undistributed earnings retained in this year | | 3,597,864,612 |

Principal: Alexander M.T.Su Manager: Ming-Shan Jheng Recorder : Daisy Y.H. Chen

(Questions raised by the shareholders and the management's responses were omitted)

Voting Results :

Shares represented at the time of voting : 223,580,478

| Voting Results* | % of the total represented share present |
|--|--|
| Votes in favor: : 205,668,532 votes (43,882,728 votes) | 91.99% |
| Votes against : 24,517 votes (24,517 votes) | 0.01% |
| Votes invalid : none | 0.00% |
| Votes abstained : 17,887,429 votes (17,419,758 votes) | 8.00% |

* The votes in favor exceeded the statutory number, and the bill was passed as is.

Case 3 : Approval of the proposal to amend the "Endorsement Guarantee Operation Procedure".
(proposed by the Board of Directors)

Description:

- (I). In order to strengthen corporate governance, it is added that based on the investment relationship, the company shall assign all investing shareholders of the invested company (or part of the investing shareholders of the invested company, if any investing shareholder of the invested company is unable to provide endorsement guarantee due to legal restrictions) according to their shareholding ratio. Endorsement guarantees for investee companies or provision of endorsement guarantees for investee companies are not restricted by the first two paragraphs of Article 4 and may be endorsement guarantees, in accordance with Article 4 of the Amended Endorsement Guarantee Operating Procedures of the Company.
- (II). Please refer to and ratify the Table of Comparison of Revised Articles of the Company's "Articles of Incorporation" in Attachment 6 from page 35 to page 36 of the Proceedings Manual.

(Questions raised by the shareholders and the management's responses were omitted)

Voting Results :

Shares represented at the time of voting : 223,580,478

| Voting Results* | % of the total represented share present |
|--|--|
| Votes in favor: : 203,790,231 votes (42,004,427 votes) | 91.15% |
| Votes against : 61,660 votes (61,660 votes) | 0.03% |
| Votes invalid : none | 0.00% |
| Votes abstained : 19,728,587votes (19,260,916 votes) | 8.82% |

* The votes in favor exceeded the statutory number, and the bill was passed as is.

- V. **Extempore Motions** : There being no other business and special motion, upon a motion duly made and seconded, the meeting was adjourned.

Today, no shareholders asked questions at General Shareholders Meeting.

VI. **Meeting adjourned at 9:34AM**



Alexander M.T.Su,
Chairman of the Board of Directors



Daisy Y.H. Chen
Recorder

Hsin Kuang Steel Co., Ltd.

Business Report

Dear Shareholders,

International steel prices fluctuated extremely violently in 2023 due to unfavorable factors, such as the Russo-Ukrainian War, high inflation, raising interest rates, weak domestic demand in China, frequent defaults by real estate developers, and unclear economic conditions. Meanwhile, central banks of various countries continued to adopt a monetary tightening policy to lower inflation, which constrained end-consumer demand, resulting in weak global economic and trade momentum. However, private consumption has surged and domestic demand will be the main pillar supporting economic growth. This is why Taiwan's stock market has performed very well, and profits this year were better than the previous year. Domestic semiconductor manufacturers continue to expand advanced manufacturing processes, and the three major programs for investing in Taiwan and the construction of green energy facilities are gradually being carried out. However, the global outlook remains highly uncertain, and fixed investment significantly slowed down by 4.22%, resulting in revenue performance decreasing 6% compared with previous year to NT\$16.07 billion.

Financial Performance

The Company's consolidated revenue in 2023 was NT\$16.07 billion, down 6% or NT\$1.08 billion compared to the NT\$17.16 billion in the previous year. The net operating profit was NT\$860 million, up 12% or NT\$100 million compared to the NT\$760 million in the previous year. EPS was NT\$5.15, an increase of NT\$3.92 compared to the NT\$1.23 in the previous year, growing by 319%. The profit performance was driven by the continued expansion of advanced manufacturing processes by domestic semiconductor manufacturers, and domestic demand from the three major programs for investing in Taiwan and the construction of green energy facilities supporting economic growth. This contributed to the performance of Taiwan's stock market, which was better than the previous year.

In terms of products sales, the Company's operating goal in 2023 was the sale of 580,000 metric tons of steel products. The total sales of the year reached 470,000 metric tons, an achievement rate of 81%.

With regard to income and expenses, cash inflow from operating activities amounted to NT\$349,870,000 in 2023, which was mainly from the increase in income from contracts. Cash outflow from investment activities amounted to NT\$649.07 million, mainly due to the purchase of properties, investment in plants and equipment, and acquisition of affiliated enterprises. Cash outflow from financing activities amounted to NT\$154,130,000, mainly due to the distribution of cash dividends to shareholders and adjustments to long-term and short-term loans necessary for operations. The ending cash and cash equivalents of the period was approximately NT\$953.58 million.

Annual Corporate Development

The 2024 business strategies include the following:

1. Review the inventory structure and adjust product combinations. Advocate flexible adaptation to the growth and decline of various steel industries. Seeking reasonable profits.
2. Focus on the demand for construction of wind power and photovoltaic renewable energy facilities, and form a strategic alliance with upstream and downstream manufacturers to provide total solutions.
3. In response to domestic "water resources," "bridge construction," and demand from domestic semiconductor manufacturers continuing to expand advanced processes, we will form strategic alliances with upstream and downstream manufacturers to provide technology manufacturing solutions and serve users.
4. Implement the new generation ERP system for commercial use to generate synergies from management.
5. Use innovative business models and differentiated operations, offer new high-end steel products and comprehensive value chain solutions through the Group's network and strategic alliance with upstream and downstream manufacturers, creating a new blue ocean.

Based on the aforementioned strategies, we shall continue to implement the following plans:

1. Strengthen employees' professional skills and occupational safety training, introduce professional talents, and cultivate young cadre members.
2. Strengthen purchase order-taking performance, communicate clearly and accurately on work items, focus on quality and delivery time control, and more actively communicate and provide services to clients to establish long-term cooperative relationships and increase opportunities to be award projects.
3. Introduce automated production equipment and testing instruments using new technologies, in order to improve production capacity and product structural strength and increase production competitiveness.
4. Implement various certification specifications, improve production processes, and increase production efficiency.

The total annual sales goal of 2024 is set at 500,000 metric tons of steel. On the demand side, the international steel market will benefit from the easing of inflation. Central banks of various countries may implement looser monetary policies in 2024, and countries around the world will continue to invest in innovative and sustainable infrastructure in response to extreme weather events. These two parts will support global steel demand. According to the forecast of the World Steel Association (WSA), steel demand in the Eurozone will resume growth by 5.8% in 2024, and steel demand in the United States will show positive growth of 1.6%; Steel demand has shrunk significantly in China due to the risk of bankruptcy faced by real estate developers, and is expected to grow by 1.9% in 2024. We will fully fight for business opportunities. With the combination of our management capabilities and processing technology, we are confident that we will reach our operating goal of 500,000 tons this year.

ESG sustainable development

The Company is dedicated to establishing comprehensive corporate governance, steady operations and profits, as well as maintaining the balance between the interests of the environment, society, and all stakeholders.

The Company upholds ideals of sustainable development, such as environmental

protection, clean energy, and space reuse. Over the years, the Company has reduced CO2 emissions by nearly 38,951 metric tons, which is equivalent to roughly 100 times the amount of CO2 that can be absorbed by Da'an Forest Park.

The Company is focused on promoting green manufacturing, creating an inclusive workplace, cultivating talent, establishing a responsible supply chain, and caring for the disadvantaged. The Company will remain dedicated to doing its part as a corporate citizen and pursue a sustainable future.

Honors and Awards

In 2023, the Company received the Gold Award, Manufacturing Industry, Taiwan Corporate Sustainability Awards (TCSA) from the Taiwan Institute for Sustainable Energy for its achievements in corporate governance, sustainable development, and information disclosure, and has received awards for five consecutive years. We will continue to dedicate our efforts to achieving even better performance.

Future Outlook

We will still uphold a rigorous and positive spirit and attitude, implement the Company's business strategies and plans, and strengthen decision-making quality and response ability. We hope that this year, with the manufacturing industry in major economies gradually resuming expansion and the rigid domestic demand from Taiwan's Forward-looking Infrastructure Development Program, which expanded its economic development budget to nearly NT\$600 billion, we will definitely be able to reach new heights and welcome a year of fruitful results.

Chairman Alexander M.T. Su

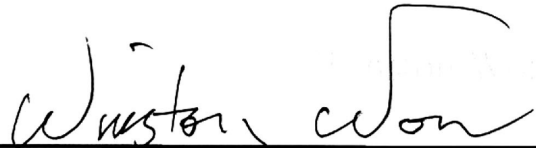
General Manager Ming-Shan Jheng

Audit Committee's Report

The Board of Directors has prepared and submitted the 2023 business report, financial statements, and earnings distribution proposal. In particular, the financial statements have been audited by Deloitte & Touch and an audit report has been issued. These have been reviewed by the Audit Committee as correctly portraying the Company's business activities. In accordance with the Securities and Exchange Act and the Company Act, this report is submitted for shareholder's examination.

Hsin Kuang Steel Co., Ltd.

Audit Committee Convener



A handwritten signature in black ink, appearing to read "Winston Chen", is written over a horizontal line. The signature is enclosed within a light gray rectangular box.

March 12, 2024

Independent Auditor's Report and the 2023 Consolidated Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hsin Kuang Steel Company Limited

Opinion

We have audited the accompanying consolidated financial statements of Hsin Kuang Steel Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

The key audit matter identified in the consolidated financial statements of the Group for the year ended December 31, 2023 is described as follows:

Revenue Recognition

The Group mainly engages in the sale, cutting, slitting, steel structure processing, logistics of various steel products and constructing services. The sales revenue of steel products accounts for over 90% of the annual operating revenue. The Group's operating revenue for the year ended December 31, 2023 decreased by 6% in comparison with the previous year. For certain customers whose sales amount is material and with significant growth in comparison with the previous year, as the sales amount from such customers is significant to the consolidated financial statements, we identified whether the sales transactions from the aforementioned customers actually occurred as a key audit matter.

Refer to Notes 4 and 23 to the consolidated financial statements for the accounting policies and related disclosures on revenue recognition.

We performed the following audit procedures in respect of the aforementioned revenue:

1. We obtained an understanding of and tested the design and operating effectiveness of key controls over revenue recognition.
2. We selected samples from the sales ledger of the aforementioned revenue, verified such transactions against sales contracts, shipping reports and accounts receivable collections as evidence and confirmed the occurrence of such transactions.

Other Matter

We have also audited the parent-company-only financial statements of Hsin Kuang Steel Company Limited as of and for the years ended December 31, 2023 and 2022, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Sheng-Hsiung Yao and Shu-Ju Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2024

Notice to Readers

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

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

| ASSETS | 2023 | | 2022 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 953,579 | 3 | \$ 1,098,666 | 5 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 2,987,779 | 11 | 1,760,930 | 7 |
| Financial assets at amortized cost - current (Notes 4, 9 and 31) | 151,500 | - | 22,524 | - |
| Contract assets - current (Note 23) | 240,360 | 1 | 27,769 | - |
| Notes receivable from unrelated parties (Notes 4, 10 and 31) | 2,168,059 | 8 | 1,740,817 | 7 |
| Trade receivables from unrelated parties (Notes 4 and 10) | 3,244,113 | 11 | 2,997,367 | 12 |
| Prepayments | 163,210 | 1 | 140,452 | 1 |
| Inventories (Notes 4, 5 and 11) | 6,157,480 | 22 | 5,343,525 | 22 |
| Other current assets (Notes 17 and 25) | 13,988 | - | 29,605 | - |
| Total current assets | 16,080,068 | 57 | 13,161,655 | 54 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7) | 297,484 | 1 | 272,687 | 1 |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8) | 2,778,841 | 10 | 2,498,747 | 10 |
| Investments accounted for using the equity method (Notes 4, 13 and 31) | 938,005 | 3 | 519,840 | 2 |
| Property, plant and equipment (Notes 4, 14 and 31) | 4,052,985 | 14 | 3,860,784 | 16 |
| Right-of-use assets (Note 4) | 1,487 | - | 3,399 | - |
| Investment properties (Notes 4, 15 and 31) | 3,680,535 | 13 | 3,658,733 | 15 |
| Intangible assets (Notes 4 and 16) | 41,756 | - | 5,030 | - |
| Deferred tax assets (Notes 4 and 25) | 97,968 | - | 61,605 | - |
| Other non-current assets (Notes 10 and 17) | 384,201 | 2 | 396,771 | 2 |
| Total non-current assets | 12,273,262 | 43 | 11,277,596 | 46 |
| TOTAL | \$ 28,353,330 | 100 | \$ 24,439,251 | 100 |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 4 and 18) | \$ 6,679,741 | 23 | \$ 7,205,994 | 30 |
| Short-term bills payable (Notes 4 and 18) | 798,599 | 3 | 549,146 | 2 |
| Contract liabilities - current (Note 23) | 1,416,282 | 5 | 311,344 | 1 |
| Notes payable to unrelated parties (Notes 4 and 19) | 288,156 | 1 | 392,838 | 2 |
| Trade payables to unrelated parties (Notes 4 and 19) | 238,449 | 1 | 250,565 | 1 |
| Other payables (Note 20) | 413,316 | 1 | 326,909 | 1 |
| Current tax liabilities (Notes 4 and 25) | 171,819 | 1 | 198,010 | 1 |
| Current portion of long-term liabilities (Notes 4 and 18) | 232,814 | 1 | 496,814 | 2 |
| Other current liabilities | 11,774 | - | 11,801 | - |
| Total current liabilities | 10,250,950 | 36 | 9,743,421 | 40 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Notes 4 and 18) | 5,847,573 | 21 | 2,004,042 | 8 |
| Long-term bills payable (Notes 4 and 18) | - | - | 2,399,515 | 10 |
| Provisions - non-current (Note 4) | 2,702 | - | 2,262 | - |
| Deferred tax liabilities (Notes 4 and 25) | 117,961 | - | 144,420 | 1 |
| Net defined benefit liabilities - non-current (Notes 4 and 21) | 33,626 | - | 33,160 | - |
| Other non-current liabilities | 37,165 | - | 37,071 | - |
| Total non-current liabilities | 6,039,027 | 21 | 4,620,470 | 19 |
| Total liabilities | 16,289,977 | 57 | 14,363,891 | 59 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22) | | | | |
| Share capital | 3,211,463 | 11 | 3,211,463 | 13 |
| Capital surplus | 943,445 | 4 | 943,451 | 4 |
| Retained earnings | | | | |
| Legal reserve | 1,275,497 | 4 | 1,229,590 | 5 |
| Unappropriated earnings | 4,741,810 | 17 | 3,303,800 | 13 |
| Total retained earnings | 6,017,307 | 21 | 4,533,390 | 18 |
| Other equity | 1,166,350 | 4 | 674,418 | 3 |
| Total equity attributable to owners of the Company | 11,338,565 | 40 | 9,362,722 | 38 |
| NON-CONTROLLING INTERESTS | 724,788 | 3 | 712,638 | 3 |
| Total equity | 12,063,353 | 43 | 10,075,360 | 41 |
| TOTAL | \$ 28,353,330 | 100 | \$ 24,439,251 | 100 |

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2023 | | 2022 | |
|--|---------------------|-------------|---------------------|-------------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4 and 23) | | | | |
| Sales | \$ 14,853,856 | 92 | \$ 16,447,500 | 96 |
| Other operating revenue | <u>1,221,033</u> | <u>8</u> | <u>708,032</u> | <u>4</u> |
| Total operating revenue | <u>16,074,889</u> | <u>100</u> | <u>17,155,532</u> | <u>100</u> |
| OPERATING COSTS | | | | |
| Cost of goods sold (Notes 4, 11 and 24) | (13,978,724) | (87) | (15,596,989) | (91) |
| Other operating costs | <u>(650,414)</u> | <u>(4)</u> | <u>(369,639)</u> | <u>(2)</u> |
| Total operating costs | <u>(14,629,138)</u> | <u>(91)</u> | <u>(15,966,628)</u> | <u>(93)</u> |
| GROSS PROFIT | 1,445,751 | 9 | 1,188,904 | 7 |
| OPERATING EXPENSES | | | | |
| Selling and marketing expenses (Note 24) | (318,122) | (2) | (294,727) | (1) |
| General and administrative expenses (Notes 24 and 30) | (236,035) | (1) | (132,338) | (1) |
| Expected credit (loss)/gain (Note 10) | <u>(33,305)</u> | <u>-</u> | <u>2,940</u> | <u>-</u> |
| Total operating expenses | <u>(587,462)</u> | <u>(3)</u> | <u>(424,125)</u> | <u>(2)</u> |
| PROFIT FROM OPERATIONS | <u>858,289</u> | <u>6</u> | <u>764,779</u> | <u>5</u> |
| NON-OPERATING INCOME AND EXPENSES (Notes 4 and 24) | | | | |
| Interest income | 4,022 | - | 1,746 | - |
| Other income | 115,722 | 1 | 248,118 | 1 |
| Other gains and losses | 1,258,678 | 8 | (125,019) | (1) |
| Finance costs | (383,287) | (3) | (220,086) | (1) |
| Share of profit or loss of associates and joint ventures accounted for using the equity method | <u>4,109</u> | <u>-</u> | <u>(9,738)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>999,244</u> | <u>6</u> | <u>(104,979)</u> | <u>(1)</u> |
| PROFIT BEFORE INCOME TAX | 1,857,533 | 12 | 659,800 | 4 |
| INCOME TAX EXPENSE (Note 25) | <u>(125,953)</u> | <u>(1)</u> | <u>(242,232)</u> | <u>(2)</u> |
| NET PROFIT FOR THE YEAR | <u>1,731,580</u> | <u>11</u> | <u>417,568</u> | <u>2</u> |

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2023 | | 2022 | |
|---|---------------------|-----------|---------------------|------------|
| | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | \$ (841) | - | \$ 1,030 | - |
| Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income | 696,855 | 4 | (713,606) | (4) |
| Share of other comprehensive income/(loss) of associates and joint ventures accounted for using the equity method | <u>(52,257)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>643,757</u> | <u>4</u> | <u>(712,576)</u> | <u>(4)</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | <u>(29)</u> | <u>-</u> | <u>10,575</u> | <u>-</u> |
| Other comprehensive income/(loss) for the year, net of income tax | <u>643,728</u> | <u>4</u> | <u>(702,001)</u> | <u>(4)</u> |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | <u>\$ 2,375,308</u> | <u>15</u> | <u>\$ (284,433)</u> | <u>(2)</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 1,654,842 | 10 | \$ 393,563 | 2 |
| Non-controlling interests | <u>76,738</u> | <u>1</u> | <u>24,005</u> | <u>-</u> |
| | <u>\$ 1,731,580</u> | <u>11</u> | <u>\$ 417,568</u> | <u>2</u> |
| TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO: | | | | |
| Owners of the Company | \$ 2,299,000 | 14 | \$ (308,464) | (2) |
| Non-controlling interests | <u>76,308</u> | <u>1</u> | <u>24,031</u> | <u>-</u> |
| | <u>\$ 2,375,308</u> | <u>15</u> | <u>\$ (284,433)</u> | <u>(2)</u> |
| EARNINGS PER SHARE (Note 26) | | | | |
| From continuing operations | | | | |
| Basic | <u>\$ 5.15</u> | | <u>\$ 1.23</u> | |
| Diluted | <u>\$ 5.14</u> | | <u>\$ 1.22</u> | |

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

(Concluded)

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In Thousands of New Taiwan Dollars)**

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

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

| | 2023 | 2022 |
|--|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 1,857,533 | \$ 659,800 |
| Adjustments for: | | |
| Depreciation expense | 231,430 | 188,921 |
| Amortization expense | 11,526 | 8,497 |
| Expected credit loss recognized/(reversed) on trade receivables | 33,305 | (2,940) |
| Net (gain)/loss on fair value changes of financial assets and liabilities at fair value through profit or loss | (1,014,572) | 239,787 |
| Finance costs | 383,287 | 220,086 |
| Interest income | (4,022) | (1,746) |
| Dividend income | (93,594) | (213,975) |
| Loss/(gain) on disposal of property, plant and equipment | 5,257 | (103) |
| Gain on disposal of investment properties | (52) | (6,007) |
| Share of (profit)/loss of associates and joint ventures | (4,109) | 9,738 |
| (Reversal of) write-downs of inventories | (16,829) | 111,144 |
| Net (gain)/loss on foreign currency exchange | (31,259) | 9,948 |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | (237,073) | 121,178 |
| Contract assets | (212,591) | (11,917) |
| Notes receivable | (444,919) | 338,826 |
| Trade receivables | (259,288) | (671,009) |
| Other receivables | 20,828 | 9,722 |
| Inventories | (797,126) | 1,112,145 |
| Prepayments | (39,669) | 25,558 |
| Other current assets | (187) | 5,378 |
| Notes payable | (104,682) | (212,267) |
| Trade payables | (12,117) | 72,398 |
| Other payables | 99,633 | (269,084) |
| Provisions | 440 | 2,262 |
| Contract liabilities | 1,104,938 | (108,123) |
| Other current liabilities | (1,535) | 3,354 |
| Net defined benefit liabilities | (2,859) | (3,569) |
| Cash generated from operations | 471,694 | 1,638,002 |
| Interest received | 4,022 | 1,746 |
| Dividends received | 93,594 | 213,975 |
| Income tax paid | (219,445) | (515,945) |
| Net cash generated from operating activities | 349,865 | 1,337,778 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | - | (98,735) |
| Proceeds from sale of financial assets at fair value through other comprehensive income | 364,490 | 114,798 |

(Continued)

HSIN KUANG STEEL COMPANY LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

| | 2023 | 2022 |
|---|--------------|--------------|
| Purchase of financial assets at fair value through profit or loss | \$ - | \$ (24,830) |
| Purchase of financial assets at amortized cost | (128,976) | - |
| Proceeds from sale of financial assets at amortized cost | - | 58,674 |
| Acquisition of associate | (420,000) | (229,800) |
| Payments for property, plant and equipment | (257,761) | (242,516) |
| Proceeds from disposal of property, plant and equipment | 7,905 | 764 |
| Payments for right-of-use assets | - | (623) |
| Payments for investment properties | (995) | (1,723) |
| Proceeds from disposal of investment properties | 148 | 38,195 |
| Payments for intangible assets | (36,058) | - |
| Increase in other non-current assets | (1,602) | (18,432) |
| Increase in prepayments for equipment | (177,429) | (112,219) |
| Dividends received from investees | 5,944 | 7,016 |
| Increase in refundable deposits | (4,734) | (3,246) |
| Net cash used in investing activities | (649,068) | (512,677) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term borrowings | 23,576,437 | 17,005,856 |
| Decrease in short-term borrowings | (24,072,111) | (16,275,352) |
| Increase in short-term bills payable | 250,000 | 250,000 |
| Proceeds from long-term borrowings | 5,568,650 | 300,000 |
| Repayments of long-term borrowings | (1,994,631) | (478,709) |
| Decrease in long-term bills payable | (2,400,000) | - |
| Increase in guarantee deposits received | 1,603 | 4,697 |
| Interest paid | (390,320) | (187,914) |
| Dividends paid to owners of the Company | (321,147) | (1,284,585) |
| Dividends paid to non-controlling interests | (67,947) | (28,297) |
| Change in non-controlling interests | 3,600 | (625) |
| Net cash generated from/(used in) financing activities | 154,134 | (694,929) |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | (18) | 4,122 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (145,087) | 134,294 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 1,098,666 | 964,372 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | \$ 953,579 | \$ 1,098,666 |

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

(Concluded)

[Attachment 4]

Independent Auditor's Report and the 2023 Individual Financial Statements

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Hsin Kuang Steel Company Limited

Opinion

We have audited the accompanying financial statements of Hsin Kuang Steel Company Limited (the "Company"), which comprise the balance sheets as of December 31, 2023 and 2022, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

The key audit matter identified in the Company's financial statements for the year ended December 31, 2023 is described as follows:

Revenue Recognition

The Company mainly engages in the sale, cutting, slitting, steel structure processing, logistics of various steel products and constructing services. The sales revenue of steel products accounts for over 90% of the annual operating revenue. The Company's operating revenue for the year ended December 31, 2023 decreased by 6% in comparison with the previous year. For certain customers whose sales amount is material and with significant growth in comparison with the previous year, as the sales amount from such customers is significant to the parent company only financial statements, we identified whether the sales transactions from the aforementioned customers actually occurred as a key audit matter.

Refer to Notes 4 and 22 to the financial statements for the accounting policies and related disclosures on revenue recognition.

We performed the following audit procedures in respect of the aforementioned revenue:

1. We obtained an understanding of and tested the design and operating effectiveness of key controls over revenue recognition.
2. We selected samples from the sales ledger of the aforementioned revenue, verified such transactions against sales contracts, shipping reports and accounts receivable collections as evidence and confirmed the occurrence of such transactions.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

The engagement partners on the audits resulting in this independent auditors' report are Sheng-Hsiung Yao and Shu-Ju Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 12, 2024

Notice to Readers

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

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

HSIN KUANG STEEL COMPANY LIMITED

BALANCE SHEETS

DECEMBER 31, 2023 AND 2022

(In Thousands of New Taiwan Dollars)

| ASSETS | 2023 | | 2022 | |
|---|---------------|-----|---------------|-----|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 483,629 | 2 | \$ 754,398 | 3 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 1,961,078 | 8 | 1,091,015 | 5 |
| Financial assets at amortized cost - current (Notes 4, 9 and 30) | 22,509 | - | 16,811 | - |
| Contract assets - current (Note 22) | 84,659 | 1 | - | - |
| Notes receivable from unrelated parties (Notes 4, 10 and 30) | 2,046,784 | 8 | 1,581,510 | 7 |
| Notes receivable from related parties (Notes 4, 10, 29 and 30) | - | - | 28,532 | - |
| Trade receivables from unrelated parties (Notes 4 and 10) | 2,563,550 | 10 | 2,500,440 | 11 |
| Trade receivables from related parties (Notes 4, 10 and 29) | 268,053 | 1 | 142,924 | 1 |
| Inventories (Notes 4, 5 and 11) | 4,515,099 | 18 | 4,449,990 | 20 |
| Prepayments | 40,743 | - | 75,292 | - |
| Other current assets (Note 16) | 3,227 | - | 17,106 | - |
| Total current assets | 11,989,331 | 48 | 10,658,018 | 47 |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through profit or loss - non-current (Notes 4 and 7) | 297,484 | 1 | 272,687 | 1 |
| Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8) | 2,738,983 | 11 | 2,406,617 | 11 |
| Investments accounted for using the equity method (Notes 4, 12 and 30) | 3,762,491 | 15 | 3,300,104 | 14 |
| Property, plant and equipment (Notes 4, 13, 29 and 30) | 2,416,682 | 10 | 2,270,255 | 10 |
| Investment properties (Notes 4, 14 and 30) | 3,659,077 | 14 | 3,627,614 | 16 |
| Other intangible assets (Notes 4 and 15) | 39,602 | - | 2,499 | - |
| Deferred tax assets (Notes 4 and 24) | 78,244 | - | 36,533 | - |
| Other non-current assets (Notes 10 and 16) | 214,386 | 1 | 219,146 | 1 |
| Total non-current assets | 13,206,949 | 52 | 12,135,455 | 53 |
| TOTAL | \$ 25,196,280 | 100 | \$ 22,793,473 | 100 |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Notes 4 and 17) | \$ 6,271,907 | 25 | \$ 6,932,944 | 30 |
| Short-term bills payable (Notes 4 and 17) | 648,760 | 3 | 549,146 | 2 |
| Contract liabilities - current (Note 22) | 185,378 | 1 | 275,031 | 1 |
| Notes payable to unrelated parties (Notes 4 and 18) | 133,898 | - | 212,821 | 1 |
| Notes payable to related parties (Notes 4, 18 and 29) | 17,816 | - | 11,373 | - |
| Trade payables to unrelated parties (Notes 4 and 18) | 75,473 | - | 100,685 | 1 |
| Trade payables to related parties (Notes 4, 18 and 29) | 3,695 | - | 3,695 | - |
| Other payables (Notes 4, 19 and 29) | 304,684 | 1 | 261,158 | 1 |
| Current tax liabilities (Notes 4 and 24) | 145,633 | 1 | 162,130 | 1 |
| Current portion of long-term liabilities (Notes 4 and 17) | 10,526 | - | 410,526 | 2 |
| Other current liabilities | 22,957 | - | 21,434 | - |
| Total current liabilities | 7,820,727 | 31 | 8,940,943 | 39 |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Notes 4 and 17) | 5,465,186 | 22 | 1,470,202 | 6 |
| Long-term bills payable (Notes 4 and 17) | - | - | 2,399,515 | 11 |
| Deferred tax liabilities (Notes 4 and 24) | 9,254 | - | 35,691 | - |
| Net defined benefit liabilities - non-current (Notes 4 and 20) | 20,127 | - | 23,081 | - |
| Other non-current liabilities (Note 29) | 542,421 | 2 | 561,319 | 3 |
| Total non-current liabilities | 6,036,988 | 24 | 4,489,808 | 20 |
| Total liabilities | 13,857,715 | 55 | 13,430,751 | 59 |
| EQUITY (Notes 4 and 21) | | | | |
| Share capital | 3,211,463 | 13 | 3,211,463 | 14 |
| Capital surplus | 943,445 | 4 | 943,451 | 4 |
| Retained earnings | | | | |
| Legal reserve | 1,275,497 | 5 | 1,229,590 | 5 |
| Unappropriated earnings | 4,741,810 | 19 | 3,303,800 | 15 |
| Total retained earnings | 6,017,307 | 24 | 4,533,390 | 20 |
| Other equity | 1,166,350 | 4 | 674,418 | 3 |
| Total equity | 11,338,565 | 45 | 9,362,722 | 41 |
| TOTAL | \$ 25,196,280 | 100 | \$ 22,793,473 | 100 |

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

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2023 | | 2022 | |
|--|---------------------|-------------|---------------------|-------------|
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 22 and 29) | | | | |
| Sales | \$ 12,852,719 | 95 | \$ 14,086,221 | 98 |
| Other operating revenue | <u>734,108</u> | <u>5</u> | <u>311,194</u> | <u>2</u> |
| Total operating revenue | <u>13,586,827</u> | <u>100</u> | <u>14,397,415</u> | <u>100</u> |
| OPERATING COSTS | | | | |
| Cost of goods sold (Notes 11, 23 and 29) | (11,924,991) | (88) | (13,545,320) | (94) |
| Other operating costs (Note 29) | <u>(387,504)</u> | <u>(3)</u> | <u>(83,745)</u> | <u>(1)</u> |
| Total operating costs | <u>(12,312,495)</u> | <u>(91)</u> | <u>(13,629,065)</u> | <u>(95)</u> |
| GROSS PROFIT | <u>1,274,332</u> | <u>9</u> | <u>768,350</u> | <u>5</u> |
| UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES | (281,321) | (2) | (11,600) | - |
| REALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES | <u>54,467</u> | <u>1</u> | <u>79,650</u> | <u>1</u> |
| REALIZED GROSS PROFIT | <u>1,047,478</u> | <u>8</u> | <u>836,400</u> | <u>6</u> |
| OPERATING EXPENSES | | | | |
| Selling and marketing expenses (Note 23) | (241,019) | (2) | (217,971) | (1) |
| General and administrative expenses (Notes 23 and 29) | (172,407) | (1) | (112,712) | (1) |
| Expected credit (loss)/gain (Note 10) | <u>(32,462)</u> | <u>-</u> | <u>3,149</u> | <u>-</u> |
| Total operating expenses | <u>(445,888)</u> | <u>(3)</u> | <u>(327,534)</u> | <u>(2)</u> |
| PROFIT FROM OPERATIONS | <u>601,590</u> | <u>5</u> | <u>508,866</u> | <u>4</u> |
| NON-OPERATING INCOME AND EXPENSES (Notes 23 and 29) | | | | |
| Interest income | 1,740 | - | 1,366 | - |
| Other income | 93,316 | 1 | 228,641 | 2 |
| Other gains and losses | 914,996 | 7 | 36,881 | - |
| Finance costs | (346,419) | (3) | (204,974) | (2) |
| Share of profit or loss of subsidiaries, associates and joint ventures accounted for using the equity method | <u>466,076</u> | <u>3</u> | <u>5,389</u> | <u>-</u> |
| Total non-operating income and expenses | <u>1,129,709</u> | <u>8</u> | <u>67,303</u> | <u>-</u> |

(Continued)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| | 2023 | | 2022 | |
|---|---------------------|------------|---------------------|------------|
| | Amount | % | Amount | % |
| PROFIT BEFORE INCOME TAX | \$ 1,731,299 | 13 | \$ 576,169 | 4 |
| INCOME TAX EXPENSE (Notes 4 and 24) | <u>(76,457)</u> | <u>(1)</u> | <u>(182,606)</u> | <u>(1)</u> |
| NET PROFIT FOR THE YEAR | <u>1,654,842</u> | <u>12</u> | <u>393,563</u> | <u>3</u> |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | | |
| Remeasurement of defined benefit plans | (414) | - | 1,030 | - |
| Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income | 696,855 | 5 | (713,606) | (5) |
| Share of other comprehensive income/(loss) of associates and joint ventures accounted for using the equity method | <u>(52,257)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>644,184</u> | <u>5</u> | <u>(712,576)</u> | <u>(5)</u> |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation of the financial statements of foreign operations | <u>(26)</u> | <u>-</u> | <u>10,549</u> | <u>-</u> |
| Other comprehensive income/(loss) for the year, net of income tax | <u>644,158</u> | <u>5</u> | <u>(702,027)</u> | <u>(5)</u> |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | <u>\$ 2,299,000</u> | <u>17</u> | <u>\$ (308,464)</u> | <u>(2)</u> |
| EARNINGS PER SHARE (Note 25) | | | | |
| From continuing operations | | | | |
| Basic | <u>\$ 5.15</u> | | <u>\$ 1.23</u> | |
| Diluted | <u>\$ 5.14</u> | | <u>\$ 1.22</u> | |

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

(Concluded)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

| | Share Capital | | Retained Earnings | | Other Equity | | |
|--|------------------------------------|--------------|-------------------|----------------------------|--|---|---------------|
| | Number of Shares (In Thousands) | Amount | Legal Reserve | Unappropriated Earnings | Exchange Differences on Translation of the Financial Statements of Foreign Operations | Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income | Total Equity |
| BALANCE AT JANUARY 1, 2022 | 321,146 | \$ 3,211,463 | \$ 951,798 | \$ 4,407,114 | \$ (8,580) | \$ 1,386,055 | \$ 10,891,301 |
| Appropriation of 2021 earnings | - | - | 277,792 | (277,792) | - | - | - |
| Legal reserve | - | - | - | (1,284,585) | - | - | (1,284,585) |
| Cash dividends distributed by the Company | - | - | - | 4,573 | - | - | 4,573 |
| Changes in percentage of ownership interests in subsidiaries | - | - | - | 59,897 | - | - | 59,897 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | 393,563 | - | - | 393,563 |
| Net profit for the year ended December 31, 2022 | - | - | - | 1,030 | 10,549 | (713,606) | (702,027) |
| Other comprehensive income/(loss) for the year ended December 31, 2022, net of income tax | - | - | - | 394,593 | 10,549 | (713,606) | (308,464) |
| Total comprehensive income/(loss) for the year ended December 31, 2022 | - | - | - | 3,303,800 | 1,969 | 672,449 | 9,362,722 |
| BALANCE AT DECEMBER 31, 2022 | 321,146 | 3,211,463 | 1,229,590 | 3,303,800 | - | - | - |
| Appropriation of 2022 earnings | - | - | 45,907 | (45,907) | - | - | - |
| Legal reserve | - | - | - | (321,147) | - | - | (321,147) |
| Cash dividends distributed by the Company | - | - | - | (2,004) | - | - | (2,010) |
| Changes in percentage of ownership interests in subsidiaries | - | - | - | 152,640 | - | (152,640) | - |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | 1,654,842 | - | - | 1,654,842 |
| Net profit for the year ended December 31, 2023 | - | - | - | (414) | (26) | 644,598 | 644,158 |
| Other comprehensive income/(loss) for the year ended December 31, 2023, net of income tax | - | - | - | 1,654,428 | (26) | 644,598 | 2,299,000 |
| Total comprehensive income/(loss) for the year ended December 31, 2023 | - | - | - | 4,741,810 | 1,943 | 1,164,407 | 11,338,565 |
| BALANCE AT DECEMBER 31, 2023 | 321,146 | \$ 3,211,463 | \$ 1,275,497 | \$ 4,741,810 | \$ 1,943 | \$ 1,164,407 | \$ 11,338,565 |

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

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

| | 2023 | 2022 |
|--|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before income tax | \$ 1,731,299 | \$ 576,169 |
| Adjustments for: | | |
| Depreciation expense | 124,645 | 125,968 |
| Amortization expense | 7,148 | 6,508 |
| Expected credit loss recognized/(reversed) on trade receivables | 32,462 | (3,149) |
| Net (gain)/loss on fair value changes of financial assets and liabilities at fair value through profit or loss | (665,326) | 83,224 |
| Finance costs | 346,419 | 204,974 |
| Interest income | (1,740) | (1,366) |
| Dividend income | (79,394) | (201,095) |
| Loss/(gain) on disposal of property, plant and equipment | 5,036 | (109) |
| Gain on disposal of investment property | (52) | (6,007) |
| Share of profit of subsidiaries, associates and joint ventures | (466,076) | (5,389) |
| (Reversal of) write-downs of inventories | (15,225) | 113,502 |
| Unrealized gain on transactions with associates | 281,321 | 11,600 |
| Realized gain on transactions with associates | (54,467) | (79,650) |
| Unrealized net (gain)/loss on foreign currency exchange | (31,163) | 9,967 |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | (229,532) | 181,073 |
| Contract assets | (84,659) | - |
| Notes receivable | (454,418) | 265,992 |
| Trade receivables | (200,053) | (609,915) |
| Other receivables | 13,983 | 35,031 |
| Inventories | (49,884) | 1,070,444 |
| Prepayments | 34,549 | 8,213 |
| Other current assets | (229) | (511) |
| Notes payable | (72,481) | (136,436) |
| Trade payables | (25,212) | 10,722 |
| Other payables | 57,111 | (231,778) |
| Contract liabilities | (89,653) | (31,867) |
| Advance lease payments received | (15,815) | (16,631) |
| Net defined benefit liabilities | (3,472) | (2,209) |
| Other current liabilities | (2,818) | (1,802) |
| Cash generated from operations | 92,304 | 1,375,473 |
| Interest received | 1,740 | 1,366 |
| Dividends received | 79,393 | 201,095 |
| Income tax paid | (160,992) | (462,570) |
| Net cash generated from operating activities | 12,445 | 1,115,364 |

(Continued)

HSIN KUANG STEEL COMPANY LIMITED

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

| | 2023 | 2022 |
|---|-------------------|-------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at fair value through other comprehensive income | \$ - | \$ (98,736) |
| Proceeds from sale of financial assets at fair value through other comprehensive income | 364,490 | 114,798 |
| Purchase of financial assets at fair value through profit or loss | - | (24,830) |
| Purchase of financial assets at amortized cost | (5,698) | - |
| Proceeds from sale of financial assets at amortized cost | - | 60,263 |
| Acquisition of associates | (414,165) | (229,800) |
| Payments for property, plant and equipment | (255,376) | (227,187) |
| Proceeds from disposal of property, plant and equipment | 7,905 | 546 |
| Payments for investment properties | (472) | (1,723) |
| Proceeds from disposal of investment properties | 148 | 38,195 |
| Payments for intangible assets | (34,536) | - |
| Increase in other non-current assets | (295) | (14,069) |
| Increase in prepayments for equipment | (62,517) | (30,909) |
| Dividends received from investees | 136,702 | 89,789 |
| Increase in refundable deposits | (4,894) | (3,217) |
| Net cash used in investing activities | (268,708) | (326,880) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in short-term borrowings | 21,531,056 | 16,234,082 |
| Decrease in short-term borrowings | (22,161,494) | (15,469,498) |
| Increase in short-term bills payable | 100,000 | 250,000 |
| Proceeds from long-term borrowings | 5,400,000 | - |
| Repayments of long-term borrowings | (1,810,526) | (210,526) |
| Decrease in long-term bills payable | (2,400,000) | - |
| Increase/(decrease) in guarantee deposits received | 1,255 | (405) |
| Interest paid | (353,650) | (172,954) |
| Dividends paid | (321,147) | (1,284,585) |
| Net cash used in financing activities | (14,506) | (653,886) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | (270,769) | 134,598 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>754,398</u> | <u>619,800</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 483,629</u> | <u>\$ 754,398</u> |

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

(Concluded)

[Attachment 5]

Hsin Kuang Steel Co., Ltd.
2023 Earnings Distribution Statement

Unit: NT\$

| Item | Amount | |
|---|---------------|-----------------|
| | Subtotal | Total |
| Undistributed earnings retained in the previous year | | 2,936,746,055 |
| Minus: Actuarial gains and losses on defined benefit plan(2023) | 414,027 | |
| Minus: Changes in equity of ownership of subsidiaries | 2,003,348 | |
| Plus: Disposal of equity instruments at fair value through other comprehensive income | 152,639,526 | |
| Plus: Net profit after tax of the current year | 1,654,841,827 | 1,805,063,978 |
| Distributable earnings of the current year | | 4,741,810,033 |
| Provisions and Distributions | | |
| Statutory reserve(10%) | (180,506,398) | |
| Shareholder cash dividends – NT\$3 per share | (963,439,023) | (1,143,945,421) |
| Undistributed earnings retained in this year | | 3,597,864,612 |

- (1). The Company shall distribute shareholder cash dividends totaling NT\$963,439,023 this year, representing cash dividends of NT\$3 per share.
- (2). The distribution of shareholder dividends shall be calculated to the NT\$. The total fractional amounts less than NT\$1 shall be listed in ascending order according to the amount and account number, until it means the total distribution amount for shareholder dividends.
- (3). In the future, if the number of the Company's shares that can participate in the distribution of cash dividends is affected for any reason and the dividend rate of shareholders changes, the shareholders' meeting shall be requested to authorize the Board of Directors to handle and adjust the matter.
- (4). The 2023 earnings shall be prioritized for the Company's earnings distribution.
- (5). The distribution of this cash dividends shall be determined by a resolution of the Board of Directors in accordance with the company's articles of association and shall be reported at the shareholders' meeting.

Hsin Kuang Steel Co., Ltd.

Table of Comparison of Revised Articles of the Company's "Endorsement and Guarantee Making Procedure"

The 10th amendment was on November 17, 2023

| Article | Revised content (underlined) | Original content | Reason for revision |
|-----------|---|--|---------------------------|
| Article 4 | <p>Our company may endorse the following companies :</p> <ol style="list-style-type: none"> 1. A subsidiary company in which the company directly or indirectly holds more than 50% of the voting shares and the company has substantial operational and management control. 2. A parent company that directly or indirectly holds more than 50% of the company's voting shares. Companies where the company directly or indirectly holds more than 90% of the voting shares may provide endorsement guarantees, and the amount shall not exceed 10% of the company's net worth. However, this does not apply to inter-company endorsements and guarantees where the company directly or indirectly holds 100% of the voting shares. 3. The Company shall provide mutual guarantees between peers or joint builders in accordance with the provisions of the contract based on the need to contract projects, or based on the investment relationship, all investing shareholders of the invested company (or part of the investing shareholders of the invested company). If any investing shareholder of the invested company is subject to When the endorsement guarantee cannot be provided due to legal restrictions) the endorsement guarantee to the investee company or the provision of endorsement guarantee for the investee company based on its shareholding ratio is not subject to the restrictions of the previous two paragraphs and may be an endorsement guarantee. <p>The subsidiaries and parent companies mentioned in the preceding paragraph shall be identified in accordance with the provisions of the financial reporting standards for securities issuers.</p> <p>The so-called "substantial operation and management control" shall mean that the chairman, general manager and financial director of the controlled company are appointed by the company.</p> <p>The term "project contracting" referred to in the preceding paragraph means that the company undertakes more than 50% of the main project contracts and has dominant control over all matters related to the projects it undertakes.</p> <p>The so-called capital contribution in the preceding paragraph, as far as the company is concerned, refers to the capital contribution made directly by the company or through a company holding 100% of the voting shares.</p> | <p>Our company may endorse the following companies :</p> <ol style="list-style-type: none"> 1. A subsidiary company in which the company directly or indirectly holds more than 50% of the voting shares and the company has substantial operational and management control. 2. A parent company that directly or indirectly holds more than 50% of the company's voting shares. Companies where the company directly or indirectly holds more than 90% of the voting shares may provide endorsement guarantees, and the amount shall not exceed 10% of the company's net worth. However, this does not apply to inter-company endorsements and guarantees where the company directly or indirectly holds 100% of the voting shares. 3. The Company may provide mutual guarantees between peers or joint builders in accordance with the provisions of the contract based on the need for contracting projects, or due to a joint investment relationship where all investing shareholders endorse and guarantee the invested company in accordance with their shareholding ratios, and are not subject to the restrictions of the preceding two paragraphs. Guaranteed by endorsement. <p>The subsidiaries and parent companies mentioned in the preceding paragraph shall be identified in accordance with the provisions of the financial reporting standards for securities issuers.</p> <p>The so-called "substantial operation and management control" shall mean that the chairman, general manager and financial director of the controlled company are appointed by the company.</p> <p>The term "project contracting" referred to in the preceding paragraph means that the company undertakes more than 50% of the main project contracts and has dominant control over all matters related to the projects it undertakes.</p> <p>The so-called capital contribution in the preceding paragraph, as far as the company is concerned, refers to the capital contribution made directly by the company or through a company holding 100% of the voting shares.</p> | To meet operational needs |

| Article | Revised content (underlined) | Original content | Reason for revision |
|------------|---|---|---------------------------|
| Article 19 | The 1st revision was on May 26, 1994 The 2nd revision was on February 18, 2003. The 3rd revision was on March 21, 2006. The 4th revision was on August 1, 2008. The 5th revision was on March 1, 2009. The 6th revision was on March 12, 2013. The 7th revision was on March 19, 2019. The 8th revision was on December 22, 2020. The 9th revision was on March 16, 2022. <u>The 10th</u> revision was on November 7, 2023. | The 1st revision was on May 26, 1994 The 2nd revision was on February 18, 2003. The 3rd revision was on March 21, 2006. The 4th revision was on August 1, 2008. The 5th revision was on March 1, 2009. The 6th revision was on March 12, 2013. The 7th revision was on March 19, 2019. The 8th revision was on December 22, 2020. The 9th revision was on March 16, 2022. | Added the amendment date. |