

China Steel Corporation
Annual General Meeting
June 23, 2015

Reports and Discussion

- (1) Report proposal: adoption of the 2014 Business Report and Financial Statements.
- (2) Report proposal: adoption of the Proposal for Distribution of 2014 Profits.
- (3) Discussion proposal: amendments to Articles of Incorporation.
- (4) Discussion proposal: amendments to Rules Governing Procedures for Shareholders' Meeting.
- (5) Discussion proposal: amendments to Regulations Governing the Election of Directors and Supervisors.

Agenda 1-proposed by the board of directors

Explanatory Note:

To adopt the report proposal of 2014 Business Report and Financial Statements.

Please refer to Attachment 1 for the financial statements for the year ended December 31st, 2014.

Resolution:

Attachment 1

China Steel Corporation and Subsidiaries

Consolidated Financial Statements for the
Years Ended December 31, 2014 and 2013 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Steel Corporation

We have audited the accompanying consolidated balance sheets of China Steel Corporation (the "Corporation") and its subsidiaries as of December 31, 2014 and 2013, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2014 and 2013, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations and Standing Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the standalone financial statements of China Steel Corporation as of and for the years ended December 31, 2014 and 2013 on which we have issued an unqualified report.

March 27, 2015

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. As stated in Note 4 to consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2014		December 31, 2013		LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4, 6 and 32)	\$ 13,632,013	2	\$ 13,700,839	2	Short-term borrowings and bank overdraft (Notes 6, 19, 32 and 34)	\$ 30,801,717	5	\$ 28,652,599	4
Financial assets at fair value through profit or loss - current (Notes 4, 5, 7 and 32)	5,418,751	1	5,014,510	1	Short-term bills payable (Notes 19, 32 and 34)	20,112,096	3	30,786,300	5
Available-for-sale financial assets - current (Notes 4, 5, 8 and 32)	6,651,624	1	5,290,437	1	Financial liabilities at fair value through profit or loss - current (Notes 4, 7, 20 and 32)	7,149	-	9,094	-
Derivative financial assets for hedging - current (Notes 4, 10 and 32)	62,992	-	30,501	-	Derivative financial liabilities for hedging - current (Notes 4, 10 and 32)	46,327	-	44,281	-
Bond investments with no active market - current (Notes 4, 14 and 32)	-	-	9,259	-	Notes payable (Note 32)	1,384,782	-	1,015,417	-
Notes receivable (Notes 4, 5, 11 and 32)	1,243,767	-	1,198,221	-	Notes payable - related parties (Notes 32 and 33)	88	-	756	-
Notes receivable - related parties (Notes 4, 5, 11, 32 and 33)	162,202	-	607,062	-	Accounts payable (Notes 21 and 32)	8,903,520	1	11,543,379	2
Accounts receivable, net (Notes 4, 5, 11 and 32)	10,818,647	2	10,248,930	2	Accounts payable - related parties (Notes 21, 32 and 33)	689,623	-	157,372	-
Accounts receivable - related parties (Notes 4, 5, 11, 32 and 33)	734,991	-	520,732	-	Amounts due to customers for construction contracts (Notes 4 and 12)	5,403,038	1	5,818,449	1
Amounts due from customers for construction contracts (Notes 4 and 12)	7,313,482	1	7,309,470	1	Other payables (Notes 22, 24 and 32)	23,131,466	3	23,925,757	4
Other receivables (Notes 4 and 32)	1,484,045	-	1,943,126	-	Current tax liabilities (Note 28)	4,868,683	1	3,700,145	1
Current tax assets (Note 28)	169,509	-	120,617	-	Provisions - current (Notes 4, 5 and 23)	3,795,700	1	2,968,838	-
Inventories (Notes 4, 5 and 13)	81,203,168	12	83,040,277	12	Current portion of bonds payable (Notes 20 and 32)	8,148,376	1	3,499,318	-
Other financial assets - current (Notes 4, 16, 32 and 34)	13,714,418	2	13,529,793	2	Current portion of long-term bank borrowings (Notes 19, 32 and 34)	20,939,065	3	19,426,467	3
Other current assets (Note 24)	5,757,202	1	5,673,611	1	Other current liabilities	3,273,887	-	3,306,668	-
Total current assets	148,366,811	22	148,237,385	22	Total current liabilities	131,505,517	19	134,854,840	20
NONCURRENT ASSETS					NONCURRENT LIABILITIES				
Financial assets at fair value through profit or loss - noncurrent (Notes 4, 5, 7 and 32)	31,842	-	-	-	Derivative financial liabilities for hedging - noncurrent (Notes 4, 10 and 32)	10,060	-	18,043	-
Available-for-sale financial assets - noncurrent (Notes 4, 5, 8, 19 and 32)	31,102,392	5	28,100,611	4	Bonds payable (Notes 4, 20 and 32)	89,695,089	13	62,994,437	9
Held-to-maturity financial assets - noncurrent (Notes 4, 5, 9 and 32)	222,989	-	209,991	-	Long-term bank borrowings (Notes 19, 32 and 34)	86,579,129	13	108,062,267	16
Derivative financial assets for hedging - noncurrent (Notes 4, 10 and 32)	87,969	-	42,202	-	Long-term bills payable (Notes 19 and 32)	20,019,412	3	34,882,033	5
Bond investments with no active market - noncurrent (Notes 4, 14, 19 and 32)	2,806,597	1	2,973,651	1	Provisions - noncurrent (Notes 4, 5 and 23)	1,031,812	-	1,067,087	-
Investments accounted for using equity method (Notes 4, 10, 15 and 32)	13,419,402	2	10,990,162	2	Deferred tax liabilities (Notes 4 and 28)	12,678,217	2	12,976,988	2
Property, plant and equipment (Notes 4, 5, 10, 16, 17 and 34)	459,313,969	67	462,742,294	68	Accrued pension liabilities (Notes 4, 5 and 24)	5,457,497	1	7,237,168	1
Investment properties (Notes 4, 5, 18 and 34)	8,436,098	1	8,337,249	1	Other noncurrent liabilities (Note 4)	1,072,632	-	536,795	-
Intangible assets (Notes 15 and 33)	2,493,804	-	2,680,365	-	Total noncurrent liabilities	216,543,848	32	227,774,818	33
Deferred tax assets (Notes 4, 5 and 28)	6,062,321	1	6,077,668	1	Total liabilities	348,049,365	51	362,629,658	53
Refundable deposits (Notes 4 and 32)	436,833	-	513,180	-	EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4, 10, 16, 25, 28 and 34)				
Other financial assets - noncurrent (Notes 4, 16, 32 and 34)	2,376,787	-	2,361,443	-	Share capital				
Other noncurrent assets (Notes 24 and 33)	7,579,422	1	8,733,172	1	Ordinary shares	157,348,610	23	154,255,840	23
Total noncurrent assets	534,370,425	78	533,761,988	78	Preference shares	382,680	-	382,680	-
					Total share capital	157,731,290	23	154,638,520	23
					Capital surplus	37,217,876	5	36,960,818	5
					Retained earnings				
					Legal reserve	56,957,880	8	55,359,726	8
					Special reserve	27,086,283	4	26,920,871	4
					Unappropriated earnings	24,125,515	4	16,348,240	3
					Total retained earnings	108,169,678	16	98,628,837	15
					Other equity	10,162,015	2	7,955,853	1
					Treasury shares	(8,587,461)	(1)	(8,496,974)	(1)
					Total equity attributable to owners of the Corporation	304,693,398	45	289,687,054	43
					NON-CONTROLLING INTERESTS	29,994,473	4	29,682,661	4
					Total equity	334,687,871	49	319,369,715	47
TOTAL	\$ 682,737,236	100	\$ 681,999,373	100	TOTAL	\$ 682,737,236	100	\$ 681,999,373	100

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 10, 23, 26 and 33)	\$366,510,697	100	\$347,828,838	100
OPERATING COSTS (Notes 13, 17, 24, 27 and 33)	<u>322,622,227</u>	<u>88</u>	<u>310,548,923</u>	<u>89</u>
GROSS PROFIT	43,888,470	12	37,279,915	11
REALIZED GAIN ON THE TRANSACTIONS WITH ASSOCIATES	<u>-</u>	<u>-</u>	<u>404,495</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>43,888,470</u>	<u>12</u>	<u>37,684,410</u>	<u>11</u>
OPERATING EXPENSES (Notes 24 and 27)				
Selling and marketing expenses	4,899,826	1	4,992,404	1
General and administrative expenses	7,181,277	2	6,286,297	2
Research and development expenses	<u>2,015,836</u>	<u>1</u>	<u>1,852,759</u>	<u>1</u>
Total operating expenses	<u>14,096,939</u>	<u>4</u>	<u>13,131,460</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>29,791,531</u>	<u>8</u>	<u>24,552,950</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 27 and 33)	2,420,784	1	1,618,710	1
Other gains and losses (Notes 10, 15, 27, 32 and 33)	(454,241)	-	(258,031)	-
Finance costs (Note 27)	(3,787,776)	(1)	(2,985,370)	(1)
Share of the profit (loss) of associates	<u>605,936</u>	<u>-</u>	<u>280,793</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,215,297)</u>	<u>-</u>	<u>(1,343,898)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	28,576,234	8	23,209,052	7
INCOME TAX EXPENSE (Notes 4, 5 and 28)	<u>4,378,958</u>	<u>1</u>	<u>4,854,585</u>	<u>2</u>
NET PROFIT FOR THE YEAR	<u>24,197,276</u>	<u>7</u>	<u>18,354,467</u>	<u>5</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 10, 16, 24, 25, 28 and 32)				
Exchange differences on translating foreign operations	2,212,405	1	218,254	-

Unrealized gain on available-for-sale financial assets	580,738	-	3,550,104	1
Cash flow hedges	178,384	-	340,696	-

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CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2014		2013	
	Amount	%	Amount	%
Actuarial gain from defined benefit plans	\$ 1,564,528	-	\$ 153,606	-
Share of the other comprehensive income of associates	(26,796)	-	(156,363)	-
Income tax expense relating to the components of other comprehensive income	<u>(345,570)</u>	<u>-</u>	<u>(102,760)</u>	<u>-</u>
Total other comprehensive income, net of income tax	<u>4,163,689</u>	<u>1</u>	<u>4,003,537</u>	<u>1</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 28,360,965</u>	<u>8</u>	<u>\$ 22,358,004</u>	<u>6</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 22,160,266	6	\$ 15,981,540	4
Non-controlling interests	<u>2,037,010</u>	<u>1</u>	<u>2,372,927</u>	<u>1</u>
	<u>\$ 24,197,276</u>	<u>7</u>	<u>\$ 18,354,467</u>	<u>5</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 25,685,222	7	\$ 19,506,129	5
Non-controlling interests	<u>2,675,743</u>	<u>1</u>	<u>2,851,875</u>	<u>1</u>
	<u>\$ 28,360,965</u>	<u>8</u>	<u>\$ 22,358,004</u>	<u>6</u>
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$ 1.43</u>		<u>\$ 1.03</u>	
Diluted	<u>\$ 1.43</u>		<u>\$ 1.03</u>	

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Corporation						Other Equity					Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Instruments	Cash Flow Hedges	Total Other Equity	Treasury Shares			
	Ordinary Shares	Preference Shares		Legal Reserve	Special Reserve	Unappropriated Earnings								
BALANCE AT JANUARY 1, 2013	\$ 152,724,765	\$ 382,680	\$ 36,575,997	\$ 54,778,577	\$ 29,248,991	\$ 6,156,721	\$ (417,820)	\$ 5,283,803	\$ (280,266)	\$ 4,585,717	\$ (8,582,297)	\$ 275,871,151	\$ 26,869,649	\$ 302,740,800
Appropriation of 2012 earnings (Note 25)														
Legal reserve	-	-	-	581,149	-	(581,149)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.4 per share	-	-	-	-	-	(6,108,990)	-	-	-	-	-	(6,108,990)	-	(6,108,990)
Cash dividends to preference shareholders - NT\$1.3 per share	-	-	-	-	-	(49,748)	-	-	-	-	-	(49,748)	-	(49,748)
Share dividends to ordinary shareholders - NT\$0.1 per share	1,527,248	-	-	-	-	(1,527,248)	-	-	-	-	-	-	-	-
Share dividends to preference shareholders - NT\$0.1 per share	3,827	-	-	-	-	(3,827)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(2,328,120)	2,328,120	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2013	-	-	-	-	-	15,981,540	-	-	-	-	-	15,981,540	2,372,927	18,354,467
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	154,453	(241,869)	3,319,364	292,641	3,370,136	-	3,524,589	478,948	4,003,537
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	16,135,993	(241,869)	3,319,364	292,641	3,370,136	-	19,506,129	2,851,875	22,358,004
Disposal of the Corporation's shares held by subsidiaries	-	-	31,212	-	-	-	-	-	-	-	82,997	114,209	167,163	281,372
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	123,966	-	-	-	-	-	-	-	-	123,966	76,094	200,060
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(282,120)	(282,120)
Adjustment of other equity	-	-	229,643	-	-	(1,632)	-	-	-	-	2,326	230,337	-	230,337
BALANCE AT DECEMBER 31, 2013	154,255,840	382,680	36,960,818	55,359,726	26,920,871	16,348,240	(659,689)	8,603,167	12,375	7,955,853	(8,496,974)	289,687,054	29,682,661	319,369,715
Appropriation of 2013 earnings (Note 25)														
Legal reserve	-	-	-	1,598,154	-	(1,598,154)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	166,266	(166,266)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.7 per share	-	-	-	-	-	(10,797,909)	-	-	-	-	-	(10,797,909)	-	(10,797,909)
Cash dividends to preference shareholders - NT\$1.2 per share	-	-	-	-	-	(45,922)	-	-	-	-	-	(45,922)	-	(45,922)
Share dividends to ordinary shareholders - NT\$0.2 per share	3,085,117	-	-	-	-	(3,085,117)	-	-	-	-	-	-	-	-
Share dividends to preference shareholders - NT\$0.2 per share	7,653	-	-	-	-	(7,653)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(854)	854	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2014	-	-	-	-	-	22,160,266	-	-	-	-	-	22,160,266	2,037,010	24,197,276
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	1,318,794	1,392,158	680,187	133,817	2,206,162	-	3,524,956	638,733	4,163,689
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	23,479,060	1,392,158	680,187	133,817	2,206,162	-	25,685,222	2,675,743	28,360,965
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	(90,487)	(90,487)	(108,115)	(198,602)
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	218,053	-	-	-	-	-	-	-	-	218,053	132,474	350,527
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,388,290)	(2,388,290)
Adjustment of other equity	-	-	39,005	-	-	(1,618)	-	-	-	-	-	37,387	-	37,387
BALANCE AT DECEMBER 31, 2014	\$ 157,348,610	\$ 382,680	\$ 37,217,876	\$ 56,957,880	\$ 27,086,283	\$ 24,125,515	\$ 732,469	\$ 9,283,354	\$ 146,192	\$ 10,162,015	\$ (8,587,461)	\$ 304,693,398	\$ 29,994,473	\$ 334,687,871

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 28,576,234	\$ 23,209,052
Adjustments for:		
Depreciation expense	35,354,714	31,345,401
Amortization expense	368,943	293,117
Net gain on financial assets and liabilities at fair value through profit or loss	(127,501)	(225,006)
Finance costs	3,787,776	2,985,370
Interest income	(511,164)	(472,294)
Dividend income	(379,552)	(364,527)
Share of the loss (profit) of associates	(617,995)	(281,422)
Loss on disposal of property, plant and equipment	214,424	111,761
Gain on disposal of intangible assets	(73,327)	-
Gain on disposal of investments	(740,942)	(674,749)
Impairment loss recognized on financial assets	930,366	153,215
Impairment loss recognized on non-financial assets	856,030	213,244
Increase in provision for loss on inventories	1,246,293	158,052
Realized gain on the transactions with associates	-	(404,495)
Recognition of provisions	6,524,255	4,327,642
Others	180,661	(18,806)
Changes in operating assets and liabilities		
Financial instruments held for trading	(107,934)	(215,872)
Notes receivable	(45,546)	(223,510)
Notes receivable-related parties	444,860	(87,609)
Accounts receivable	(701,378)	454,020
Accounts receivable-related parties	(214,259)	84,545
Amounts due from customers for construction contracts	(4,012)	123,196
Other receivables	748,434	515,700
Inventories	603,865	(5,894,599)
Other current assets	(83,485)	(709,282)
Notes payable	369,365	721,620
Notes payable-related parties	(668)	(412)
Accounts payable	(2,639,859)	259,209
Accounts payable-related parties	532,251	(73,935)
Amounts due to customers for construction contracts	(415,411)	2,161,444
Other payables	559,896	894,106
Provisions	(5,689,752)	(3,493,517)
Other current liabilities	(43,294)	695,626

Accrued pension liabilities	<u>(223,652)</u>	<u>(48,508)</u>
Cash generated from operations	68,678,636	55,517,777
Income taxes paid	<u>(4,225,392)</u>	<u>(1,251,708)</u>
Net cash generated from operating activities	<u>64,453,244</u>	<u>54,266,069</u>

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December	
	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	\$ (6,714,162)	\$ (5,331,769)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	6,448,991	4,713,063
Acquisition of available-for-sale financial assets	(7,237,912)	(10,341,835)
Proceeds from disposal of available-for-sale financial assets	2,995,987	3,137,250
Proceeds from the capital reduction on available-for-sale financial assets	53,438	64,500
Acquisition of bond investments with no active market	(39,155)	(14,593)
Proceeds from disposal of bond investment with no active market	24,861	29,330
Acquisition of held-to-maturity financial assets	-	(102,112)
Proceeds from disposal of held-to-maturity financial assets	-	82,236
Net cash outflow on acquisition of subsidiaries	(771,678)	(907,670)
Acquisition of investments accounted for using equity method	(942,591)	(9,403,092)
Proceeds from the capital reduction on investments accounted for using equity method	11,550	-
Acquisition of property, plant and equipment	(30,970,004)	(60,718,197)
Proceeds from disposal of property, plant and equipment	99,390	132,927
Decrease (increase) in refundable deposits	76,382	(71,422)
Acquisition of intangible assets	(71,234)	(236,845)
Acquisition of investment properties	-	(11,309)
Proceeds from disposal of investment properties	89	-
Decrease (increase) in other financial assets	(292,737)	273,317
Decrease (increase) in other noncurrent assets	211,931	(1,363,882)
Interest received	508,355	467,105
Dividends received from associates	576,427	62,037
Dividends received from others	379,904	369,147
Net cash used in investing activities	<u>(35,652,168)</u>	<u>(79,171,814)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	205,793,710	299,839,209
Repayments of short-term borrowings	(203,954,160)	(300,050,470)
Increase (decrease) in short-term bills payable	(10,674,204)	2,106,870
Issuance of bonds payable	34,900,000	19,894,618
Repayments of bonds payable	(3,500,000)	(11,275,000)
Proceeds from long-term bank borrowings	41,533,502	63,921,305

Repayments of long-term bank borrowings	(61,918,263)	(48,495,770)
Increase in long-term bills payable	-	3,098,302
Decrease in long-term bills payable	(14,862,621)	-
Increase (decrease) in other noncurrent liabilities	223,170	(55,213)
Dividends paid to owners of the Corporation	(10,709,909)	(5,976,436)

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2014	2013
Purchase of the Corporation's shares by subsidiaries	\$ (198,602)	\$ -
Disposal of the Corporation's shares held by subsidiaries	-	281,372
Interest paid	(3,808,487)	(3,650,011)
Decrease in non-controlling interests	<u>(2,388,290)</u>	<u>(2,037,708)</u>
Net cash generated from (used in) financing activities	<u>(29,564,154)</u>	<u>17,601,068</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>881,293</u>	<u>886,863</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	118,215	(6,417,814)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>10,541,442</u>	<u>16,959,256</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 10,659,657</u>	<u>\$ 10,541,442</u>
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2014 and 2013:		
Cash and cash equivalents in the consolidated balance sheets	\$ 13,632,013	\$ 13,700,839
Bank overdraft	<u>(2,972,356)</u>	<u>(3,159,397)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 10,659,657</u>	<u>\$ 10,541,442</u>

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

China Steel Corporation

Standalone Financial Statements for the
Years Ended December 31, 2014 and 2013 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Steel Corporation

We have audited the accompanying standalone balance sheets of China Steel Corporation (the "Corporation") as of December 31, 2014 and 2013, and the related standalone statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the standalone financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall standalone financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the standalone financial statements referred to in the first paragraph present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2014 and 2013, and its standalone financial performance and its standalone cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China.

March 27, 2015

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying standalone financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and standalone financial statements shall prevail. As stated in Note 4 to standalone financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

CHINA STEEL CORPORATION

STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2014		December 31, 2013		LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4, 6 and 27)	\$ 2,603,621	1	\$ 1,331,421	-	Short-term borrowings and bank overdraft (Notes 16, 27, 28 and 29)	\$ 7,293,715	1	\$ 7,433,861	2
Available-for-sale financial assets - current (Notes 4, 7 and 27)	3,920,578	1	2,589,723	1	Short-term bills payable (Notes 16 and 27)	1,899,630	-	8,968,844	2
Derivative financial assets for hedging - current (Notes 4, 8 and 27)	46,345	-	13,550	-	Derivative financial liabilities for hedging - current (Notes 4, 8 and 27)	11,497	-	7,952	-
Notes receivable (Notes 4, 9 and 27)	586,347	-	408,444	-	Accounts payable (Note 27)	3,469,515	1	4,856,273	1
Notes receivable - related parties (Notes 4, 9, 27 and 28)	159,409	-	600,863	-	Accounts payable - related parties (Notes 27 and 28)	890,942	-	1,591,679	-
Accounts receivable, net (Notes 4, 9 and 27)	1,823,421	-	2,115,874	1	Other payables (Notes 4, 5, 18, 20, 27 and 28)	15,076,462	3	15,722,312	3
Accounts receivable - related parties (Notes 4, 9, 27 and 28)	962,523	-	1,318,659	-	Current tax liabilities (Note 24)	2,886,183	1	2,047,487	-
Other receivables (Notes 4, 11 and 27)	2,028,881	1	1,082,512	-	Provisions - current (Notes 4, 5 and 19)	1,459,275	-	1,466,265	-
Other receivables - loans to related parties (Notes 4, 27 and 28)	5,230,000	1	2,320,000	1	Current portion of bonds payable (Notes 17 and 27)	8,148,376	2	3,499,318	1
Current tax assets (Note 24)	-	-	8,663	-	Current portion of long-term bank borrowings (Notes 16, 27 and 29)	7,827,211	2	6,642,101	2
Inventories (Notes 4, 5 and 10)	41,179,810	9	46,516,733	10	Other current liabilities	3,035,637	1	2,125,450	1
Other financial assets - current (Notes 4, 13, 27 and 29)	6,362,957	1	6,621,540	1					
Other current assets	1,073,255	-	2,994,363	1	Total current liabilities	51,998,443	11	54,361,542	12
Total current assets	65,977,147	14	67,922,345	15	NONCURRENT LIABILITIES				
NONCURRENT ASSETS					Derivative financial liabilities for hedging - noncurrent (Notes 4, 8 and 27)	748	-	2,984	-
Available-for-sale financial assets - noncurrent (Notes 4, 5, 7, 16 and 27)	18,094,873	4	19,013,560	4	Bonds payable (Notes 17 and 27)	77,485,410	17	62,744,803	14
Derivative financial assets for hedging - noncurrent (Notes 4, 8 and 27)	61,858	-	4,357	-	Long-term bank borrowings (Notes 16, 27 and 29)	15,113,123	3	24,541,232	5
Bond investments with no active market - noncurrent (Notes 4, 11, 16 and 27)	2,646,000	1	2,839,000	1	Long-term bills payable (Notes 16 and 27)	-	-	8,996,565	2
Investments accounted for using equity method (Notes 4, 8, 12, 16 and 27)	181,539,524	39	165,350,184	36	Deferred tax liabilities (Notes 4 and 24)	11,185,715	2	11,385,765	3
Property, plant and equipment (Notes 4, 8, 13, 14, 28 and 29)	185,285,861	40	192,022,654	42	Accrued pension liabilities (Notes 4, 5 and 20)	3,791,555	1	5,560,573	1
Investment properties (Notes 4 and 15)	6,502,328	1	5,577,685	1	Total noncurrent liabilities	107,576,551	23	113,231,922	25
Intangible assets (Note 4)	76,971	-	99,721	-	Total liabilities	159,574,994	34	167,593,464	37
Deferred tax assets (Notes 4, 5 and 24)	3,984,551	1	4,213,562	1	EQUITY (Notes 4, 8, 12, 13, 21 and 24)				
Refundable deposits (Notes 4 and 27)	33,699	-	52,526	-	Share capital				
Prepaid investments	-	-	142,500	-	Ordinary shares	157,348,610	34	154,255,840	34
Other financial assets - noncurrent (Notes 4, 13 and 27)	65,580	-	42,424	-	Preference shares	382,680	-	382,680	-
Total noncurrent assets	398,291,245	86	389,358,173	85	Total share capital	157,731,290	34	154,638,520	34
					Capital surplus	37,217,876	8	36,960,818	8
					Retained earnings				
					Legal reserve	56,957,880	13	55,359,726	12
					Special reserve	27,086,283	6	26,920,871	6
					Unappropriated earnings	24,125,515	5	16,348,240	3
					Total retained earnings	108,169,678	24	98,628,837	21
					Other equity	10,162,015	2	7,955,853	2
					Treasury shares	(8,587,461)	(2)	(8,496,974)	(2)
					Total equity	304,693,398	66	289,687,054	63
TOTAL	\$464,268,392	100	\$457,280,518	100	TOTAL	\$464,268,392	100	\$457,280,518	100

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

CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 8, 19, 22 and 28)	\$205,159,602	100	\$200,726,268	100
OPERATING COSTS (Notes 10, 20, 23 and 28)	<u>183,377,897</u>	<u>89</u>	<u>184,156,015</u>	<u>91</u>
GROSS PROFIT	21,781,705	11	16,570,253	9
REALIZED (UNREALIZED) GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>(293,861)</u>	<u>-</u>	<u>394,126</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>21,487,844</u>	<u>11</u>	<u>16,964,379</u>	<u>9</u>
OPERATING EXPENSES (Notes 20, 23 and 28)				
Selling and marketing expenses	2,956,375	1	2,797,942	1
General and administrative expenses	3,551,917	2	2,893,215	2
Research and development expenses	<u>1,706,970</u>	<u>1</u>	<u>1,654,713</u>	<u>1</u>
Total operating expenses	<u>8,215,262</u>	<u>4</u>	<u>7,345,870</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>13,272,582</u>	<u>7</u>	<u>9,618,509</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 11, 23 and 28)	1,215,965	-	1,028,541	1
Other gains and losses (Notes 23 and 28)	(564,785)	-	(97,816)	-
Finance costs (Notes 23 and 28)	(1,984,712)	(1)	(1,486,696)	(1)
Share of the profit of subsidiaries and associates	<u>11,753,324</u>	<u>6</u>	<u>8,444,846</u>	<u>4</u>
Total non-operating income and expenses	<u>10,419,792</u>	<u>5</u>	<u>7,888,875</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	23,692,374	12	17,507,384	9
INCOME TAX EXPENSE (Notes 4, 5 and 24)	<u>1,532,108</u>	<u>1</u>	<u>1,525,844</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>22,160,266</u>	<u>11</u>	<u>15,981,540</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 8, 12, 13, 20, 21, 24 and 27)				
Exchange differences on translating foreign operations	1,018,234	1	(484,584)	-

Unrealized gain on available-for-sale financial assets	100,022	-	2,706,636	1
Cash flow hedges	135,763	-	4,123	-

(Continued)

CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2014		2013	
	Amount	%	Amount	%
Actuarial gain from defined benefit plans	\$ 1,613,095	1	\$ 168,894	-
Share of the other comprehensive income of subsidiaries and associates	955,148	-	1,158,933	1
Income tax expense relating to the components of other comprehensive income	<u>(297,306)</u>	<u>-</u>	<u>(29,413)</u>	<u>-</u>
Total other comprehensive income for the year, net of income tax	<u>3,524,956</u>	<u>2</u>	<u>3,524,589</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 25,685,222</u>	<u>13</u>	<u>\$ 19,506,129</u>	<u>10</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 1.43</u>		<u>\$ 1.03</u>	
Diluted	<u>\$ 1.43</u>		<u>\$ 1.03</u>	

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

(Concluded)

CHINA STEEL CORPORATION

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

	Share Capital			Retained Earnings			Other Equity					
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Cash Flow Hedges	Total Other Equity	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2013	\$ 152,724,765	\$ 382,680	\$ 36,575,997	\$ 54,778,577	\$ 29,248,991	\$ 6,156,721	\$ (417,820)	\$ 5,283,803	\$ (280,266)	\$ 4,585,717	\$ (8,582,297)	\$ 275,871,151
Appropriation of 2012 earnings (Note 21)												
Legal reserve	-	-	-	581,149	-	(581,149)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.4 per share	-	-	-	-	-	(6,108,990)	-	-	-	-	-	(6,108,990)
Cash dividends to preference shareholders - NT\$1.3 per share	-	-	-	-	-	(49,748)	-	-	-	-	-	(49,748)
Share dividends to ordinary shareholders - NT\$0.1 per share	1,527,248	-	-	-	-	(1,527,248)	-	-	-	-	-	-
Share dividends to preference shareholders - NT\$0.1 per share	3,827	-	-	-	-	(3,827)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(2,326,617)	2,326,617	-	-	-	-	-	-
Net profit for the year ended December 31, 2013	-	-	-	-	-	15,981,540	-	-	-	-	-	15,981,540
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	154,453	(241,869)	3,319,364	292,641	3,370,136	-	3,524,589
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	16,135,993	(241,869)	3,319,364	292,641	3,370,136	-	19,506,129
Disposal of the Corporation's shares held by subsidiaries	-	-	31,212	-	-	-	-	-	-	-	82,997	114,209
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	123,966	-	-	-	-	-	-	-	-	123,966
Adjustment from changes in equity of subsidiaries and associates	-	-	229,643	-	(1,503)	(129)	-	-	-	-	2,326	230,337
BALANCE AT DECEMBER 31, 2013	154,255,840	382,680	36,960,818	55,359,726	26,920,871	16,348,240	(659,689)	8,603,167	12,375	7,955,853	(8,496,974)	289,687,054
Appropriation of 2013 earnings (Note 21)												
Legal reserve	-	-	-	1,598,154	-	(1,598,154)	-	-	-	-	-	-
Special reserve	-	-	-	-	166,266	(166,266)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.7 per share	-	-	-	-	-	(10,797,909)	-	-	-	-	-	(10,797,909)
Cash dividends to preference shareholders - NT\$1.2 per share	-	-	-	-	-	(45,922)	-	-	-	-	-	(45,922)
Share dividends to ordinary shareholders - NT\$0.2 per share	3,085,117	-	-	-	-	(3,085,117)	-	-	-	-	-	-
Share dividends to preference shareholders - NT\$0.2 per share	7,653	-	-	-	-	(7,653)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(854)	854	-	-	-	-	-	-
Net profit for the year ended December 31, 2014	-	-	-	-	-	22,160,266	-	-	-	-	-	22,160,266
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	1,318,794	1,392,158	680,187	133,817	2,206,162	-	3,524,956
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	23,479,060	1,392,158	680,187	133,817	2,206,162	-	25,685,222
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	(90,487)	(90,487)
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	218,053	-	-	-	-	-	-	-	-	218,053
Adjustment from changes in equity of subsidiaries and associates	-	-	39,005	-	-	(1,618)	-	-	-	-	-	37,387
BALANCE AT DECEMBER 31, 2014	\$ 157,348,610	\$ 382,680	\$ 37,217,876	\$ 56,957,880	\$ 27,086,283	\$ 24,125,515	\$ 732,469	\$ 9,283,354	\$ 146,192	\$ 10,162,015	\$ (8,587,461)	\$ 304,693,398

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

CHINA STEEL CORPORATION

STANDALONE STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 23,692,374	\$ 17,507,384
Adjustments for:		
Depreciation expense	19,443,879	18,856,796
Amortization expense	22,750	42,167
Finance costs	1,984,712	1,486,696
Interest income	(183,073)	(98,446)
Dividend income	(206,682)	(229,517)
Share of the profit of subsidiaries and associates	(11,753,324)	(8,444,846)
Loss on disposal of property, plant and equipment	119,214	44,984
Gain on disposal of investments	(116,661)	(147,514)
Impairment loss recognized on financial assets	641,600	-
Increase in provision for loss on inventories	1,303,012	9,775
Unrealized (realized) gain on the transactions with subsidiaries and associates	293,861	(394,126)
Recognition of provisions	3,474,684	3,367,318
Others	(129,755)	(204,746)
Changes in operating assets and liabilities		
Notes receivable	(177,903)	68,252
Notes receivable - related parties	441,454	(81,410)
Accounts receivable	292,453	596,451
Accounts receivable - related parties	356,136	(487,764)
Other receivables	(687,209)	(215,229)
Inventories	4,173,265	974,968
Other current assets	1,921,108	(807,992)
Accounts payable	(1,386,758)	1,340,108
Accounts payable - related parties	(700,737)	1,094,711
Other payables	(1,860,467)	166,795

Provisions	(3,481,674)	(3,304,988)
Other current liabilities	910,187	691,854
Accrued pension liabilities	<u>15,395</u>	<u>57,626</u>
Cash generated from operations	38,401,841	31,889,307
Income taxes paid	<u>(1,216,978)</u>	<u>(66,778)</u>
Net cash generated from operating activities	<u>37,184,863</u>	<u>31,822,529</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of available-for-sale financial assets	(1,028,330)	(4,191,913)
Proceeds from disposal of available-for-sale financial assets	117,662	151,736
Proceeds from the capital reduction on available-for-sale financial assets	-	17,579
Acquisition of investments accounted for using equity method	(7,681,324)	(13,816,428)
Increase in prepaid investments	-	(142,500)
Acquisition of property, plant and equipment	(12,866,036)	(21,636,910)

(Continued)

CHINA STEEL CORPORATION

STANDALONE STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	For the Year Ended December	
	31	
	2014	2013
Decrease in refundable deposits	\$ 18,827	\$ 92,281
Increase in other receivables - loans to related parties	(2,910,000)	(2,320,000)
Net cash inflow from merger	-	180,605
Decrease in other financial assets	282,203	1,917,045
Interest received	187,797	96,922
Dividends received from subsidiaries and associates	5,291,713	4,930,668
Other dividends received	<u>206,682</u>	<u>234,187</u>
Net cash used in investing activities	<u>(18,380,806)</u>	<u>(34,486,728)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	12,429,522	27,788,870
Repayments of short-term borrowings	(12,388,733)	(31,211,282)
Decrease in short-term bills payable	(7,069,214)	(4,325,590)
Issuance of bonds payable	22,900,000	19,600,000
Repayments of bonds payable	(3,500,000)	(11,300,000)
Proceeds from long-term bank borrowings	6,209,166	17,187,349
Repayments of long-term bank borrowings	(14,208,929)	(8,048,632)
Decrease in long-term bills payable	(9,000,000)	(1,500,000)
Dividends paid	(10,842,383)	(6,176,496)
Interest paid	<u>(1,827,768)</u>	<u>(1,607,656)</u>
Net cash generated from (used in) financing activities	<u>(17,298,339)</u>	<u>406,563</u>
NET INCREASE (DECREASE) IN CASH AND CASH		
EQUIVALENTS	1,505,718	(2,257,636)

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>(1,291,780)</u>	<u>965,856</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 213,938</u>	<u>\$ (1,291,780)</u>
Reconciliation of the amounts in the standalone statements of cash flows with the equivalent items reported in the standalone balance sheets as of December 31, 2014 and 2013:		
Cash and cash equivalents in the standalone balance sheets	\$ 2,603,621	\$ 1,331,421
Bank overdraft	<u>(2,389,683)</u>	<u>(2,623,201)</u>
Cash and cash equivalents in the standalone statements of cash flows	<u>\$ 213,938</u>	<u>\$ (1,291,780)</u>

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

(Concluded)

Agenda 2-proposed by the board of directors

Explanatory Note:

To adopt the report proposal for Distribution of 2014 Profits

1. The Company's earnings distribution, as shown below, is proposed in accordance with the provisions in Article 6 of the Articles of Incorporation of the Company:

Undistributed earnings from previous years	NT\$	647,218,461.86
Reverse of special reserve: disposal of fixed assets		854,048.00
Actuarial gains(losses) from defined benefit pension plans (included in retained earnings)		1,338,868,752.00
Effects resulting from changes in long-term equity investment		(21,692,655.00)
Add: After-tax earnings of 2014 (A)		22,160,266,039.42
Deduct: Legal reserve = (A) *10%		(2,216,026,604.00)
Deduct: Provision of special reserve		(47,048,973.00)
Subtotal of distributable earnings		21,862,439,069.28
Distribution Items:		
Dividends for preferred shares	(53,575,200.00)	
Dividends for common shares	(15,734,860,996.00)	
Subtotal of distribution items		(15,788,436,196.00)
Undistributed earnings	NT\$	6,074,002,873.28
Compensation for the Board of Directors and Supervisors		
Employee Bonus	NT\$	29,765,423.00
		1,587,489,221.00

2. For year 2014, Compensation for the Board of Directors and Supervisors totaled NT\$29,765,423, and Employee Bonus totaled NT\$1,587,489,221 to be distributed entirely in cash.
3. The proposed dividend appropriation for preferred shares totaled NT\$1.4 per share in cash. The proposed dividend appropriation for common shares totaled NT\$1.0 per share in cash.
4. Upon approval of this earnings appropriation plan by resolution of the meeting of shareholders, Chairman of the Board will be authorized to set the record date for

cash dividend distribution. When distributing cash dividends, the total amount paid to each shareholder shall be in whole NT dollars and any fractional amount less than a NT dollar shall be rounded to the next NT dollar. The resulting difference shall be recognized as a Company expense.

Resolution:

Agenda 3-proposed by the board of directors

Explanatory Note:

1. Amendments to Articles of Incorporation of the Company are proposed:
 - (1) Owing to operational needs, the following items are supplemented to Article 2: CB01010 Machinery and Equipment Manufacturing, CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing, E604010 Machinery Installation Construction.
 - (2) Paragraph 1 of Article 6 is revised, adding the regulation on the provision and reversal of special reserve and explanation of dividends for common shares, in accordance with Paragraph 3 of Article 26 of “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.”
 - (3) To be consistent with regulation on minimum of members of audit committee mentions in next item, regulation on the minimum requirement of the number of Independent Directors in Paragraph 3 of Article 22 is revised from “no less than two” into “no less than three”.
 - (4) In accordance with the “Scope of Mandatory Establishment of Audit Committee” released by Financial Supervisory Commission (FSC Ruling Cheng Fa 1020004592) on February 20th, 2013, the Company shall establish audit committee after the expiration of the term of directors and supervisors elected in 2013 (the 15th term of board of directors). Hence, the Company proposed to add Paragraphs 3 to 5 of Article 31 as a basis to establish audit committee and block related provisions for nomination and election of supervisors, i.e. the Company will not initiate the process of nomination and election of supervisors in 2016 shareholders’ meeting to transit into the mode that audit committee executes the powers of supervisor.
 - (5) To make the provision on powers of the Board of Directors more complete, the Company proposed to add a new subparagraph 17, regarding the procedures for loaning of funds to other parties, in Article 30 and revise the original subparagraph 17 into subparagraph 18.
 - (6) Amendment to Article 42 is to revise the date of amendment and cardinal number.
2. A comparison table of drafted clause and the clause in force is attached.

Resolution:

Attachment 2

Comparison Table of Drafted Amendments to Articles of Incorporation of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 2.</p> <p>The scope of the business engaged in by the Company is as follows:</p> <ol style="list-style-type: none"> 1. CA01010 Iron and steel refining; 2. CA01030 Steel casting; 3. CA01020 Steel rolling and extruding; 4. CA01050 Secondary processing of steel materials; 5. CA02080 Metal forging; 6. CA03010 Heat treatment; 7. CA04010 Surface treatment; 8. E103101 Environmental protection construction ; 9. E602011 Refrigeration and air conditioning engineering; <u>10. CB01010 Machinery and Equipment Manufacturing;</u> <u>11. CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing;</u> <u>12. E604010 Machinery Installation Construction;</u> <u>13. ZZ99999 Any other</u> 	<p>Article 2.</p> <p>The scope of the business engaged in by the Company is as follows:</p> <ol style="list-style-type: none"> 1. CA01010 Iron and steel refining; 2. CA01030 Steel casting; 3. CA01020 Steel rolling and extruding; 4. CA01050 Secondary processing of steel materials; 5. CA02080 Metal forging; 6. CA03010 Heat treatment; 7. CA04010 Surface treatment; 8. E103101 Environmental protection construction ; 9. E602011 Refrigeration and air conditioning engineering; <p>(New Clause)</p>	<p>Subparagraphs 10 to 12 are added in conformity with new businesses. The original Subparagraph 10 is revised into Subparagraph 13.</p>

<p>businesses that are not prohibited or restricted by laws, except for businesses requiring special approvals</p>	<p><u>10. ZZ99999</u> Any other businesses that are not prohibited or restricted by laws, except for businesses requiring special approvals</p>	
<p>Article 6.</p> <p>In case of any earnings earned in any given fiscal year being reported from the Company's final annual accounting, <u>the Company shall appropriate or reverse a special reserve firstly after taxes, losses and legal reserves have been paid, made up and set aside respectively. Secondly, a preferred share dividend shall be distributed at 14% of the par value.</u> The remaining earnings if have, shall be set aside 0.15% as remuneration for Directors and Supervisors, 8% as bonuses for employees, and <u>no more than 14% of the par value as bonuses for common shares.</u> In case the account still remains any distributable earnings, additional bonuses shall be distributed according to the percentage of shares held by each shareholder of preferred and common shares.</p> <p><u>When necessary, the Company may, upon a resolution by a shareholders' meeting, set aside special reserved earnings surplus</u></p>	<p>Article 6.</p> <p>In case of any earnings earned in any given fiscal year being reported from the Company's final annual accounting, <u>a preferred share dividend shall be distributed at 14% of the par value firstly after taxes, losses and legal reserves have been paid, made up and set aside respectively.</u> The remaining earnings if have, shall be set aside 0.15% as remuneration for Directors and Supervisors, 8% as bonuses for employees, and 14% of the par value as bonuses for common shares. In case the account still remains any distributable earnings, additional bonuses shall be distributed according to the percentage of shares held by each shareholder of preferred and common shares. <u>When necessary, however, upon a resolution by a shareholders' meeting, special reserved earnings surplus or retained earnings may be set aside first</u> after distribution of dividends for preferred shares. In case of</p>	<p>Amendments is made in accordance with Paragraph 3 of Article 26 of "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies": When a TWSE/GTSM listed company, under its articles of incorporation, or by resolution of its shareholders meeting, or by order of the competent authority, sets aside a certain proportion of earnings as special reserve, such allocation shall be made after the allocation of legal reserve and before the distribution of director and supervisor compensation and employee bonuses, and the Company shall provide in the articles of incorporation the method to be adopted for distributing earnings when reversal of the special reserve is added into the undistributed earnings.</p> <p>Thus, Paragraph 1 of Article 6 is split into three</p>

<p>or retained earnings first after distribution of dividends for preferred shares. In case of no earnings in a given year or in the event that the earnings are insufficient to cover the distribution of dividends for preferred shares, the outstanding dividends for distributable preferred shares shall accrue and be made up firstly when there are earnings in any subsequent year.</p> <p>When distributing the annual earnings, the Company may first consider the financial status and other operational factors of the Company, and may allocate partial or all of the reserves <u>in accordance with laws and regulations.</u></p> <p>(Omitted)</p>	<p>no earnings in a given year or in the event that the earnings are insufficient to cover the distribution of dividends for preferred shares, the outstanding dividends for distributable preferred shares shall accrue and be made up firstly when there are earnings in any subsequent year.</p> <p>When distributing the annual earnings, the Company may consider the financial status and other operational factors of the Company, and may thereby allocate partial or all of the reserves <u>provided in accordance with laws or regulations stipulated by competent authorities.</u></p> <p>(Omitted)</p>	<p>paragraphs and revised as follows: 1. add the regulation on the provision of special reserve and on how to distribute earnings when reversal of the special reserve is added into the undistributed earnings; Also, some redundancies are deleted. 2. add explanation of dividends for common shares to make it more complete.</p> <p>The original Paragraphs 2 to 6 are revised into Paragraphs 4 to 8.</p>
<p>Article 22.</p> <p>(Omitted)</p> <p>The number of Independent Directors among the number of Directors to be elected in each term in accordance with the paragraph 1 of this article shall be no less than <u>three</u> and no less than one-fifth of the number of persons to be elected.</p> <p>(Omitted)</p>	<p>Article 22.</p> <p>(Omitted)</p> <p>The number of Independent Directors among the number of Directors to be elected in each term in accordance with the paragraph 1 of this article shall be no less than <u>two</u> and no less than one-fifth of the number of persons to be elected.</p> <p>(Omitted)</p>	<p>The minimum requirement of the number of Independent Directors is revised to be consistent with the amendment to Paragraph 3 of Article 30-1.</p>
<p>Article 30.</p> <p>The powers of the Board of Directors are listed as follows:</p> <p>1. To increase or decrease</p>	<p>Article 30.</p> <p>The powers of the Board of Directors are listed as follows:</p> <p>1. To increase or decrease</p>	<p>The Company passed the procedures for loaning of funds to other parties on June 19th, 2013.</p>

<p>capital; (Omitted)</p> <p>11. To adopt or amend the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loaning of funds to other parties, and endorsements or guarantees for others, and the internal control system as well as to approve other important by-laws;</p> <p>(Omitted)</p> <p>16. To approve endorsement and guaranty within the Company’s operation procedure of endorsement and guaranty;</p> <p><u>17. To approve loaning of funds to other parties within the Company’s procedures for loaning of funds to other parties; and</u></p> <p>18. To review and approve the authorities which are empowered by other statutes.</p>	<p>capital; (Omitted)</p> <p>11. To adopt or amend the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, loaning of funds to other parties, and endorsements or guarantees for others, and the internal control system as well as to approve other important by-laws;</p> <p>(Omitted)</p> <p>16. To approve endorsement and guaranty within the Company’s operation procedure of endorsement and guaranty; and</p> <p><u>(New Clause)</u></p> <p><u>17.</u> To review and approve the authorities which are empowered by other statutes.</p>	<p>To make the provision on powers of the Board of Directors more complete, the Company proposed to add a new Subparagraph 17 in Article 30 and revise the original Subparagraph 17 into Subparagraph 18.</p>
<p>Article 30-1.</p> <p>The Company shall have three to five Supervisors. A candidate nomination system is adopted by the Company, and Supervisors shall be elected from a list of candidate by shareholders.</p> <p>The provisions of Paragraph 2 of Article 22 shall apply mutatis mutandis to the election of Supervisors.</p> <p><u>Starting from the 16th term of board of directors, the Company</u></p>	<p>Article 30-1.</p> <p>The Company shall have three to five Supervisors. A candidate nomination system is adopted by the Company, and Supervisors shall be elected from a list of candidate by shareholders.</p> <p>The provisions of Paragraph 2 of Article 22 shall apply mutatis mutandis to the election of Supervisors.</p> <p><u>(New Clause)</u></p>	<p>1. In accordance with the “Scope of Mandatory Establishment of Audit Committee” released by Financial Supervisory Commission (FSC Ruling Cheng Fa 1020004592) on February 20th, 2013, the Company shall establish audit committee after the expiration of the term of directors and supervisors elected in</p>

<p><u>shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.</u></p> <p><u>After the Company established an audit committee, the provisions regarding the power of supervisors in the Securities and Exchange Act, the Company Act, other laws and regulations, and this Articles of Incorporation shall apply to the audit committee, except the provisions listed in Paragraph 4 of Article 14-4 of the Securities and Exchange Act. A resolution of the audit committee shall have the concurrence of one-half or more of all members; The convener of audit committee shall externally on behalf of the committee.</u></p> <p><u>Starting from the effective date of provisions in the previous two paragraphs, the provisions regarding nomination and election of supervisors in Paragraph 1 and 2 shall expire.</u></p>	<p>(New Clause)</p> <p>(New Clause)</p>	<p>2013 (the 15th term of board of directors).</p> <p>2. In view of the candidate nomination system for supervisors, the Company has to go through the process of nomination of supervisors before the shareholders' meeting in 2016 to comply with the Articles of Incorporation if the Company postpones the proposal of amendments to Articles of Incorporation until 2016. Hence, the Company must propose the amendments to Articles of Incorporation this year to prevent unfair and unreasonable situations that might cause to candidates of supervisors in 2016. Before the expiry date of the 15th term of supervisors, the supervisors must exercise their power in accordance with the Securities and Exchange Act, the Company Act, other laws and regulations, and this Articles of Incorporation. Hence, provisions related to</p>
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		<p>supervisors remain the same in this amendment.</p> <p>3. To deal with the dilemma describing above, the Company proposed to add Paragraphs 3 to 5 as a basis to establish audit committee and block related provisions for nomination and election of supervisors.</p>
<p><u>Article 32-3.</u></p> <p><u>The Company may take out liability insurance for directors and supervisors with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the Company and shareholders arising from the wrongdoings or negligence of a director or supervisor.</u></p>	<p><u>(New Clause)</u></p>	<p>This article is added in accordance with Articles 39 and 49 of “Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies”.</p>
<p>Article 42.</p> <p>This Articles of Incorporation are agreed and signed on Nov. 2, 1971, firstly amended on Dec. 28, 1973, (Omitted), forty-secondly amended on June 18th, 2014, <u>and forty-thirdly amended on June 23rd, 2015.</u></p>	<p>Article 42.</p> <p>This Articles of Incorporation are agreed and signed on Nov. 2, 1971, firstly amended on Dec. 28, 1973, (Omitted), and forty-secondly amended on June 18th, 2014.</p>	<p>To revise the date of amendment and cardinal number.</p>

Agenda 4 -proposed by the board of directors

Explanatory note:

1. The Company's Rules Governing Procedures for Shareholders' Meeting is amended in accordance with Tai-Cheng-Shang-Yi-Zi-1020003468 and Tai-Cheng-Chih-Li-Zi-1040001716 released by Taiwan Stock Exchange, and Articles 6 and 7 of "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies".
2. A comparison table of drafted clause and the clause in force is attached.

Resolution:

Attachment 3

Comparison Table of Drafted Amendments to Rules Governing Procedures for Shareholders' Meeting of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 2</p> <p>(Paragraphs 1 and 2 are Omitted)</p> <p>Where there are proposals relating to election or discharge of directors/supervisors, amendments to the Articles, dissolution, merger or spin-off of the Company, or relating to Paragraph 1, Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities Exchange Act, <u>Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers</u>, proposals for the meeting shall be enumerated and extraordinary motions for such proposals shall be prohibited.</p> <p>(Omitted)</p>	<p>Article 2</p> <p>(Paragraphs 1 and 2 are Omitted)</p> <p>Where there are proposals relating to election or discharge of directors/supervisors, amendments to the Articles, dissolution, merger or spin-off of the Company, or relating to Paragraph 1, Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities Exchange Act, proposals for the meeting shall be enumerated and extraordinary motions for such proposals shall be prohibited.</p> <p>(Omitted)</p>	<p>Text in Paragraph 3 is revised in accordance with Article 56-1 (To issue employee stock warrants that are not subject to the exercise price restriction set out in Article 53) and Article 60-2 (To file for registration of issuance of new restricted employee shares) of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers.</p>
<p>Article 2-1</p> <p>The Company shall prepare the agenda handbook for the shareholder's meeting in compliance with the rules by the competent authorities.</p> <p>Twenty-one days before the Company is to convene an ordinary shareholders' meeting, or 15 days before it convenes an extraordinary shareholders' meeting, it shall prepare an electronic file of the shareholders' meeting agenda handbook and the supplemental</p>	<p>Article 2-1</p> <p>The Company shall prepare the agenda handbook for the shareholder's meeting in compliance with the rules by the competent authorities.</p> <p>Twenty-one days before the Company is to convene an ordinary shareholders' meeting, or 15 days before it convenes an extraordinary shareholders' meeting, it shall prepare an electronic file of the shareholders' meeting agenda handbook and the</p>	<p>This article is amended in accordance with Paragraph 1 of Article 6 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.</p>

<p>materials referred to in the preceding paragraph, and upload it to the Market Observation Post System.</p> <p>Fifteen days before the Company is to convene a shareholders' meeting, it shall prepare the shareholders' meeting agenda handbook and supplemental materials and make them available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the Company and <u>the professional stock registrar and transfer agent designated by the Company</u>, and distributed on-site at the meeting.</p>	<p>supplemental materials referred to in the preceding paragraph, and upload it to the Market Observation Post System.</p> <p>Fifteen days before the Company is to convene a shareholders' meeting, it shall prepare the shareholders' meeting agenda handbook and supplemental materials and make them available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the Company and its stock registrar and transfer agent, and distributed on-site at the meeting.</p>	
<p>Article 5</p> <p><u>The Company shall specify the timeframe and location for shareholders' attendance registration, and other important notes.</u></p> <p><u>The aforementioned timeframe for shareholders' attendance registration shall be at least thirty minutes before the time scheduled to start the meeting. The Company shall set clear sign and assign sufficient numbers of suitable personnel to handle attendance registrations at the location.</u></p> <p><u>Shareholders themselves or the proxies designated by the shareholders (hereinafter, "Shareholders") shall be admitted to attend meetings of shareholders based on the attendance badge,</u></p>	<p>Article 5</p> <p>(New Clause)</p> <p>(New Clause)</p> <p>The Company shall deliver the agenda booklet, the annual</p>	<ol style="list-style-type: none"> 1. Paragraphs 1 and 2 are added to protect shareholders' rights. 2. The original Paragraph 2 is revised into Paragraph 3 and amended in accordance with Paragraph 1, Article 6 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies. Furthermore, the original Paragraph 1 is accordingly revised into Paragraph 4 and partially amended the wording. 3. The original Paragraph 1 is accordingly revised into Paragraph 4 and partially amended to conform to new

<p>the attendance sign-in card, <u>and other evidentiary documents. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend.</u> Solicitors soliciting authorization forms shall also carry proof of identification and have such proof ready for checking.</p> <p>The Company shall deliver the agenda booklet, the annual report, the attendance badge, the attendance sign-in card, the comments form, the ballot and other meeting materials to shareholders who attend the meeting; if directors and auditors are being elected, election ballots should also be enclosed.</p> <p>For government and corporate shareholders, the number of representatives in attendance at meetings of shareholders is not limited to one person. When corporations are commissioned to attend meetings of shareholders, they may only appoint one representative to attend.</p>	<p>report, the attendance badge, the attendance sign-in card, the comments form, the ballot and other meeting materials to shareholders who will attend the meeting of <u>shareholders themselves or to the proxies designated by the shareholders</u> (hereinafter, "Shareholders"); if directors and auditors are being elected, election ballots should also be enclosed.</p> <p>Shareholders shall be admitted to attend meetings of shareholders based on the attendance badge and the attendance sign-in card, and shall hand in the sign-in card in lieu of signing in. Solicitors soliciting authorization forms shall also carry proof of identification and have such proof ready for checking.</p> <p>For government and corporate shareholders, the number of representatives in attendance at meetings of shareholders is not limited to one person. When corporations are commissioned to attend meetings of shareholders, they may only appoint one representative to attend.</p>	<p>Paragraph 3.</p> <p>4. The original Paragraph 3 is accordingly revised into Paragraph 5.</p>
<p>Article 6</p> <p>If the board of directors convenes the meeting of shareholders, the position of the Chairman of shareholders' meeting is filled by the Chairman of the board. If the Chairman of the board takes leave or is unable to exercise his functional responsibilities with</p>	<p>Article 6</p> <p>If the board of directors convenes the meeting of shareholders, the position of the Chairman of shareholders' meeting is filled by the Chairman of the board. If the Chairman of the board takes leave or is unable to exercise</p>	<p>1. Paragraph 2 is added to protect shareholders' rights.</p> <p>2. The original Paragraph 2 is accordingly revised into Paragraph 3.</p>

<p>cause, the Chairman of the board shall appoint one director to act as agent. In cases where the Chairman of the board has not appointed an agent, the directors will nominate one person from among themselves to act on his behalf.</p> <p><u>In the case that a director is appointed to act as the aforementioned Chairman of shareholders' meeting, the director shall be the one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same provision shall apply mutatis mutandis to the case that the Chairman of shareholders' meeting is acted by the representative of a corporate director.</u></p> <p>If the meeting of shareholders is convened by a person with convening authority other than the Chairman of the board, the position of the Chairman of shareholders' meeting is filled by the said authorized convener. If there are two or more authorized conveners, they shall nominate one person from among themselves to fill the position.</p>	<p>his functional responsibilities with cause, the Chairman of the board shall appoint one director to act as agent. In cases where the Chairman of the board has not appointed an agent, the directors will nominate one person from among themselves to act on his behalf.</p> <p>If the meeting of shareholders is convened by a person with convening authority other than the Chairman of the board, the position of the Chairman of shareholders' meeting is filled by the said authorized convener. If there are two or more authorized conveners, they shall nominate one person from among themselves to fill the position.</p>	
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<p>Article 7</p> <p>Meetings of shareholders convened by the board of directors shall be <u>hosted by the Chairman of the board and attended in person by a majority of the directors on the board, at least one supervisor, and at least one representative from each board committees. The attendance shall be recorded in minutes of Shareholders' Meeting.</u></p> <p>(Omitted)</p>	<p>Article 7</p> <p>Meetings of shareholders convened by the board of directors shall be attended in person by a majority of the directors on the board.</p> <p>(Omitted)</p>	<p>References of the amendments to Paragraph 1 are as follows:</p> <ol style="list-style-type: none"> 1. UK Corporate Governance Code E.2.3: The chairman should arrange for the chairmen of the audit, remuneration and nomination committees to be available to answer questions at the AGM and for all directors to attend. 2. Item 6 of 1st Corporate Governance Evaluation System: Does the Company disclose the list of board members who attend shareholders' meeting in the minutes of shareholders' meeting? 3. Item 7 of 1st Corporate Governance Evaluation System: Do the Chairman of the board and members of audit committee (or supervisors) attend shareholders' meeting? 4. Paragraph 2, Article 6 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies.
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<p>Article 8</p> <p>The Company, <u>beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the shareholders' meeting, and the voting and vote counting procedures.</u></p> <p><u>The recorded materials of the preceding paragraph shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.</u></p>	<p>Article 8</p> <p>The Company shall make an audio and video recording of the proceedings of the shareholders' meeting, and shall retain them for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.</p> <p>(New Clause)</p>	<ol style="list-style-type: none"> 1. Paragraph 1 is amended to protect shareholders' rights. 2. Text in the latter part of original Paragraph is revised into Paragraph 2.
<p>Article 16</p> <p>Unless otherwise stipulated in the Company Act, other regulations, and the Articles of Association, voting on proposals, will pass by consent of more than half of the voting rights of shareholders in attendance.</p> <p><u>When proposals are putting to the vote, the Chairman of shareholders' meeting or the one who is designated by the Chairman of shareholders' meeting shall announce the number of votes of shareholders present at the meeting and arrange</u></p>	<p>Article 16</p> <p>Unless otherwise stipulated in the Company Act, other regulations, and the Articles of Association, voting on proposals, subsidiary motions, and extemporaneous motions will pass by consent of more than half of the voting rights of shareholders in attendance.</p> <p>Proposals and extemporaneous motions for which there are no objections when all shareholders in attendance are polled by the Chairman of shareholders'</p>	<ol style="list-style-type: none"> 1. Paragraph 1 is amended in accordance with Paragraph 3, Article 7 of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies. To facilitate related work and be more specific, amendment in Paragraph 1 stipulates that the Company shall enter the voting results, namely the numbers of votes cast for and against and the number of abstentions, through the Market Observation Post System after the

<p><u>for shareholders to vote on each separate proposal in the shareholders' meeting agenda. Following conclusion of the meeting, the Company shall enter the voting results on the same day, namely the numbers of votes cast for and against and the number of abstentions, through the Market Observation Post System.</u></p>	<p>meeting shall be deemed to have passed. The validity of the two voting methods above is the same as that of ballot voting.</p> <p>For resolutions, ad hoc motions, and subsidiary motions submitted pursuant to the foregoing Item, where an opposing opinion has been voiced, the chairman may opt to permit only the proponent shareholders or the opposing shareholders to exercise their voting rights. However, where the number of votes cast by the opposing shareholders has failed to reach the number of votes required to strike down said resolution or motion, a vote by the proponent shareholders must then still be held.</p>	<p>shareholders' meeting on the same day.</p> <p>2. Paragraphs 2 and 3 in the clause in force are deleted.</p>
<p>Article 18 (Omitted) Ballot counting <u>for proposals or election</u> shall proceed publicly in the meeting place. <u>On counting ballots, the results shall be reported, including the number of votes,</u> and recorded on site.</p>	<p>Article 18 (Omitted) Ballot counting shall proceed publicly in the meeting place, and voting results shall be reported and recorded on site.</p>	<p>Article 18 is amended in order to provide shareholders with more timely and accurate information about voting results and the numbers of votes.</p>

Agenda 5 -proposed by the board of directors

Explanatory note:

1. Amendments to the Regulations Governing the Election of Directors and Supervisors are proposed. Amendments are made to comply with the practice that will be initiated in the reelection of board members in 2016 to substitute audit committee for supervisors, and in accordance with "Sample Template for XXX Co., Ltd. Procedures for Election of Directors and Supervisors."
2. A comparison table of drafted clause and the clause in force is attached.

Resolution:

Attachment 4

Comparison Table of Drafted Amendments to Regulations Governing the Election of Directors and Supervisors of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Regulations Governing the Election of Directors of China Steel Corporation</p>	<p>Regulations Governing the Election of Directors <u>and Supervisors</u> of China Steel Corporation</p>	<p>In accordance with the “Scope of Mandatory Establishment of Audit Committee” released by Financial Supervisory Commission (FSC Ruling Cheng Fa 1020004592) on February 20th, 2013, the Company shall establish audit committee after the expiration of this term (the 15th term) of directors and supervisors. Hence, the Company proposed to amend provisions and wordings of this regulation, which related to “supervisors”, and retitled it as “Regulations Governing the Election of Directors of China Steel Corporation.”</p>
<p>Article 1-1</p> <p>The election of directors of the Company shall be considered the overall composition of the board of directors. <u>The composition of the board of directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs. It is advisable that the policy include, without being limited to, the following two general standards:</u></p>	<p>Article 1-1</p> <p>The election of directors of the Company shall be considered the overall composition of the board of directors. Board members shall commonly possess the knowledge, skills, general capacity and disposition required to perform their duties. The board as a whole shall encompass the following abilities:</p> <p>(1) Judgment of business operations;</p> <p>(2) Accounting and financial analysis;</p>	<p>Paragraph 1 is amended in accordance with Paragraphs 1 and 2, Article 3 of Sample Template for XXX Co., Ltd. Procedures for Election of Directors and Supervisors. (herein referred to as “Sample Template”) The original Paragraph 1 is revised and split into Paragraphs 1 and 2. The original Paragraph 2 is revised into Paragraphs 3.</p>

<p><u>1. Basic requirements and values: Gender, age, nationality, and culture.</u></p> <p><u>2. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.</u></p> <p>Board members shall commonly possess the knowledge, skills, general capacity and disposition required to perform their duties. The board as a whole shall encompass the following abilities:</p> <p>(1) Judgment of business operations;</p> <p>(2) Accounting and financial analysis;</p> <p>(3) Operational management;</p> <p>(4) Crisis handling;</p> <p>(5) Industrial knowledge;</p> <p>(6) International market outlook;</p> <p>(7) Leadership skills; and</p> <p>(8) Decision making.</p> <p>More than half of the directors of the Company shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.</p>	<p>(3) Operational management;</p> <p>(4) Crisis handling;</p> <p>(5) Industrial knowledge;</p> <p>(6) International market outlook;</p> <p>(7) Leadership skills; and</p> <p>(8) Decision making.</p> <p>More than half of the directors of the Company shall be persons who have neither a spousal relationship nor a relationship within the second degree of kinship with any other director.</p>	
<p>Article 1-2 (Delete Article 1-2)</p>	<p>Article 1-2</p> <p><u>Supervisors of the Company shall encompass the following qualifications:</u></p> <p><u>(1) Trustworthiness and down-to-earthness;</u></p>	<p>The reason for deleting Article 1-2 is the same as that for revising the title of this regulation.</p>

	<p><u>(2) Righteous judgment;</u></p> <p><u>(3) Professional knowledge;</u></p> <p><u>(4) Abounding experiences;</u> <u>and</u></p> <p><u>(5) Reading ability of financial statements.</u></p> <p><u>In addition to the above qualifications, at least one among all the supervisors of the Company shall be an accounting or financial professional.</u></p> <p><u>Appointments of supervisors shall be made with reference to the provisions on independence contained in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, in order to select appropriate supervisors to help strengthen risk management and control of finance and operations of the Company.</u></p> <p><u>At least one supervisor position must be held by a person having neither a spousal relationship nor a relationship within the second degree of kinship with any other supervisor or with any director.</u></p> <p><u>Supervisors of the Company may not serve concurrently as the director, managerial officer, or any other employee of the Company, and should ideally be domiciled in the Republic of China to be able to promptly fulfill the functions of supervisor.</u></p>	
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<p>Article 2</p> <p>The election of directors of the Company shall adopt the candidate nomination system and procedures prescribed in Article 192-1 of the Company Act. <u>The Company shall review the qualifications, education, working experience, background, and the existence of any other matters set forth in Article 30 of the Company Act with respect to nominee directors and may not arbitrarily add requirements for documentation of other qualifications. The Company shall further provide the results of the review to shareholders for their reference, so that qualified directors will be elected.</u> Independent directors and non-independent directors shall be nominated and listed separately, as well as shall be elected by shareholders from the respective candidate list.</p> <p>In case of special regulation(s) stipulated in Article 5 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies regarding the nomination of independent directors shall be applied.</p> <p>The qualification of independent directors of the Company shall be pursuant to Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.</p> <p>The election of independent and</p>	<p>Article 2</p> <p>The election of directors of the Company shall adopt the candidate nomination system and procedures prescribed in Article 192-1 of the Company Act. Independent directors and non-independent directors shall be nominated and listed separately, as well as shall be elected by shareholders from the respective candidate list.</p> <p>In case of special regulation(s) stipulated in Article 5 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies regarding the nomination of independent directors shall be applied.</p> <p>The qualification of independent directors of the Company shall be pursuant to Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public</p>	<ol style="list-style-type: none"> 1. Paragraph 1 is amended in accordance with Paragraph 1, Article 6 of Sample Template. 2. The reason for deleting Paragraphs 7 and 8 is the same as that for revising the title of this regulation.
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<p>non-independent directors of the Company shall be held together, but the voting shares of ballots for respective winners shall be separately calculated in accordance with the respective seats.</p> <p>When the number of directors falls below that prescribed in the Articles of Incorporation of the Company due to the dismissal of a director for any reason, a by-election shall be held to fill the vacancy at the next shareholders' meeting. When the number of directors falls short by one third of the total number prescribed in the Articles of Incorporation of the Company, an extraordinary shareholders' meeting shall be convened within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</p> <p>When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, a by-election shall be held at the next shareholders' meeting to fill the vacancy. When the independent directors are dismissed en masse, an extraordinary shareholders' meeting shall be convened within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</p>	<p>Companies.</p> <p>The election of independent and non-independent directors of the Company shall be held together, but the voting shares of ballots for respective winners shall be separately calculated in accordance with the respective seats.</p> <p>When the number of directors falls below that prescribed in the Articles of Incorporation of the Company due to the dismissal of a director for any reason, a by-election shall be held to fill the vacancy at the next shareholders' meeting. When the number of directors falls short by one third of the total number prescribed in the Articles of Incorporation of the Company, an extraordinary shareholders' meeting shall be convened within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</p> <p>When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, a by-election shall be held at the next shareholders' meeting to fill the vacancy. When the independent directors are dismissed en masse, an extraordinary shareholders' meeting shall be convened within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</p>	
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	<p><u>The election of supervisors of the Company shall adopt the candidate nomination system and procedures prescribed in Article 216-1 of the Company Act. Supervisors shall be elected by shareholders from the candidate list.</u></p> <p><u>When the number of supervisors falls below that prescribed in the Articles of Incorporation of the Company due to the dismissal of a supervisor for any reason, a by-election to fill the vacancy should ideally be held at the next shareholders' meeting. When the supervisors are dismissed en masse, an extraordinary shareholders' meeting shall be convened within 60 days from the date of occurrence to hold a by-election to fill the vacancies.</u></p>	
<p>Article 3</p> <p>Preferred shareholders of the Company do not have the voting rights for directors.</p>	<p>Article 3</p> <p>Preferred shareholders of the Company do not have the voting rights for directors <u>and supervisors.</u></p>	<p>The reason for revising Article 3 is the same as that for revising the title of this regulation.</p>
<p>Article 4</p> <p>Directors of the Company shall be elected by common shareholders with their cumulative voting rights by way of freely recording the name of individual candidate. Each common share shall have the same number of voting rights as the number of seats available for directors. Each common shareholder's election may focus on one candidate or be split for</p>	<p>Article 4</p> <p>Directors <u>and supervisors</u> of the Company shall be elected by common shareholders with their cumulative voting rights by way of freely recording the name of individual candidate. Each common share shall have the same number of voting rights as the number of seats available for directors <u>and supervisors.</u> Each common shareholder's</p>	<p>The reason for revising Article 4 is the same as that mentioned above.</p>

<p>two or more candidates up to the number of seats available.</p>	<p>election may focus on one candidate or be split for two or more candidates up to the number of seats available.</p>	
<p>Article 5</p> <p>The Board of Directors shall prepare the same number of ballots as the number of seats available for directors to be elected and distribute to each common shareholder who attends the shareholders' meeting.</p> <p>(Omitted)</p>	<p>Article 5</p> <p>The Board of Directors shall prepare the same number of ballots as the number of seats available for directors <u>and supervisors</u> to be elected and distribute to each common shareholder who attends the shareholders' meeting.</p> <p>(Omitted)</p>	<p>The reason for revising Paragraph 1 of Article 5 is the same as that mentioned above.</p>
<p>Article 6</p> <p>The candidates of independent directors <u>or</u> non-independent directors who acquire the cast ballots standing for more weighted voting shares shall win the seats available. In case of two or more candidates acquire the same number of weighted voting shares of cast ballots and exceed the specified number of seats available, such candidates shall draw lots to decide who win/wins the seats. The Chairman of shareholders' meeting (herein referred to as "the Chairman") shall draw lots on behalf of such candidates/candidate who are/is not present.</p>	<p>Article 6</p> <p>The candidates of independent directors, non-independent directors <u>or supervisors</u> who acquire the cast ballots standing for more weighted voting shares shall win the seats available. In case of two or more candidates acquire the same number of weighted voting shares of cast ballots and exceed the specified number of seats available, such candidates shall draw lots to decide who win/wins the seats. The Chairman of shareholders' meeting (herein referred to as "the Chairman") shall draw lots on behalf of such candidates/candidate who are/is not present.</p>	<p>The reason for revising Article 6 is the same as that mentioned above.</p>
<p>Article 9</p> <p>The voter shall fill the following data in the "candidate" column on ballots according to the candidate list of independent directors <u>or</u></p>	<p>Article 9</p> <p>The voter shall fill the following data in the "candidate" column on ballots according to the candidate list</p>	<p>The reason for revising Article 9 is the same as that mentioned above.</p>

<p>non-independent directors before casting his/her ballots into the ballot box:</p> <p>(Omitted)</p>	<p>of independent directors, <u>non-independent directors or supervisors</u> before casting his/her ballots into the ballot box:</p> <p>(Omitted)</p>	
<p>Article 10</p> <p>Any of the following circumstances shall cause the ballot(s) invalid:</p> <p>(1) Without submitting the attendance registration card to complete the registration procedure;</p> <p>(Omitted)</p> <p>(13) The name(s) of filled candidate(s) is (are) not in the list of nominated candidates for independent directors <u>or</u> non-independent directors.</p>	<p>Article 10</p> <p>Any of the following circumstances shall cause the ballot(s) invalid:</p> <p>(1) Without submitting the attendance registration card to complete the registration procedure;</p> <p>(Omitted)</p> <p>(13) The name(s) of filled candidate(s) is (are) not in the list of nominated candidates for independent directors, <u>non-independent directors or supervisors.</u></p>	<p>The reason for revising Subparagraph 13 is the same as that mentioned above.</p>
<p>Article 12</p> <p>After finishing the voting calculation, the ballot examiners shall verify the total number of valid and invalid ballots and fill each of their number and respective weighted number of voting shares in the documentary record. The documentary record shall be passed on to the Chairman to announce the list of winning directors <u>and the numbers of votes with which they were elected</u> on the spot.</p>	<p>Article 12</p> <p>After finishing the voting calculation, the ballot examiners shall verify the total number of valid and invalid ballots and fill each of their number and respective weighted number of voting shares in the documentary record. The documentary record shall be passed on to the Chairman to announce the list of winning directors <u>and supervisors</u> on the spot.</p>	<p>The reason for amending Article 12 is the same as that for revising the title of this regulation. Additional wording is added in accordance with Paragraphs 1, Article 13 of Sample Template.</p>

<p>Article 14 The board of directors shall issue the respective notices for directors elected.</p>	<p>Article 14 The board of directors shall issue the respective notices for directors <u>or supervisors</u> elected.</p>	<p>The reason for amending Article 14 is the same as that for revising the title of this regulation.</p>
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