

China Steel Corporation  
Annual General Meeting  
June 23, 2016

Reports and Discussion

- (1) Discussion proposal: amendments to Articles of Incorporation.
- (2) Report proposal: adoption of the 2015 Business Report and Financial Statements.
- (3) Report proposal: adoption of the Proposal for Distribution of 2015 Profits.
- (4) Discussion proposal: amendments to Rules Governing Procedures for Shareholders' Meeting.
- (5) Discussion proposal: amendments to Regulations Governing the Election of Directors.
- (6) Discussion proposal: amendments to Procedures for Acquisition or Disposal of Assets.
- (7) Discussion proposal: amendments to Procedures for Loaning of Funds to Other Parties.
- (8) Discussion proposal: amendments to Procedures for Endorsements and Guarantees.
- (9) Proposal to elect 11 Directors (including 3 Independent Directors) for the 16<sup>th</sup> term of the Board of Directors.
- (10) Proposal to release the prohibition on Director, Mr. Jyh-Yuh, Sung, from holding the position of Director of Chung-Hung Steel Corporation and China Ecotek Corporation.
- (11) Proposal to release the prohibition on Director, Mr. Feng-Sheng, Wu, from holding the position of Director of Taiwan Shipbuilding Corporation.

- (12) Proposal to release the prohibition on Director, Mr. Shyi-Chin, Wang, from holding the position of Director of Formosa Ha Tinh Steel Corporation and Formosa Ha Tinh (Cayman) Limited.
- (13) Proposal to release the prohibition on Director, Mr. Jih-Gang, Liu, from holding the position of Director of Chung-Hung Steel Corporation, CSC Steel Holdings Bhd., CSC Steel Sdn. Bhd., East Asia United Steel Corporation, and Taiwan Shipbuilding Corporation.

Agenda 1-proposed by the board of directors

Explanatory Note:

1. In compliance with amendments to Company Act including Article 235, 235-1 and Article 240, Paragraph 1 of Article 6 of the Articles of Incorporation of the Company is hereby proposed to be added, which replaces the term of “employee bonus” by “employee remuneration” and changes the calculation basis for remuneration from post-tax earnings to pre-tax.
2. As the audit committee will be set up, Articles of Incorporation of the Company is proposed to be revised and the related provisions of supervisors are proposed to be deleted.
3. A comparison table of drafted clause and the clause in force is attached.

Resolution:

Attachment 1

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

Revised clause	Clause in force	Explanation
<p>Article 6.</p> <p><u>If there is profit in any given fiscal year, the Company shall set aside no less than 0.1% as the remuneration in stock or cash for employees, and no more than 0.15% as the remuneration for Directors and Supervisors under the resolution of the Meeting of the Board of Directors and shall be reported in the shareholders' meeting. Nevertheless, accumulated losses shall be offset in advance.</u></p> <p>In case of any earnings earned in any given fiscal year being reported from the Company's final annual accounting, the Company shall appropriate or reverse a special reserve firstly after taxes, losses and legal reserves have been paid, made up and set aside respectively. Secondly, a preferred share dividend shall be distributed at 14% of the par value, <u>and a common share bonus shall be distributed at no more than 14% of the par value.</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>Article 6.</p> <p>(New Clause)</p> <p>In case of any earnings earned in any given fiscal year being reported from the Company's final annual accounting, the company shall appropriate or reverse a special reserve firstly after taxes, losses and legal reserves have been paid, made up and set aside respectively. Secondly, a preferred share dividend shall be distributed at 14% of the par value. <u>The remaining earnings if have, shall be set aside 0.15% as remuneration for Directors and Supervisors, 8% as bonuses for employees, and 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>According to revised "Company Act" and other related explanations released by the authority, term of "employee bonus" is replaced by "employee remuneration" and remuneration is changed from post-tax earnings calculation basis to pre-tax earnings calculation basis.</p> <p>In order to mitigate the impact and reach the most common benefits of Directors, Supervisors, employees, and shareholders, the Company refers to the actual amount of the remunerations based on the previous post-tax calculation basis and adjusts the percentage to pre-tax basis accordingly.</p> <p>As a result, one paragraph is added into paragraph 1 of Article 6 and the original paragraph 1 is revised and moved to paragraph 2. Original paragraphs 2~8 were moved to paragraph 3~9.</p> <p>As the audit committee will be set up and Supervisory mechanism will be abolished, the Company proposed to delete the wording of Supervisor(s) in Article 6.</p>

<p>(Omitted)</p> <p>Shareholders of preferred shares shall have no right to vote for members of the Boards of Directors, and their other rights and obligations shall be the same as those of shareholders of common shares.</p> <p>(Omitted)</p>	<p>(Omitted)</p> <p>Shareholders of preferred shares shall have no right to vote for members of the Boards of Directors <u>and Supervisors</u>, and their other rights and obligations shall be the same as those of shareholders of common shares.</p> <p>(Omitted)</p>	
<p>CHARTER FOUR</p> <p><u>DIRECTORS AND AUDIT COMMITTEE</u></p>	<p>CHARTER FOUR</p> <p><u>DIRECTORS AND SUPERVISORS</u></p>	<p>The power of Supervisors will be replaced by the audit committee.</p>
<p>Article 25.</p> <p>(Omitted)</p> <p>When convening a Board meeting, members of the Board of Directors shall be notified of the date, location, agenda of the meeting and sufficient meeting materials seven days in advance. In the event of an emergency, such a meeting may be convened at any time.</p> <p>(Omitted)</p> <p>Any member of the Board of Directors may declare a waiver of the notice in the preceding 2 paragraphs in writing prior or subsequent to a meeting.</p>	<p>Article 25.</p> <p>(Omitted)</p> <p>When convening a Board meeting, members of the Board of Directors <u>and Supervisors</u> shall be notified of the date, location, agenda of the meeting and sufficient meeting materials seven days in advance. In the event of an emergency, such a meeting may be convened at any time.</p> <p>(Omitted)</p> <p>Any member of the Board of Directors <u>and Supervisors</u> may declare a waiver of the notice in the preceding 2 paragraphs in writing prior or subsequent to a meeting.</p>	<p>As the audit committee will be set up, the Company proposed to delete the wording of Supervisor(s) in Article 25.</p>
<p>Article 30-1.</p> <p>(Deleted)</p> <p>(Deleted)</p>	<p>Article 30-1.</p> <p><u>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.</u></p>	<p>As the audit committee will be set up, the Company proposed to delete the wording of Supervisor(s) in Article 30-1.</p>

Starting from the 16th term of board of directors, the company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise. Other matters not mentioned in Article shall be handled in accordance with Company Act, Securities Exchange Act, other relevant laws or regulations, and procedures of the Company.

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.

(Deleted)

The provisions of Paragraph 2 of Article 22 shall apply mutatis mutandis to the election of Supervisors.

Starting from the 16th term of board of directors, the company shall establish an audit committee in accordance with Article 14-4 of the Securities and Exchange Act. The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be convener, and at least one of whom shall have accounting or financial expertise.

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.

Starting from the effective

	<u>date of provisions in the previous two paragraphs, the provisions regarding nomination and election of Supervisors in Paragraph 1 and 2 shall expire.</u>	
Article 30-2.  (Deleted)	Article 30-2.  <u>Supervisors shall be elected for a term of three years and may be reappointed upon reelection.</u>	As the audit committee will be set up, the Company proposed to delete the wording of Supervisor(s) in Article 30-2.
Article 31.  (Deleted)	Article 31. <u>The powers of Supervisors are as follows:</u>  <u>(1) To supervise the execution of business operations of the Company;</u>  <u>(2) To investigate the business and financial condition of the Company;</u>  <u>(3) To review and approve the Company's accounts and documents; and</u>  <u>(4) Any other powers are empowered by laws and regulations.</u>	As the audit committee will be set up, the Company proposed to delete the wording of Supervisor(s) in Article 31.
Article 32.  (Deleted)	Article 32.  <u>The Supervisors, in addition to executing their own duties according to law, may attend the meeting of the Board of Directors and state opinions, but shall not be entitled to participate in voting.</u>	As the audit committee will be set up, the Company proposed to delete the wording of Supervisor(s) in Article 32.
Article 32-1.  The traveling allowance of Directors, the remuneration of Independent Directors and the salary of Chairman of Board are discussed and approved by the Board of the Directors referring	Article 32-1.  The traveling allowance of Directors <u>and Supervisors</u> , the remuneration of Independent Directors and the salary of Chairman of Board are discussed and	As the audit committee will be set up, the Company proposed to delete the wording of Supervisor(s) in Article 32-1.

<p>to the standard payments of related crafts and listing companies. Other payments shall also be given to Chairman of Board pursuant to related by-laws in respect of employee's compensation.</p> <p>(Omitted)</p>	<p>approved by the Board of the Directors referring to the standard payments of related crafts and listing companies. Other payments shall also be given to Chairman of Board pursuant to related by-laws in respect of employee's compensation.</p> <p>(Omitted)</p>	
<p>Article 32-2.</p> <p>(Omitted)</p> <p>(Deleted)</p>	<p>Article 32-2.</p> <p>(Omitted)</p> <p><u>In the event that any Supervisor is engaged in any act in competition with the Company, such an act shall be governed by the provisions in the preceding paragraph, and the method adopted for the special resolution provided in paragraph 2 and paragraph 3 of Article 209 of the Company Law shall apply mutatis mutandis.</u></p>	<p>As the audit committee will be set up, the Company proposed to delete the wording of Supervisor(s) in Article 32-2.</p>
<p>Article 32-3.</p> <p>The company may take out liability insurance for directors with respect to liabilities resulting from exercising their duties during their terms of occupancy so as to reduce and spread the risk of material harm to the company and shareholders arising from the wrongdoings or negligence of a director.</p>	<p>Article 32-3.</p> <p>The company may take out liability insurance for directors <u>and supervisors</u> 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 <u>or supervisor.</u></p>	<p>As the audit committee will be set up, the Company proposed to delete the wording of Supervisor(s) in Article 32-3.</p>
<p>Article 37.</p> <p>The fiscal year for the Company shall be from January 1 to December 31 of every calendar</p>	<p>Article 37.</p> <p>The fiscal year for the Company shall be from January 1 to December 31 of</p>	<p>As the audit committee will be set up, the Company proposed to delete the wording of Supervisor(s) in Article 37.</p>



<p>year. The name of the operation year shall be the calendar year of Republic of China. After the close of every operation year, the following reports shall be prepared by the Board of Directors, and shall be submitted by the Board of Directors to the regular shareholders' meeting for acceptance:</p> <p>(1) The business report;</p> <p>(2) The financial statements; and</p> <p>(3) The surplus earning distribution or loss off-setting proposals.</p>	<p>every calendar year. The name of the operation year shall be the calendar year of Republic of China. After the close of every operation year, the following reports shall be prepared by the Board of Directors, and shall, <u>after being audited by the Supervisors of the Company</u>, be submitted by the Board of Directors to the regular shareholders' meeting for acceptance:</p> <p>(1) The business report;</p> <p>(2) The financial statements; and</p> <p>(3) The surplus earning distribution or loss off-setting proposals.</p>	
<p>Article 42.</p> <p>This Articles of Incorporation are agreed and signed on Nov. 2, 1971, ... (Omitted)..., forty-thirdly amended on June 23rd, 2015, <u>and forty-fourthly amended on June 23rd, 2016.</u></p>	<p>Article 42.</p> <p>This Articles of Incorporation are agreed and signed on Nov. 2, 1971, ...(Omitted)..., and forty-thirdly amended on June 23rd, 2015.</p>	<p>To revise the date of amendment and cardinal number.</p>

Agenda 2-proposed by the board of directors

Explanatory Note:

To adopt the report proposal of 2015 Business Report and Financial Statements.

Please refer to Attachment 2 for the financial statements for the year ended December 31<sup>st</sup>, 2015.

Resolution:

Attachment 2

**China Steel Corporation and Subsidiaries**

**Consolidated** Financial Statements for the  
Years Ended December 31, 2015 and 2014 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, 2015 and 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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 Regulations Governing Auditing and Attestation 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, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS and Interpretations of IAS endorsed by the Financial Supervisory Commission ("FSC") of the Republic of China.

As discussed in Note 3 to the accompanying consolidated financial statements, starting from January 1, 2015, the Corporation and its subsidiaries applied the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the IFRS, IAS, Interpretations of IFRS, and Interpretations of IAS endorsed by the FSC. Therefore, some items in the consolidated financial statements of prior reporting periods were adjusted to reflect the effects of retrospective application of the above regulations, standards and interpretations.

We have also audited the standalone financial statements of China Steel Corporation as of and for the years ended December 31, 2015 and 2014 on which we have issued a modified unqualified report.

March 25, 2016

### 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 review 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, 2015		December 31, 2014 (Restated)		LIABILITIES AND EQUITY	December 31, 2015		December 31, 2014 (Restated)	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 20,334,823	3	\$ 13,632,013	2	Short-term borrowings and bank overdraft (Notes 19 and 34)	\$ 34,386,947	5	\$ 30,801,717	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,441,885	-	5,418,751	1	Short-term bills payable (Note 19)	31,641,286	5	20,112,096	3
Available-for-sale financial assets - current (Notes 4, 5 and 8)	3,839,902	1	6,651,624	1	Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	1,525	-	7,149	-
Derivative financial assets for hedging - current (Notes 4 and 10)	123,828	-	62,992	-	Derivative financial liabilities for hedging - current (Notes 4 and 10)	29,428	-	46,327	-
Notes receivable (Notes 4 and 11)	1,206,786	-	1,243,767	-	Notes payable	555,486	-	1,384,782	-
Notes receivable - related parties (Notes 4, 11 and 33)	258,005	-	162,202	-	Notes payable - related parties (Note 33)	-	-	88	-
Accounts receivable, net (Notes 4, 5 and 11)	10,578,187	2	10,818,647	2	Accounts payable (Note 21)	7,898,460	1	8,903,520	1
Accounts receivable - related parties (Notes 4, 5, 11 and 33)	448,197	-	734,991	-	Accounts payable - related parties (Notes 21 and 33)	256,131	-	689,623	-
Amounts due from customers for construction contracts (Notes 4, 5 and 12)	8,767,343	1	7,313,482	1	Amounts due to customers for construction contracts (Notes 4, 5 and 12)	4,115,170	1	5,403,038	1
Other receivables (Note 4)	1,453,760	-	1,484,045	-	Other payables (Note 22)	19,351,699	3	23,131,466	3
Current tax assets (Note 28)	95,004	-	169,509	-	Current tax liabilities (Note 28)	1,621,208	-	4,868,683	1
Inventories (Notes 4, 5 and 13)	68,906,548	10	81,203,168	12	Provisions - current (Notes 4, 5 and 23)	3,158,369	-	3,795,700	1
Other financial assets - current (Notes 4, 16 and 34)	12,191,202	2	13,714,418	2	Current portion of bonds payable (Note 20)	4,696,735	1	8,148,376	1
Other current assets	3,496,706	1	5,757,202	1	Current portion of long-term bank borrowings (Notes 19 and 34)	23,561,520	4	20,939,065	3
					Other current liabilities	3,092,890	-	3,273,887	-
Total current assets	135,142,176	20	148,366,811	22	Total current liabilities	134,366,854	20	131,505,517	19
<b>NONCURRENT ASSETS</b>					<b>NONCURRENT LIABILITIES</b>				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	-	-	31,842	-	Derivative financial liabilities for hedging - noncurrent (Notes 4 and 10)	57,412	-	10,060	-
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 8)	50,284,593	8	31,102,392	5	Bonds payable (Notes 4 and 20)	94,842,610	14	89,695,089	13
Held-to-maturity financial assets - noncurrent (Notes 4, 5 and 9)	285,963	-	222,989	-	Long-term bank borrowings (Notes 19 and 34)	83,128,236	12	86,579,129	13
Derivative financial assets for hedging - noncurrent (Notes 4 and 10)	41,713	-	87,969	-	Long-term bills payable (Note 19)	24,459,879	4	20,019,412	3
Debt investments with no active market - noncurrent (Notes 4, 14 and 19)	2,014,061	-	2,806,597	1	Provisions - noncurrent (Notes 4, 5 and 23)	828,923	-	1,031,812	-
Investments accounted for using equity method (Notes 4, 15 and 30)	15,207,682	2	13,419,402	2	Deferred tax liabilities (Notes 4 and 28)	12,417,475	2	12,678,234	2
Property, plant and equipment (Notes 4, 5, 17 and 34)	448,688,581	66	459,313,969	67	Net defined benefit liabilities (Notes 4, 5 and 24)	5,967,987	1	5,503,901	1
Investment properties (Notes 4, 5, 18 and 34)	10,108,189	2	8,436,098	1	Other noncurrent liabilities	1,344,807	-	1,072,632	-
Intangible assets (Notes 4 and 30)	2,404,617	-	2,493,804	-	Total noncurrent liabilities	223,047,329	33	216,590,269	32
Deferred tax assets (Notes 4, 5 and 28)	5,558,156	1	6,065,105	1	Total liabilities	357,414,183	53	348,095,786	51
Refundable deposits (Note 4)	479,287	-	436,833	-	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 25)</b>				
Other financial assets - noncurrent (Notes 4 and 16)	2,663,786	-	2,376,787	-	Share capital				
Other noncurrent assets (Notes 24 and 33)	5,260,212	1	7,579,422	1	Ordinary shares	157,348,610	23	157,348,610	23
Total noncurrent assets	542,996,840	80	534,373,209	78	Preference shares	382,680	-	382,680	-
					Total share capital	157,731,290	23	157,731,290	23
					Capital surplus	37,612,027	5	37,217,876	5
					Retained earnings				
					Legal reserve	59,173,907	9	56,957,880	8
					Special reserve	27,132,983	4	27,086,283	4
					Unappropriated earnings	13,323,848	2	24,106,715	4
					Total retained earnings	99,630,738	15	108,150,878	16
					Other equity	7,924,408	1	10,162,015	2
					Treasury shares	(8,577,644)	(1)	(8,587,461)	(1)
					Total equity attributable to owners of the Corporation	294,320,819	43	304,674,598	45
					NON-CONTROLLING INTERESTS	26,404,014	4	29,969,636	4
					Total equity	320,724,833	47	334,644,234	49
<b>TOTAL</b>	<b>\$ 678,139,016</b>	<b>100</b>	<b>\$ 682,740,020</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 678,139,016</b>	<b>100</b>	<b>\$ 682,740,020</b>	<b>100</b>

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

(With Deloitte & Touche audit report date March 25, 2016)

# 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			
	2015		2014 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 26, 33 and 38)	\$285,053,876	100	\$366,510,697	100
OPERATING COSTS (Notes 13 and 33)	<u>263,652,456</u>	<u>92</u>	<u>322,615,562</u>	<u>88</u>
GROSS PROFIT	21,401,420	8	43,895,135	12
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	<u>89</u>	<u>-</u>	<u>-</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>21,401,331</u>	<u>8</u>	<u>43,895,135</u>	<u>12</u>
OPERATING EXPENSES				
Selling and marketing expenses	4,649,447	2	4,898,797	1
General and administrative expenses	6,676,319	2	7,218,369	2
Research and development expenses	<u>1,960,034</u>	<u>1</u>	<u>2,015,820</u>	<u>1</u>
Total operating expenses	<u>13,285,800</u>	<u>5</u>	<u>14,132,986</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>8,115,531</u>	<u>3</u>	<u>29,762,149</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 27 and 33)	1,759,579	-	2,420,780	1
Other gains and losses (Notes 27 and 33)	3,179,750	1	(454,241)	-
Finance costs (Note 27)	(3,752,097)	(1)	(3,787,776)	(1)
Share of the profit of associates	<u>202,847</u>	<u>-</u>	<u>605,936</u>	<u>-</u>
Total non-operating income and expenses	<u>1,390,079</u>	<u>-</u>	<u>(1,215,301)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	9,505,610	3	28,546,848	8
INCOME TAX (Notes 4, 5 and 28)	<u>1,886,191</u>	<u>-</u>	<u>4,372,566</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>7,619,419</u>	<u>3</u>	<u>24,174,282</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 25 and 28)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(490,525)	-	1,596,066	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	76,869	-	(275,190)	-

(Continued)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the Year Ended December 31			
	2015		2014 (Restated)	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	\$ (927,721)	-	\$ 2,212,405	1
Unrealized gains and losses on available-for-sale financial assets	(2,679,096)	(1)	580,738	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(19,026)	-	178,384	-
Share of the other comprehensive income (loss) of associates	997,447	-	(26,796)	-
Income tax expense relating to items that may be reclassified subsequently to profit or loss	<u>(32,953)</u>	<u>-</u>	<u>(68,982)</u>	<u>-</u>
Other comprehensive income for the period, net of income tax	<u>(3,075,005)</u>	<u>(1)</u>	<u>4,196,625</u>	<u>1</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 4,544,414</u>	<u>2</u>	<u>\$ 28,370,907</u>	<u>8</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 7,604,721	3	\$ 22,132,134	6
Non-controlling interests	<u>14,698</u>	<u>-</u>	<u>2,042,148</u>	<u>1</u>
	<u>\$ 7,619,419</u>	<u>3</u>	<u>\$ 24,174,282</u>	<u>7</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 5,073,036	2	\$ 25,693,955	7
Non-controlling interests	<u>(528,622)</u>	<u>-</u>	<u>2,676,952</u>	<u>1</u>
	<u>\$ 4,544,414</u>	<u>2</u>	<u>\$ 28,370,907</u>	<u>8</u>
<b>EARNINGS PER SHARE (Note 29)</b>				
Basic	<u>\$ 0.49</u>		<u>\$ 1.43</u>	
Diluted	<u>\$ 0.49</u>		<u>\$ 1.42</u>	

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

(With Deloitte & Touche audit report date March 25, 2016)

# 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				Treasury Shares	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 Gains and Losses on Available-for-sale Financial Assets	The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge	Total Other Equity				
	Ordinary Shares	Preference Shares		Legal Reserve	Special Reserve	Unappropriated Earnings								
BALANCE AT JANUARY 1, 2014	\$ 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
Effect of retrospective application and retrospective restatement (Note 3)	-	-	-	-	-	(27,533)	-	-	-	-	-	(27,533)	(26,046)	(53,579)
BALANCE AT JANUARY 1, 2014 AS RESTATED	154,255,840	382,680	36,960,818	55,359,726	26,920,871	16,320,707	(659,689)	8,603,167	12,375	7,955,853	(8,496,974)	289,659,521	29,656,615	319,316,136
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	-	-	-	-	-	22,132,134	-	-	-	-	-	22,132,134	2,042,148	24,174,282
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	1,355,659	1,392,158	680,187	133,817	2,206,162	-	3,561,821	634,804	4,196,625
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	23,487,793	1,392,158	680,187	133,817	2,206,162	-	25,693,955	2,676,952	28,370,907
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 AS RESTATED	157,348,610	382,680	37,217,876	56,957,880	27,086,283	24,106,715	732,469	9,283,354	146,192	10,162,015	(8,587,461)	304,674,598	29,969,636	334,644,234
Appropriation of 2014 earnings (Note 25)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	2,216,027	-	(2,216,027)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	47,049	(47,049)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$1.0 per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	(15,734,861)	-	(15,734,861)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(349)	349	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2015	-	-	-	-	-	7,604,721	-	-	-	-	-	7,604,721	14,698	7,619,419
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(294,078)	466,327	(2,710,006)	6,072	(2,237,607)	-	(2,531,685)	(543,320)	(3,075,005)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	7,310,643	466,327	(2,710,006)	6,072	(2,237,607)	-	5,073,036	(528,622)	4,544,414
Disposal of the Corporation's shares held by subsidiaries	-	-	(707)	-	-	-	-	-	-	-	9,263	8,556	4,769	13,325
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	318,021	-	-	-	-	-	-	-	-	318,021	193,679	511,700
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(3,235,448)	(3,235,448)
Adjustment of other equity	-	-	76,837	-	-	(42,347)	-	-	-	-	554	35,044	-	35,044
BALANCE AT DECEMBER 31, 2015	\$ 157,348,610	\$ 382,680	\$ 37,612,027	\$ 59,173,907	\$ 27,132,983	\$ 13,323,848	\$ 1,198,796	\$ 6,573,348	\$ 152,264	\$ 7,924,408	\$ (8,577,644)	\$ 294,320,819	\$ 26,404,014	\$ 320,724,833

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

(With Deloitte & Touche audit report date March 25, 2016)



# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014 (Restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 9,505,610	\$ 28,546,848
Adjustments for:		
Depreciation expense	35,116,060	35,354,714
Amortization expense	339,665	368,943
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	98,790	(127,501)
Finance costs	3,752,097	3,787,776
Interest income	(426,374)	(511,164)
Dividend income	(403,048)	(379,552)
Share of the profit of associates	(281,595)	(617,995)
Loss on disposal of property, plant and equipment	72,143	214,424
Gain on disposal of intangible assets	(2,318)	(73,327)
Gain on disposal of investments	(2,317,857)	(740,942)
Impairment loss recognized on financial assets	405,022	930,366
Increase in provision for loss on inventories	4,545,424	1,246,293
Impairment loss recognized on non-financial assets	-	856,030
Reversal of impairment loss on non-financial assets	(1,652,414)	-
Recognition of provisions	4,377,661	6,524,255
Others	14,578	180,612
Changes in operating assets and liabilities		
Financial instruments held for trading	881,219	(107,934)
Notes receivable	36,981	(45,546)
Notes receivable - related parties	(95,803)	444,860
Accounts receivable	330,976	(701,378)
Accounts receivable - related parties	286,794	(214,259)
Amounts due from customers for construction contracts	(1,453,861)	(4,012)
Other receivables	46,880	748,434
Inventories	7,927,512	603,865
Other current assets	2,265,716	(83,485)
Notes payable	(829,296)	369,365
Notes payable - related parties	(88)	(668)
Accounts payable	(1,005,060)	(2,639,859)
Accounts payable - related parties	(433,492)	532,251
Amounts due to customers for construction contracts	(1,287,868)	(415,411)
Other payables	(413,757)	559,896
Provisions	(5,224,959)	(5,689,752)
Other current liabilities	(187,549)	(43,294)
Net defined benefit liabilities	464,086	(194,217)
Cash generated from operations	54,451,875	68,678,636
Income taxes paid	(4,776,794)	(4,225,392)
Net cash generated from operating activities	<u>49,675,081</u>	<u>64,453,244</u>

(Continued)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014 (Restated)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets designated as at fair value through profit or loss	\$ (5,727,876)	\$ (6,714,162)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	6,578,485	6,448,991
Acquisition of available-for-sale financial assets	(23,053,113)	(7,237,912)
Proceeds from disposal of available-for-sale financial assets	5,321,509	2,995,987
Proceeds from the capital reduction on available-for-sale financial assets	567,347	53,438
Purchases of debt investments with no active market	(45,441)	(39,155)
Proceeds from disposal of debt investments with no active market	949,226	24,861
Acquisition of held-to-maturity financial assets	(55,753)	-
Net cash outflow on acquisition of subsidiaries	(105,382)	(771,678)
Acquisition of investments accounted for using equity method	(1,242,940)	(942,591)
Proceeds from the capital reduction on investments accounted for using equity method	-	11,550
Acquisition of property, plant and equipment	(25,119,118)	(30,970,004)
Proceeds from disposal of property, plant and equipment	109,749	99,390
Decrease (increase) in refundable deposits	(42,454)	76,382
Acquisition of intangible assets	(122,687)	(71,234)
Acquisition of investment properties	(390,207)	-
Proceeds from disposal of investment properties	-	89
Decrease (increase) in other financial assets	1,220,484	(292,737)
Decrease in other noncurrent assets	176,918	211,931
Interest received	431,312	508,355
Dividends received from associates	353,829	576,427
Dividends received from others	403,048	379,904
	<u>(39,793,064)</u>	<u>(35,652,168)</u>
<b>Net cash used in investing activities</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	235,755,883	205,793,710
Repayments of short-term borrowings	(232,763,733)	(203,954,160)
Increase (decrease) in short-term bills payable	11,529,190	(10,674,204)
Issuance of bonds payable	9,996,610	34,900,000
Repayments of bonds payable	(8,313,002)	(3,500,000)
Proceeds from long-term bank borrowings	47,721,329	41,533,502
Repayments of long-term bank borrowings	(49,248,241)	(61,918,263)
Increase (decrease) in long-term bills payable	4,440,467	(14,862,621)
Increase in other noncurrent liabilities	278,482	223,170
Dividends paid to owners of the Corporation	(15,590,415)	(10,709,909)
Purchase of the Corporation's shares by subsidiaries	-	(198,602)
Disposal of the Corporation's shares by subsidiaries	13,325	-

(Continued)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014 (Restated)</b>
Interest paid	\$ (4,021,824)	\$ (3,808,487)
Decrease in non-controlling interests	<u>(3,235,448)</u>	<u>(2,388,290)</u>
Net cash used in financing activities	<u>(3,437,377)</u>	<u>(29,564,154)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(49,357)</u>	<u>881,293</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,395,283	118,215
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>10,659,657</u>	<u>10,541,442</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 17,054,940</u>	<u>\$ 10,659,657</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, 2015 and 2014:		
Cash and cash equivalents in the consolidated balance sheets	\$ 20,334,823	\$ 13,632,013
Bank overdraft	<u>(3,279,883)</u>	<u>(2,972,356)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 17,054,940</u>	<u>\$ 10,659,657</u>

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

(With Deloitte & Touche audit report date March 25, 2016)

## **China Steel Corporation**

**Standalone** Financial Statements for the  
Years Ended December 31, 2015 and 2014 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, 2015 and 2014, and the related standalone statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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 Regulations Governing Auditing and Attestation 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, 2015 and 2014, and its standalone financial performance and its standalone cash flows for the years then ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China.

As discussed in Note 3 to the accompanying standalone financial statements, starting from January 1, 2015, the Corporation applied the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS, and Interpretations of IAS endorsed by the Financial Supervisory Commission ("FSC"). Therefore, some items in the standalone financial statements of prior reporting periods were adjusted to reflect the effects of retrospective application of the above regulations, standards and interpretations.

March 25, 2016

### 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, 2015		December 31, 2014 (Restated)		LIABILITIES AND EQUITY	December 31, 2015		December 31, 2014 (Restated)	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 7,518,687	2	\$ 2,603,621	1	Short-term borrowings and bank overdraft (Notes 16, 28 and 29)	\$ 11,466,879	3	\$ 7,293,715	1
Available-for-sale financial assets - current (Notes 4 and 7)	1,341,235	-	3,920,578	1	Short-term bills payable (Note 16)	12,847,014	3	1,899,630	-
Derivative financial assets for hedging - current (Notes 4 and 8)	79,125	-	46,345	-	Derivative financial liabilities for hedging - current (Notes 4 and 8)	26,497	-	11,497	-
Notes receivable (Notes 4 and 9)	443,376	-	586,347	-	Accounts payable	2,057,194	-	3,469,515	1
Notes receivable - related parties (Notes 4, 9 and 28)	198,399	-	159,409	-	Accounts payable - related parties (Note 28)	357,453	-	890,942	-
Accounts receivable, net (Notes 4 and 9)	903,126	-	1,823,421	-	Other payables (Notes 18 and 28)	11,956,612	3	15,076,462	3
Accounts receivable - related parties (Notes 4, 9 and 28)	686,746	-	962,523	-	Current tax liabilities (Note 24)	822,723	-	2,886,183	1
Other receivables (Notes 11 and 28)	1,496,979	1	2,028,881	1	Provisions - current (Notes 4, 5 and 19)	1,699,678	-	1,459,275	-
Other receivables - loans to related parties (Note 28)	5,890,000	1	5,230,000	1	Current portion of bonds payable (Note 17)	4,649,075	1	8,148,376	2
Inventories (Notes 4, 5 and 10)	37,640,539	8	41,179,810	9	Current portion of long-term bank borrowings (Notes 16 and 29)	9,087,829	2	7,827,211	2
Other financial assets - current (Notes 4, 13 and 29)	6,604,939	2	6,362,957	1	Other current liabilities	2,943,340	1	3,035,637	1
Other current assets	988,788	-	1,073,255	-					
<b>Total current assets</b>	<b>63,791,939</b>	<b>14</b>	<b>65,977,147</b>	<b>14</b>	<b>Total current liabilities</b>	<b>57,914,294</b>	<b>13</b>	<b>51,998,443</b>	<b>11</b>
<b>NONCURRENT ASSETS</b>					<b>NONCURRENT LIABILITIES</b>				
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 7)	12,389,861	3	18,094,873	4	Derivative financial liabilities for hedging - noncurrent (Notes 4 and 8)	17	-	748	-
Derivative financial assets for hedging - noncurrent (Notes 4 and 8)	36,205	-	61,858	-	Bonds payable (Note 17)	72,847,061	16	77,485,410	17
Debt investments with no active market - noncurrent (Notes 4 and 11)	1,818,091	-	2,646,000	1	Long-term bank borrowings (Notes 16 and 29)	24,276,027	5	15,113,123	3
Investments accounted for using equity method (Notes 3, 4, 12 and 28)	200,381,399	43	181,520,724	39	Deferred tax liabilities (Notes 4 and 24)	10,925,638	2	11,185,715	2
Property, plant and equipment (Notes 4, 14, 28 and 29)	175,420,761	38	185,285,861	40	Net defined benefit liabilities (Notes 4, 5 and 20)	4,057,302	1	3,791,555	1
Investment properties (Notes 4, 15 and 28)	7,163,037	1	6,502,328	1	Other noncurrent liabilities	59,240	-	-	-
Intangible assets	65,736	-	76,971	-					
Deferred tax assets (Notes 4, 5 and 24)	3,140,979	1	3,984,551	1	<b>Total noncurrent liabilities</b>	<b>112,165,285</b>	<b>24</b>	<b>107,576,551</b>	<b>23</b>
Refundable deposits (Note 4)	44,083	-	33,699	-					
Other financial assets - noncurrent (Notes 4 and 13)	148,307	-	65,580	-	<b>Total liabilities</b>	<b>170,079,579</b>	<b>37</b>	<b>159,574,994</b>	<b>34</b>
<b>Total noncurrent assets</b>	<b>400,608,459</b>	<b>86</b>	<b>398,272,445</b>	<b>86</b>	<b>EQUITY (Notes 4 and 21)</b>				
					Share capital				
					Ordinary shares	157,348,610	34	157,348,610	34
					Preference shares	382,680	-	382,680	-
					Total share capital	157,731,290	34	157,731,290	34
					Capital surplus	37,612,027	8	37,217,876	8
					Retained earnings				
					Legal reserve	59,173,907	12	56,957,880	13
					Special reserve	27,132,983	6	27,086,283	6
					Unappropriated earnings	13,323,848	3	24,106,715	5
					Total retained earnings	99,630,738	21	108,150,878	24
					Other equity	7,924,408	2	10,162,015	2
					Treasury shares	(8,577,644)	(2)	(8,587,461)	(2)
					<b>Total equity</b>	<b>294,320,819</b>	<b>63</b>	<b>304,674,598</b>	<b>66</b>
<b>TOTAL</b>	<b>\$464,400,398</b>	<b>100</b>	<b>\$464,249,592</b>	<b>100</b>	<b>TOTAL</b>	<b>\$464,400,398</b>	<b>100</b>	<b>\$464,249,592</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 25, 2016)

# CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2015		2014 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 22 and 28)	\$160,909,464	100	\$205,159,602	100
OPERATING COSTS (Notes 10 and 28)	<u>148,511,291</u>	<u>92</u>	<u>183,377,897</u>	<u>89</u>
GROSS PROFIT	12,398,173	8	21,781,705	11
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>225,679</u>	<u>-</u>	<u>(293,861)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>12,623,852</u>	<u>8</u>	<u>21,487,844</u>	<u>11</u>
OPERATING EXPENSES				
Selling and marketing expenses	2,633,416	2	2,956,375	1
General and administrative expenses	3,217,154	2	3,599,912	2
Research and development expenses	<u>1,618,945</u>	<u>1</u>	<u>1,706,970</u>	<u>1</u>
Total operating expenses	<u>7,469,515</u>	<u>5</u>	<u>8,263,257</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>5,154,337</u>	<u>3</u>	<u>13,224,587</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 28)	1,068,481	1	1,215,965	-
Other gains and losses (Notes 23 and 28)	1,643,968	1	(564,785)	-
Finance costs (Notes 23 and 28)	(1,886,133)	(1)	(1,984,712)	(1)
Share of the profit of subsidiaries and associates	<u>2,335,661</u>	<u>1</u>	<u>11,765,028</u>	<u>6</u>
Total non-operating income and expenses	<u>3,161,977</u>	<u>2</u>	<u>10,431,496</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	8,316,314	5	23,656,083	12
INCOME TAX EXPENSE (Notes 4, 5 and 24)	<u>711,593</u>	<u>-</u>	<u>1,523,949</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>7,604,721</u>	<u>5</u>	<u>22,132,134</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(163,686)	-	1,661,090	1

(Continued)

# CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2015		2014 (Restated)	
	Amount	%	Amount	%
Share of the other comprehensive income of subsidiaries and associates	\$ (158,219)	-	\$ (23,046)	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	27,827	-	(282,385)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	393,288	-	1,018,234	1
Unrealized gain and losses on available-for-sale financial assets	(2,344,410)	(2)	100,022	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(1,360)	-	135,763	-
Share of the other comprehensive income of subsidiaries and associates	(285,356)	-	975,223	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	<u>231</u>	<u>-</u>	<u>(23,080)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(2,531,685)</u>	<u>(2)</u>	<u>3,561,821</u>	<u>2</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 5,073,036</u>	<u>3</u>	<u>\$ 25,693,955</u>	<u>13</u>
<b>EARNINGS PER SHARE (Note 25)</b>				
Basic	<u>\$ 0.49</u>		<u>\$ 1.43</u>	
Diluted	<u>\$ 0.49</u>		<u>\$ 1.42</u>	

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

(With Deloitte & Touche audit report dated March 25, 2016) (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			Total Other Equity	Treasury Shares	Total Equity
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedges			
BALANCE AT JANUARY 1, 2014	\$ 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
Effect of retrospective application and retrospective restatement (Note 3)	-	-	-	-	-	(27,533)	-	-	-	-	-	(27,533)
BALANCE AT JANUARY 1, 2014 AS RESTATED	154,255,840	382,680	36,960,818	55,359,726	26,920,871	16,320,707	(659,689)	8,603,167	12,375	7,955,853	(8,496,974)	289,659,521
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	-	-	-	-	-	22,132,134	-	-	-	-	-	22,132,134
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	1,355,659	1,392,158	680,187	133,817	2,206,162	-	3,561,821
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	23,487,793	1,392,158	680,187	133,817	2,206,162	-	25,693,955
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 AS RESTATED	157,348,610	382,680	37,217,876	56,957,880	27,086,283	24,106,715	732,469	9,283,354	146,192	10,162,015	(8,587,461)	304,674,598
Appropriation of 2014 earnings (Note 21)												
Legal reserve	-	-	-	2,216,027	-	(2,216,027)	-	-	-	-	-	-
Special reserve	-	-	-	-	47,049	(47,049)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$1.0 per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	(15,734,861)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(349)	349	-	-	-	-	-	-
Net profit for the year ended December 31, 2015	-	-	-	-	-	7,604,721	-	-	-	-	-	7,604,721
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(294,078)	466,327	(2,710,006)	6,072	(2,237,607)	-	(2,531,685)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	7,310,643	466,327	(2,710,006)	6,072	(2,237,607)	-	5,073,036
Disposal of the Corporation's shares held by subsidiaries	-	-	(707)	-	-	-	-	-	-	-	9,263	8,556
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	318,021	-	-	-	-	-	-	-	-	318,021
Adjustment from changes in equity of subsidiaries and associates	-	-	76,837	-	-	(42,347)	-	-	-	-	554	35,044
BALANCE AT DECEMBER 31, 2015	\$ 157,348,610	\$ 382,680	\$ 37,612,027	\$ 59,173,907	\$ 27,132,983	\$ 13,323,848	\$ 1,198,796	\$ 6,573,348	\$ 152,264	\$ 7,924,408	\$ (8,577,644)	\$ 294,320,819

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

(With Deloitte & Touche audit report dated March 25, 2016)

# CHINA STEEL CORPORATION

## STANDALONE STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014 (Restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 8,316,314	\$ 23,656,083
Adjustments for:		
Depreciation expense	18,598,624	19,443,879
Amortization expense	11,071	22,750
Finance costs	1,886,133	1,984,712
Interest income	(166,372)	(183,073)
Dividend income	(222,530)	(206,682)
Share of the profit of subsidiaries and associates	(2,335,661)	(11,765,028)
Loss on disposal of property, plant and equipment	22,915	119,214
Gain on disposal of investments	(1,857,244)	(116,661)
Impairment loss recognized on financial assets	416,000	641,600
Increase in provision for loss on inventories	2,883,645	1,303,012
Unrealized (realized) gain on the transactions with subsidiaries and associates	(225,679)	293,861
Recognition of provisions	3,949,768	3,474,684
Others	249,953	(129,755)
Changes in operating assets and liabilities		
Notes receivable	142,971	(177,903)
Notes receivable - related parties	(38,990)	441,454
Accounts receivable	920,295	292,453
Accounts receivable - related parties	275,777	356,136
Other receivables	1,156,871	(687,209)
Inventories	674,674	4,173,265
Other current assets	84,467	1,921,108
Accounts payable	(1,412,321)	(1,386,758)
Accounts payable - related parties	(533,489)	(700,737)
Other payables	(1,314,346)	(1,860,467)
Provisions	(3,709,365)	(3,481,674)
Other current liabilities	(92,297)	910,187
Net defined benefit liabilities	102,061	63,390
Other noncurrent liabilities	59,240	-
Cash generated from operations	27,842,485	38,401,841
Income taxes paid	(2,163,500)	(1,216,978)
Net cash generated from operating activities	<u>25,678,985</u>	<u>37,184,863</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	(462,930)	(1,028,330)
Proceeds from disposal of available-for-sale financial assets	1,941,520	117,662
Proceeds from the capital reduction on available-for-sale financial assets	541,925	-
Proceeds from the capital return on investment accounted for using equity method	13,748	-

(Continued)

# CHINA STEEL CORPORATION

## STANDALONE STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014 (Restated)</b>
Proceeds from disposal of debt investments with no active market	\$ 848,915	\$ -
Acquisition of investment properties	(594,606)	-
Acquisition of investments accounted for using equity method	(22,533,483)	(7,681,324)
Acquisition of property, plant and equipment	(10,661,694)	(12,866,036)
Proceeds from disposal of property, plant and equipment	125,537	-
Decrease (increase) in refundable deposits	(10,384)	18,827
Increase in other receivables - loans to related parties	(660,000)	(2,910,000)
Decrease (increase) in other financial assets	(318,927)	282,203
Interest received	165,095	187,797
Dividends received from subsidiaries and associates	11,071,395	5,291,713
Other dividends received	<u>222,530</u>	<u>206,682</u>
Net cash used in investing activities	<u>(20,311,359)</u>	<u>(18,380,806)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	17,530,000	12,429,522
Repayments of short-term borrowings	(13,962,453)	(12,388,733)
Increase (decrease) in short-term bills payable	10,947,384	(7,069,214)
Issuance of bonds payable	-	22,900,000
Repayments of bonds payable	(8,150,000)	(3,500,000)
Proceeds from long-term borrowings	16,683,267	6,209,166
Repayments of long-term borrowings	(6,339,917)	(14,208,929)
Decrease in long-term bills payable	-	(9,000,000)
Dividends paid	(15,784,094)	(10,842,383)
Interest paid	<u>(1,982,364)</u>	<u>(1,827,768)</u>
Net cash used in financing activities	<u>(1,058,177)</u>	<u>(17,298,339)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,309,449	1,505,718
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>213,938</u>	<u>(1,291,780)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,523,387</u>	<u>\$ 213,938</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, 2015 and 2014:		
Cash and cash equivalents in the standalone balance sheets	\$ 7,518,687	\$ 2,603,621
Bank overdraft	<u>(2,995,300)</u>	<u>(2,389,683)</u>
Cash and cash equivalents in the standalone statements of cash flows	<u>\$ 4,523,387</u>	<u>\$ 213,938</u>

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

(With Deloitte & Touche audit report dated March 25, 2016)

(Concluded)

Agenda 3-proposed by the board of directors

Explanatory Note:

To adopt the report proposal for Distribution of 2015 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\$ 6,074,002,873.28
Adjustment for initial application of the 2013 version of International Financial Reporting Standards(IFRS)	(18,799,536.00)
Reverse of special reserve: disposal of fixed assets	349,534.00
Actuarial gains(losses) from defined benefit pension plans (included in retained earnings)	(135,858,907.00)
Effects resulting from changes in long-term equity investment	(200,566,051.00)
Add: After-tax earnings of 2015 (A)	7,604,721,427.46
Deduct: Legal reserve = (A) *10%	(760,472,143.00)
Deduct: Provision of special reserve	(2,654,115,975.00)
Subtotal of distributable earnings	9,909,261,222.74
Distribution Items:	
Dividends for preferred shares	(53,575,199.00)
Dividends for common shares	(7,867,430,499.00)
Subtotal of distribution items	(7,921,005,698.00)
Undistributed earnings	NT\$ 1,988,255,524.74

2. The proposed dividend appropriation for preferred shares totaled NT\$1.4 per share in cash. The proposed dividend appropriation for common shares totaled NT\$0.5 per share in cash.
3. 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 4-proposed by the board of directors

Explanatory Note:

Amendments to the Rules Governing Procedures for Shareholders' Meeting are proposed.

1. Amendments are made in compliance with the establishment of the audit committee and the abolishment of supervisory mechanism, which is provided in the amendments to Articles of Incorporation of the Company.
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>(Omitted)</p> <p>Thirty days before the Company convenes a regular shareholders' meeting or fifteen days before a special shareholders' meeting, the Company shall prepare electronic files of the meeting announcement, proxy form, explanatory materials relating to proposals for ratification, matters for deliberation, election or dismissal of directors, and other matters on the shareholders' meeting agenda, and upload them to the Market Observation Post System.</p> <p>Where there are proposals relating to election or discharge of directors, 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, Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, proposals for the meeting shall be enumerated and extraordinary motions for such proposals shall be prohibited.</p>	<p>Article 2.</p> <p>(Omitted)</p> <p>Thirty days before the Company convenes a regular shareholders' meeting or fifteen days before a special shareholders' meeting, the Company shall prepare electronic files of the meeting announcement, proxy form, explanatory materials relating to proposals for ratification, matters for deliberation, election or dismissal of directors <u>or supervisors</u>, and other matters on the shareholders' meeting agenda, and upload them to the Market Observation Post System.</p> <p>Where there are proposals relating to election or discharge of <u>directors/supervisors</u>, 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, Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, proposals for the meeting shall be enumerated and extraordinary motions for such proposals shall be prohibited.</p>	<p>As the audit committee will be set up and Supervisory mechanism will be abolished, the Company proposed to delete the wording of Supervisor(s) in Paragraph 3 and 4 of Article 2.</p>

(Omitted)	(Omitted)	
<p>Article 5</p> <p>(Omitted)</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 are being elected, election ballots should also be enclosed.</p> <p>(Omitted)</p>	<p>Article 5</p> <p>(Omitted)</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 <u>and supervisors</u> are being elected, election ballots should also be enclosed.</p> <p>(Omitted)</p>	<p>As the audit committee will be set up and Supervisory mechanism will be abolished, the Company proposed to delete the wording of Supervisor(s) in Paragraph 4 of Article 5.</p>
<p>Article 7</p> <p>Meetings of shareholders convened by the board of directors shall be hosted by the Chairman of the board and attended in person by a majority of the directors on the board and at least one representative from each board committees. The attendance shall be recorded in minutes of Shareholders' Meeting.</p> <p>(Omitted)</p>	<p>Article 7</p> <p>Meetings of shareholders convened by the board of directors shall be hosted by the Chairman of the board and attended in person by a majority of the directors on the board, <u>at least one supervisor</u>, and at least one representative from each board committees. The attendance shall be recorded in minutes of Shareholders' Meeting.</p> <p>(Omitted)</p>	<p>As the audit committee will be set up and Supervisory mechanism will be abolished, the Company proposed to delete the wording of Supervisor(s) in Paragraph 1 of Article 7.</p>
<p>Article 15</p> <p>(Omitted)</p> <p>Except when exercising their right to elect directors, when shareholders have personal interests in meeting matters, such that there is concern that they may damage the Company's interest, they must not participate in voting, and must not exercise voting rights on</p>	<p>Article 15</p> <p>(Omitted)</p> <p>Except when exercising their right to elect directors <u>and supervisors</u>, when shareholders have personal interests in meeting matters, such that there is concern that they may damage the Company's interest, they must not participate in voting, and</p>	<p>As the audit committee will be set up and Supervisory mechanism will be abolished, the Company proposed to delete the wording of Supervisor(s) in Paragraph 3 of Article 15.</p>

<p>behalf of other shareholders. Therefore, the number of such shares not permitted to exercise voting rights is not counted in the number of voting rights of shareholders in attendance.</p> <p>(Omitted)</p>	<p>must not exercise voting rights on behalf of other shareholders. Therefore, the number of such shares not permitted to exercise voting rights is not counted in the number of voting rights of shareholders in attendance.</p> <p>(Omitted)</p>	
<p>Article 19.</p> <p>When election of directors occurs at a meeting of shareholders, elections shall be handled in accordance with director election rules formulated separately by the Company.</p>	<p>Article 19.</p> <p>When election of directors <u>and supervisors</u> occurs at a meeting of shareholders, elections shall be handled in accordance with director <u>and supervisor</u> election rules formulated separately by the Company.</p>	<p>As the audit committee will be set up and Supervisory mechanism will be abolished, the Company proposed to delete the wording of Supervisor(s) in Article 19.</p>
<p>Article 20.</p> <p>(Omitted)</p> <p>The method of adopting resolutions in the preceding paragraph where the shareholders' opinions are solicited and the proposal are unanimously agreed, the meeting minute shall state " the resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion". However, as to any proposal that has received any dissent and been adopted in the shareholders' meeting, the meeting minutes shall record the method and result of the voting. With respect to the election of Directors, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the Directors who were elected.</p>	<p>Article 20.</p> <p>(Omitted)</p> <p>The method of adopting resolutions in the preceding paragraph where the shareholders' opinions are solicited and the proposal are unanimously agreed, the meeting minute shall state " the resolution is unanimously adopted by all shareholders attending the shareholders' meeting after the chairman inquires all attending shareholders' opinion". However, as to any proposal that has received any dissent and been adopted in the shareholders' meeting, the meeting minutes shall record the method and result of the voting. With respect to the election of Directors <u>and Supervisors</u>, the meeting minutes shall record the method of voting adopted therefore and the total number of votes for the</p>	<p>As the audit committee will be set up and Supervisory mechanism will be abolished, the Company proposed to delete the wording of Supervisor(s) in Paragraph 4 of Article 20.</p>



	Directors <u>or Supervisors</u> who were elected.	
--	---------------------------------------------------	--

## Agenda 5 -proposed by the board of directors

### Explanatory note:

Amendments to the Regulations Governing the Election of Directors are proposed.

1. In compliance with the establishment of the audit committee, amendments are made to the related provisions on supervisors in the Regulations Governing the Election of Directors.
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 of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 1</p> <p>Except where prescribed laws and regulations or the Articles of Incorporation of China Steel Corporation (herein referred to as “CSC”), the election of directors shall in all cases be pursuant to the rules stipulated herein.</p>	<p>Article 1</p> <p>Except where prescribed laws and regulations or the Articles of Incorporation of China Steel Corporation (herein referred to as “CSC”), the election of directors <u>and supervisors</u> shall in all cases be pursuant to the rules stipulated herein.</p>	<p>As the audit committee will be set up and Supervisory mechanism will be abolished, the Company proposed to delete the wording of Supervisor(s) in Article 1.</p>
<p>Article 13</p> <p>The ballot examiners shall separate the valid and invalid ballots to seal in respective packages, jointly sign their names on the seals, as well as remark the written words of “invalid ballots” on the seal-side cover of the package. All packages shall be handed over to CSC for safekeeping. All ballots shall be kept for at least one (1) year. However, if a lawsuit regarding election of directors has been filed by any shareholder in accordance with Article 189 of the Company Law, the ballots shall be kept until the legal proceedings of the foregoing lawsuit have been concluded.</p>	<p>Article 13</p> <p>The ballot examiners shall separate the valid and invalid ballots to seal in respective packages, jointly sign their names on the seals, as well as remark the written words of “invalid ballots” on the seal-side cover of the package. All packages shall be handed over to CSC for safekeeping. All ballots shall be kept for at least one (1) year. However, if a lawsuit regarding election of directors <u>or supervisors</u> has been filed by any shareholder in accordance with Article 189 of the Company Law, the ballots shall be kept until the legal proceedings of the foregoing lawsuit have been concluded.</p>	<p>As the audit committee will be set up and Supervisory mechanism will be abolished, the Company proposed to delete the wording of Supervisor(s) in Article 13.</p>

Agenda 6 -proposed by the board of directors

Explanatory note:

Amendments to the Procedures for Acquisition or Disposal of Assets are proposed.

1. Amendments are made in compliance with the establishment and the charter of the audit committee, concurring the abolishment of supervisory mechanism, and other related regulations.
2. A comparison table of drafted clause and the clause in force is attached.

Resolution:

Attachment 5

Comparison Table of Drafted Amendments to Procedures for Acquisition or Disposal of Assets of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 3 Terms used in the Procedures are defined as follows: 1. "Derivatives": Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts and compound contracts combining the above products, whose value is derived from the products of assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements. 2. "Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law": Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act or other acts, or to transfer of shares from any other company through issuance of new shares of its own as the consideration thereof (hereinafter "transfer of shares") under Article 156, paragraph 6 of the Company Act. 3. "Related party": As defined in Statement of Financial Accounting Standards No. 6 published by the ROC Accounting Research and Development Foundation (hereinafter "ARDF"). 4. "Subsidiary": As defined in</p>	<p>Article 3 Terms used in the Procedures are defined as follows: 1. "Derivatives": Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts and compound contracts combining the above products, whose value is derived from the products of assets, interest rates, foreign exchange rates, indexes or other interests. The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) agreements. 2. "Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with acts of law": Refers to assets acquired or disposed through mergers, demergers, or acquisitions conducted under the Business Mergers and Acquisitions Act, Financial Holding Company Act, Financial Institution Merger Act or other acts, or to transfer of shares from any other company through issuance of new shares of its own as the consideration thereof (hereinafter "transfer of shares") under Article 156, paragraph 6 of the Company Act. 3. "Related party": As defined in Statement of Financial Accounting Standards No. 6 published by the ROC Accounting Research and Development Foundation (hereinafter "ARDF"). 4. "Subsidiary": As defined in</p>	<p>1. Wording related to Supervisors in Subparagraph 9 is deleted to comply with the establishment of Audit Committee, which substitutes the role of Supervisors. As provided in the amendments to Article 4-1, all the proposals shall be approved by the Audit Committee before the submission to the meeting of the Board of Directors. The term "the Audit Committee" is consequently not to be included in Subparagraph 9 to avoid redundancy. 2. In accordance with the Article 14-5 of Securities and Exchange Act, the Company proposed to add new Subparagraphs 10 and 11 in this Article in order to define the calculation for all Audit Committee members and all Directors.</p>

<p>Statements of Financial Accounting Standards Nos. 5 and 7 published by the ARDF.</p> <p>5. "Professional appraiser": Refers to a real property appraiser or any other person duly authorized by an act of law to engage in the value appraisal of real property or other fixed assets.</p> <p>6. "Date of occurrence": Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of resolutions of the meeting of the Boards of Directors, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authority is required, the earlier of the above date or the date of receipt of approval by the Competent Authority shall apply.</p> <p>7. "Mainland area investment": Refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p>8. "Within one year": Refers to one year preceding the actual date of acquisition or disposal of the assets or occurrence of the transaction.</p> <p>9. "Transaction amount": Refers to the transaction amount calculated using one of the following methods. However, in calculation of threshold of the transaction amount to determine whether the Company shall obtain appraisal reports or certified public accountant's opinions, or whether items need to be</p>	<p>Statements of Financial Accounting Standards Nos. 5 and 7 published by the ARDF.</p> <p>5. "Professional appraiser": Refers to a real property appraiser or any other person duly authorized by an act of law to engage in the value appraisal of real property or other fixed assets.</p> <p>6. "Date of occurrence": Refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, dates of resolutions of the meeting of the Boards of Directors, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier; provided, for investment for which approval of the Competent Authority is required, the earlier of the above date or the date of receipt of approval by the Competent Authority shall apply.</p> <p>7. "Mainland area investment": Refers to investments in China approved by the Ministry of Economic Affairs Investment Commission or conducted in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.</p> <p>8. "Within one year": Refers to one year preceding the actual date of acquisition or disposal of the assets or occurrence of the transaction.</p> <p>9. "Transaction amount": Refers to the transaction amount calculated using one of the following methods. However, in calculation of threshold of the transaction amount to determine whether the Company shall obtain appraisal reports or certified public accountant's opinions, or whether items need to be</p>	
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

<p>approved by the Board of Directors, items duly conducted in accordance with the Procedures need not be counted toward the transaction amount. In calculation of the threshold to determine whether the Company shall publicly announce and report the relevant information of the transaction, items duly announced in accordance with the Procedures need not be counted toward the transaction amount.</p> <p>(1)The amount of any individual transaction.</p> <p>(2)The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year.</p> <p>(3)The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.</p> <p>(4)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same securities within one year.</p> <p><u>10. "All Audit Committee members": Refers to the actual number of persons currently holding the positions.</u></p> <p><u>11. "All Directors": Refers to the actual number of persons currently holding the positions.</u></p>	<p>approved by the Board of Directors <u>and recognized by the Supervisors</u>, items duly conducted in accordance with the Procedures need not be counted toward the transaction amount. In calculation of the threshold to determine whether the Company shall publicly announce and report the relevant information of the transaction, items duly announced in accordance with the Procedures need not be counted toward the transaction amount.</p> <p>(1)The amount of any individual transaction.</p> <p>(2)The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same trading counterparty within one year.</p> <p>(3)The cumulative transaction amount of real property acquisitions and disposals (cumulative acquisitions and disposals, respectively) within the same development project within one year.</p> <p>(4)The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same securities within one year.</p>	
<p>Article 4-1</p> <p>Where the amendment to the Procedures or the acquisition and disposal of individual assets is subject to the approval of the meeting of the Board of Directors under the Procedures or other acts</p>	<p>Article 4-1</p> <p>Where the amendment to the Procedures or the acquisition and disposal of individual assets is subject to the approval of the meeting of the Board of Directors under the Procedures or other acts</p>	<p>To comply with the establishment of Audit Committee, Paragraph 1 is amended by adding the process of approval of Audit Committee and</p>

<p>or regulations, <u>such acquisition or disposal of assets shall first be approved by one-half or more of all Audit Committee members.</u> Where <u>a member of the Board of Directors expresses dissent</u> (including in a written statement), it shall be recorded in the minutes of the meeting of the Board of Directors, and then the minutes shall be submitted to <u>the Audit Committee.</u></p> <p><u>If approval of one-half or more of all Audit Committee members as required in the preceding paragraph is not obtained, the acquisition or disposal of assets may be implemented if approved by two-thirds or more of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the meeting of the Board of Directors.</u></p>	<p>or regulations, <u>each Independent Director's opinion shall be fully considered.</u> Where an <u>Independent Director or Director objects or expresses reservations about any matter</u> (including in a written statement), it shall be recorded in the minutes of the meeting of the Board of Directors, and then the minutes shall be submitted to <u>each Supervisor.</u></p>	<p>Paragraphs 2 is added.</p>
<p>Article 13</p> <p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches NT\$300 million or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:</p> <ol style="list-style-type: none"> <li>1.The purpose, necessity and anticipated benefit of the acquisition or disposal of the asset</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>3. With respect to the acquisition of real property from a related</li> </ol>	<p>Article 13</p> <p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches NT\$300 million or more, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors <u>and recognized by the Supervisors:</u></p> <ol style="list-style-type: none"> <li>1.The purpose, necessity and anticipated benefit of the acquisition or disposal of the asset</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>3. With respect to the acquisition</li> </ol>	<p>Wording related to Supervisors in Article 13 is deleted to comply with the establishment of Audit Committee, which substitutes the role of Supervisors. As provided in the amendments to Article 4-1, all the proposals shall be approved by the Audit Committee before the submission to the meeting of the Board of Directors. The term “the Audit Committee” is consequently not to be included in this Article to avoid</p>



<p>party, information regarding appraisal of the reasonableness of the preliminary</p> <p>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction. When the Company acquires or disposes of machinery and equipment for business use from or to its subsidiaries, the Board of Directors may delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next meeting of the Board of Directors.</p>	<p>of real property from a related party, information regarding appraisal of the reasonableness of the preliminary</p> <p>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</p> <p>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>6. An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction. When the Company acquires or disposes of machinery and equipment for business use from or to its subsidiaries, the Board of Directors may delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next meeting of the Board of Directors.</p>	<p>redundancy.</p>
<p>Article 16</p> <p>Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with the provisions of Articles 14 and 15 are uniformly lower than the transaction price, the following steps shall be taken:</p>	<p>Article 16</p> <p>Where the Company acquires real property from a related party and the results of appraisals conducted in accordance with the provisions of Articles 14 and 15 are uniformly lower than the transaction price, the following steps shall be taken:</p>	<p>The term "Supervisors" in Subparagraph 2 of Paragraph 1 is revised into "Independent Directors" in accordance with the establishment of</p>

<p>1. A special reserve shall be set aside in accordance with the provisions of Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares.</p> <p>2. <u>Independent Directors</u> shall comply with the provisions of Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to subparagraphs 1 and 2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>When the Company has set aside a special reserve under the preceding paragraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or the assets have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	<p>1. A special reserve shall be set aside in accordance with the provisions of Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares.</p> <p>2. <u>Supervisors</u> shall comply with the provisions of Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to subparagraphs 1 and 2 shall be reported to a shareholders' meeting, and the details of the transaction shall be disclosed in the annual report and any investment prospectus.</p> <p>When the Company has set aside a special reserve under the preceding paragraph, it may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased at a premium, or the assets have been disposed of, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>When the Company obtains real property from a related party, it shall also comply with the provisions of the preceding two paragraphs if there is other evidence indicating that the acquisition was not an arms length transaction.</p>	<p>Audit Committee and Article 33-1 of "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------

<p>Article 17</p> <p>The Company shall take the following principles and strategies for risk management and auditing matters when engaging in derivatives trading:</p> <p>1. Trading principles and strategies:</p> <p>(1) Operating or hedging strategies:</p> <p>Trade in derivative instruments engaged in by the Company is limited to non-trade purposes, and under the principle of hedging against risk. All related organizations must confirm their operations in accordance with the authorized regulations, and attention must be paid to risk management and to making periodic assessments.</p> <p>(2) Types of derivatives that may be traded: At present the Company’s trade in derivative instruments is limited to hedge trades which fit in with the needs of our business, such as foreign exchange futures, currency swaps and interest rate swaps.</p> <p>(3) Segregation of duties:</p> <p>Finance Department: The finance department is the operational unit engaging in the trade of derivative instruments, and needs to be aware of the Company’s overall position and financial trends here and abroad at all times. It engages in trades at the appropriate times within the authorized monetary limits, and keeps abreast of cash flow for trades that have already occurred as a means of lowering future delivery risks. The Finance Department must submit all</p>	<p>Article 17</p> <p>The Company shall take the following principles and strategies for risk management and auditing matters when engaging in derivatives trading:</p> <p>1. Trading principles and strategies:</p> <p>(1) Operating or hedging strategies:</p> <p>Trade in derivative instruments engaged in by the Company is limited to non-trade purposes, and under the principle of hedging against risk. All related organizations must confirm their operations in accordance with the authorized regulations, and attention must be paid to risk management and to making periodic assessments.</p> <p>(2) Types of derivatives that may be traded: At present the Company’s trade in derivative instruments is limited to hedge trades which fit in with the needs of our business, such as foreign exchange futures, currency swaps and interest rate swaps.</p> <p>(3) Segregation of duties:</p> <p>Finance Department: The finance department is the operational unit engaging in the trade of derivative instruments, and needs to be aware of the Company’s overall position and financial trends here and abroad at all times. It engages in trades at the appropriate times within the authorized monetary limits, and keeps abreast of cash flow for trades that have already occurred as a means of lowering future delivery risks. The Finance Department must submit all</p>	<p>The term “all Supervisors” in Subparagraph 3 is revised into “the Audit Committee” in accordance with the establishment of Audit Committee and Article 33-1 of “Regulations Governing the Acquisition and Disposal of Assets by Public Companies.”</p>
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p>trading certificates and related information to the Accounting Department to be entered into the accounts.</p> <p>Accounting Department: The Accounting Department must keep accounts based on all certificates submitted by the Finance Department according to generally accepted accounting principles.</p> <p>(4) Performance evaluation: Following the settlement of accounts at the end of each month, the Cost Department must draw up a statement with the profits and losses for the period created from the actual settlement of trading in derivatives for said period as recorded in the accounts, and provide it to the Vice President of the Finance Division for performance evaluation.</p> <p>(5) Total value of contracts and upper limit for losses:</p> <p>The maximum total value of foreign exchange futures and currency swap contracts must equal the net position of estimated trades of the Company in long-term and short-term foreign exchange. The maximum total value of interest rate swap contracts must equal the total value of long-term debt for the Company.</p> <p>When trading in derivative instruments, the maximum losses for all contracts or for individual contract must not exceed 20% of the value of all contracts or of individual contract.</p> <p>2. Risk management measures:</p> <p>(1)The following risks should be considered within the scope of</p>	<p>trading certificates and related information to the Accounting Department to be entered into the accounts.</p> <p>Accounting Department: The Accounting Department must keep accounts based on all certificates submitted by the Finance Department according to generally accepted accounting principles.</p> <p>(4) Performance evaluation: Following the settlement of accounts at the end of each month, the Cost Department must draw up a statement with the profits and losses for the period created from the actual settlement of trading in derivatives for said period as recorded in the accounts, and provide it to the Vice President of the Finance Division for performance evaluation.</p> <p>(5) Total value of contracts and upper limit for losses:</p> <p>The maximum total value of foreign exchange futures and currency swap contracts must equal the net position of estimated trades of the Company in long-term and short-term foreign exchange. The maximum total value of interest rate swap contracts must equal the total value of long-term debt for the Company.</p> <p>When trading in derivative instruments, the maximum losses for all contracts or for individual contract must not exceed 20% of the value of all contracts or of individual contract.</p> <p>2. Risk management measures:</p> <p>(1)The following risks should be considered within the scope of</p>	
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

<p>risk management, and should be avoided: Credit risks: The risk of losses incurred when the counterpart of the trade does not execute the terms of contracts.</p> <p>Market risks: The risk of potential losses incurred by market price fluctuations in derivate instruments in the future.</p> <p>Liquidity risks: The risks associated with the depth of trades on the commodities market and realization at appropriate market prices, and the risks associated with the delivery of fund allocations in the future.</p> <p>Operational risks: Operational risks caused by negligence, insufficient supervision, fraud and improper controls and management.</p> <p>Legal risks: Risks associated with losses caused by insufficiently detailed contracts, incorrect authorizations, and varying interpretations of legal stipulations.</p> <p>(2)Trading personnel and those involved in confirmation and delivery are appointed by the Finance Department, but can not simultaneously hold positions in both areas. Trading personnel must submit trade certificates or contracts (orders) to confirmation personnel, who verify them with the banks and then notify delivery personnel. Trade certificates or contracts (orders) are also submitted to the Accounting Department, who must periodically verify or confirm them with the bank.</p> <p>(3)Authorized monetary limits and levels: Authorized monetary limits are given as follows based</p>	<p>risk management, and should be avoided: Credit risks: The risk of losses incurred when the counterpart of the trade does not execute the terms of contracts.</p> <p>Market risks: The risk of potential losses incurred by market price fluctuations in derivate instruments in the future.</p> <p>Liquidity risks: The risks associated with the depth of trades on the commodities market and realization at appropriate market prices, and the risks associated with the delivery of fund allocations in the future.</p> <p>Operational risks: Operational risks caused by negligence, insufficient supervision, fraud and improper controls and management.</p> <p>Legal risks: Risks associated with losses caused by insufficiently detailed contracts, incorrect authorizations, and varying interpretations of legal stipulations.</p> <p>(2)Trading personnel and those involved in confirmation and delivery are appointed by the Finance Department, but can not simultaneously hold positions in both areas. Trading personnel must submit trade certificates or contracts (orders) to confirmation personnel, who verify them with the banks and then notify delivery personnel. Trade certificates or contracts (orders) are also submitted to the Accounting Department, who must periodically verify or confirm them with the bank.</p> <p>(3)Authorized monetary limits and levels: Authorized monetary limits are given as follows based</p>	
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

on the status of the Company's operations and risk position :

Authorized Level	Single trade amount	Daily Total Amount
President or Executive Vice President	US\$20 million or equivalent	US\$50 million or equivalent
Vice President of Finance Division	US\$10 million or equivalent	US\$25 million or equivalent
General Manager of Finance Department	US\$5 million or equivalent	US\$12.5 million or equivalent

Situations processed according to authorizations should be recorded in the most recent business reports of the Finance Division for the Board of Directors.

(4)Periodic evaluations and abnormal situation management:

Hedge trades engaged for business purposes must be evaluated at least twice per month. Evaluation reports must be submitted to the Vice President of the Finance Division.

The Vice President of the Finance Division must perform periodic evaluations of the performance of derivative instruments in order to ascertain whether they fit in with operational strategies, whether the risks are within the permitted range, whether current risk management procedures are appropriate, and whether they are being performed according to

on the status of the Company's operations and risk position :

Authorized Level	Single trade amount	Daily Total Amount
President or Executive Vice President	US\$20 million or equivalent	US\$50 million or equivalent
Vice President of Finance Division	US\$10 million or equivalent	US\$25 million or equivalent
General Manager of Finance Department	US\$5 million or equivalent	US\$12.5 million or equivalent

Situations processed according to authorizations should be recorded in the most recent business reports of the Finance Division for the Board of Directors.

(4)Periodic evaluations and abnormal situation management:

Hedge trades engaged for business purposes must be evaluated at least twice per month. Evaluation reports must be submitted to the Vice President of the Finance Division.

The Vice President of the Finance Division must perform periodic evaluations of the performance of derivative instruments in order to ascertain whether they fit in with operational strategies, whether the risks are within the permitted range, whether current risk management procedures are appropriate, and whether they are being performed according to

<p>regulations. The results of the periodic evaluations must be recorded in the most recent business reports of the Finance Division for the Board of Directors.</p> <p>The Vice President of the Finance Division must monitor and supervise the status of trading and losses. Corresponding measures must be taken in the event of an abnormal situation where market price evaluation reports exceed the upper limit for losses, and a report must be made immediately for the Board of Directors. An Independent Director must attend the meeting of the Board of Directors and provide his/her opinion.</p> <p>3. Internal audit system; Internal auditors must periodically remain aware of the appropriateness of internal controls, examine the adherence by the trading department to the regulations for derivatives trading every month and make an audit report. Any major violation of the regulations shall be reported in writing to <u>the Audit Committee.</u></p>	<p>regulations. The results of the periodic evaluations must be recorded in the most recent business reports of the Finance Division for the Board of Directors.</p> <p>The Vice President of the Finance Division must monitor and supervise the status of trading and losses. Corresponding measures must be taken in the event of an abnormal situation where market price evaluation reports exceed the upper limit for losses, and a report must be made immediately for the Board of Directors. An Independent Director must attend the meeting of the Board of Directors and provide his/her opinion.</p> <p>3. Internal audit system; Internal auditors must periodically remain aware of the appropriateness of internal controls, examine the adherence by the trading department to the regulations for derivatives trading every month and make an audit report. Any major violation of the regulations shall be reported in writing to <u>all Supervisors.</u></p>	
<p>Article 29</p> <p>The Procedures shall be enforced after <u>the approval by the Board of Directors</u> and the shareholders' meeting. The same shall apply to any amendment to the Procedures.</p>	<p>Article 29</p> <p><u>After passage by the Board of Directors,</u> the Procedures shall be enforced after <u>the submission to each Supervisor and the approval by the shareholders' meeting.</u> The same shall apply to any amendment to the Procedures.</p>	<p>Wording related to Supervisors in Article 29 is deleted to comply with the establishment of Audit Committee, which substitutes the role of Supervisors. As provided in the amendments to Article 4-1, all the proposals shall be approved by the Audit Committee before the submission</p>

		to the meeting of the Board of Directors. The term “the Audit Committee” is consequently not to be included in this Article to avoid redundancy.
--	--	--------------------------------------------------------------------------------------------------------------------------------------------------



Agenda 7 -proposed by the board of directors

Explanatory note:

Amendments to the Procedures for Loaning of Funds to Other Parties are proposed.

1. Amendments are made in compliance with the establishment and the charter of the audit committee, concurring the abolishment of supervisory mechanism, and other related regulations.
2. A comparison table of drafted clause and the clause in force is attached.

Resolution:

Attachment 6

Comparison Table of Drafted Amendments to Procedures for Loaning of Funds to Other Parties of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 2</p> <p>Terms in the Procedures are defined as follows:</p> <p>1. The term "announce and report" refers to the process of entering data to the information reporting website designated by the FSC.</p> <p>2. The term "date of occurrence" refers to the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.</p> <p>3. The term "subsidiary" shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. The term "net worth of the Company" refers to the latest balance sheet equity attributable to the Company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p><u>5. The term "all Audit Committee members" refers to the actual number of persons currently holding the positions.</u></p> <p><u>6. The term "all Directors" refers to the actual number of persons currently holding the positions.</u></p>	<p>Article 2</p> <p>Terms in the Procedures are defined as follows:</p> <p>1. The term "announce and report" refers to the process of entering data to the information reporting website designated by the FSC.</p> <p>2. The term "date of occurrence" refers to the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.</p> <p>3. The term "subsidiary" shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. The term "net worth of the Company" refers to the latest balance sheet equity attributable to the Company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>In accordance with the Article 14-5 of Securities and Exchange Act, the Company proposed to add new Subparagraphs 5 and 6 in this Article in order to define the calculation for all Audit Committee members and all Directors.</p>

<p>Article 7</p> <p>Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with the relevant provisions in the Company Act, the Procedures, and the provisions regulated by the FSC, and then <u>first</u> submit, together with the result of the evaluation made as described in subparagraph 2 of the preceding article and conditions of loans, to <u>the Audit Committee for approval and next</u> to the Board of Directors for a resolution and approval. The Board of Directors may authorize the chairman, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.</p> <p><u>If approval, as described in the preceding paragraph, of one-half or more of all Audit Committee members is not obtained, the loaning of funds to others may be implemented if approved by two-thirds or more of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the meeting of the Board of Directors.</u></p>	<p>Article 7</p> <p>Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with the relevant provisions in the Company Act, the Procedures, and the provisions regulated by the FSC, and then submit, together with the result of the evaluation made as described in subparagraph 2 of the preceding article and conditions of loans, to the Board of Directors for a resolution and approval. The Board of Directors may authorize the Chairman, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.</p> <p><u>When extending loans to others in compliance with the preceding paragraph, the Board of Directors shall take into full consideration each Independent Director’s opinions; Independent Directors’ opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the meeting of the Board of Directors.</u></p>	<p>By adding the approval of Audit Committee into the proposal submission procedures, the amendments to Paragraphs 1 and 2 are made in accordance with the Article 14-5 of Securities and Exchange Act.</p>
<p>Article 9</p> <p>The Finance Department shall prepare a memorandum book for its fund-loaning activities and</p>	<p>Article 9</p> <p>The Finance Department shall prepare a memorandum book for its fund-loaning activities</p>	<p>The term “all the Supervisors” in Paragraph 2 is revised into “the Audit Committee” to comply with the establishment of Audit</p>

<p>truthfully record the following information: borrower, amount, date of approval by the Board of Directors, dates of approvals by the chairman to loans given in installments to a specific borrowing counterparty, lending/borrowing date, and matters to be carefully evaluated under paragraph 1 of Article 7.</p> <p>The Company's internal auditors shall audit the Procedures for Loaning Funds to Other Parties and the implementation thereof no less frequently than monthly and prepare written records accordingly. The internal auditors shall promptly notify <u>the Audit Committee</u> in writing of any material violation found.</p>	<p>and truthfully record the following information: borrower, amount, date of approval by the Board of Directors, dates of approvals by the chairman to loans given in installments to a specific borrowing counterparty, lending/borrowing date, and matters to be carefully evaluated under paragraph 1 of Article 7.</p> <p>The Company's internal auditors shall audit the Procedures for Loaning Funds to Other Parties and the implementation thereof no less frequently than monthly and prepare written records accordingly. The internal auditors shall promptly notify <u>all the Supervisors</u> in writing of any material violation found.</p>	<p>Committee, which substitutes the role of Supervisors.</p>
<p>Article 2</p> <p>Terms in the Procedures are defined as follows:</p> <ol style="list-style-type: none"> <li>1. The term "announce and report" refers to the process of entering data to the information reporting website designated by the FSC.</li> <li>2. The term "date of occurrence" refers to the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.</li> <li>3. The term "subsidiary" shall be as determined under the Regulations Governing the Preparation of Financial Reports</li> </ol>	<p>Article 2</p> <p>Terms in the Procedures are defined as follows:</p> <ol style="list-style-type: none"> <li>1. The term "announce and report" refers to the process of entering data to the information reporting website designated by the FSC.</li> <li>2. The term "date of occurrence" refers to the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.</li> <li>3. The term "subsidiary" shall be as determined under the Regulations Governing the Preparation of Financial</li> </ol>	<p>In accordance with the Article 14-5 of Securities and Exchange Act, the Company proposed to add new Subparagraphs 5 and 6 in this Article in order to define the calculation for all Audit Committee members and all Directors.</p>

<p>by Securities Issuers.</p> <p>4. The term "net worth of the Company" refers to the latest balance sheet equity attributable to the Company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p><u>5. The term "all Audit Committee members" refers to the actual number of persons currently holding the positions.</u></p> <p><u>6. The term "all Directors" refers to the actual number of persons currently holding the positions.</u></p>	<p>Reports by Securities Issuers.</p> <p>4. The term "net worth of the Company" refers to the latest balance sheet equity attributable to the Company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	
<p>Article 7</p> <p>Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with the relevant provisions in the Company Act, the Procedures, and the provisions regulated by the FSC, and then <u>first</u> submit, together with the result of the evaluation made as described in subparagraph 2 of the preceding article and conditions of loans, to <u>the Audit Committee for approval and next</u> to the Board of Directors for a resolution and approval. The Board of Directors may authorize the chairman, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.</p> <p><u>If approval, as described in the preceding paragraph, of one-half or more of all Audit Committee</u></p>	<p>Article 7</p> <p>Before making a loan of funds to others, the Company shall carefully evaluate whether the loan is in compliance with the relevant provisions in the Company Act, the Procedures, and the provisions regulated by the FSC, and then submit, together with the result of the evaluation made as described in subparagraph 2 of the preceding article and conditions of loans, to the Board of Directors for a resolution and approval. The Board of Directors may authorize the Chairman, for a specific borrowing counterparty, within a certain monetary limit resolved by the Board of Directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counterparty to draw down.</p> <p><u>When extending loans to others in compliance with the</u></p>	<p>By adding the approval of Audit Committee into the proposal submission procedures, the amendments to Paragraphs 1 and 2 are made in accordance with the Article 14-5 of Securities and Exchange Act.</p>

<p><u>members is not obtained, the loaning of funds to others may be implemented if approved by two-thirds or more of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the meeting of the Board of Directors.</u></p>	<p><u>preceding paragraph, the Board of Directors shall take into full consideration each Independent Director's opinions; Independent Directors' opinions specifically expressing assent or dissent and the reasons for dissent shall be included in the minutes of the meeting of the Board of Directors.</u></p>	
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

Agenda 8 -proposed by the board of directors

Explanatory note:

Amendments to the Procedures for Loaning of Funds to Other Parties are proposed.

1. Amendments are made in compliance with the establishment and the charter of the audit committee, concurring the abolishment of supervisory mechanism, and other related regulations.
2. A comparison table of drafted clause and the clause in force is attached.

Resolution:

Attachment 7

Comparison Table of Drafted Amendments to Procedures for Endorsements and Guarantees of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 2-1</p> <p>Terms in the Procedures are defined as follows:</p> <p>1. The term "announce and report" refers to the process of entering data to the information reporting website designated by the FSC.</p> <p>2. The term "date of occurrence" refers to the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.</p> <p>3. The term "subsidiary" shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. The term "net worth of the Company" refers to the latest balance sheet equity attributable to the Company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p><u>5. The term "all Audit Committee members" refers to the actual number of persons currently holding the positions.</u></p> <p><u>6. The term "all Directors" refers to the actual number of persons currently holding the positions.</u></p>	<p>Article 2-1</p> <p>Terms in the Procedures are defined as follows:</p> <p>1. The term "announce and report" refers to the process of entering data to the information reporting website designated by the FSC.</p> <p>2. The term "date of occurrence" refers to the date of contract signing, date of payment, dates of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.</p> <p>3. The term "subsidiary" shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p> <p>4. The term "net worth of the Company" refers to the latest balance sheet equity attributable to the Company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</p>	<p>In accordance with the Article 14-5 of Securities and Exchange Act, the Company proposed to add new Subparagraphs 5 and 6 in this Article in order to define the calculation for all Audit Committee members and all Directors.</p>



<p>Article 7</p> <p>Before making an endorsement/guarantee for others, the Company and its subsidiaries as defined in Article 3-1 shall carefully evaluate whether the endorsement/guarantee is in compliance with the Procedures and other regulations promulgated by the FSC. The Company may make an endorsement/guarantee only after the evaluation results pursuant to Article 6 have <u>first been approved by the Audit Committee and then been submitted to and adopted by the meeting of the Board of Directors, or approved by Chairman of the Board who is authorized by the Board of Directors to grant endorsements/guarantees within a specific limit, and then subsequently submitted to the Audit Committee for approval and to the next meeting of the Board of Directors for verification.</u></p> <p><u>If approval, as described in the preceding paragraph, of one-half or more of all Audit Committee members is not obtained, the endorsement/guarantee may be implemented if approved by two-thirds or more of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the meeting of the Board of Directors.</u></p>	<p>Article 7</p> <p>Before making an endorsement/guarantee for others, the Company and its subsidiaries as defined in Article 3-1 shall carefully evaluate whether the endorsement/guarantee is in compliance with the Procedures and other regulations promulgated by the FSC. The Company may make an endorsement/guarantee only after the evaluation results pursuant to Article 6 have been submitted to and adopted by the meeting of the Board of Directors, or approved by Chairman of the Board who is authorized by the Board of Directors to grant endorsements/guarantees within a specific limit, and then subsequently submitted to the next meeting of the Board of Directors for verification.</p> <p><u>When the meeting of the Board of Directors resolves or verifies endorsements/guarantees for others in accordance with the preceding paragraph, it shall take each Independent Director’s opinion into full consideration; his/her specific opinion of assent or dissent and reason for dissent shall be included in the minutes of the meeting of the Board of Directors.</u></p>	<p>By adding the approval of Audit Committee into the proposal submission procedures, the amendments to Paragraphs 1 and 2 are made in accordance with the Article 14-5 of Securities and Exchange Act.</p>
<p>Article 10</p> <p>The Company’s internal auditors shall audit the Procedures and</p>	<p>Article 10</p> <p>The Company’s internal auditors shall audit the</p>	<p>The term “each Supervisor” is revised into “the Audit Committee” to comply with the establishment of Audit</p>

<p>the implementation thereof at least on a quarterly basis and prepare written records accordingly. If any material violation is found, the internal auditors shall write reports to notify <u>the Audit Committee</u> immediately.</p>	<p>Procedures and the implementation thereof at least on a quarterly basis and prepare written records accordingly. If any material violation is found, the internal auditors shall write reports to notify <u>each Supervisor</u> immediately.</p>	<p>Committee, which substitutes the role of Supervisors.</p>
<p>Article 11</p> <p>Where, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the Procedures or the amount for the endorsement/guarantee exceeds the limit, the Company shall propose rectification plans, submit it to <u>the Audit Committee</u>, and carry out the plan according to the timeframe set out in it.</p>	<p>Article 11</p> <p>Where, as a result of a change in circumstances, an entity for which an endorsement/guarantee is made does not meet the requirements of the Procedures or the amount for the endorsement/guarantee exceeds the limit, the Company shall propose rectification plans, submit it to <u>each Supervisor</u>, and carry out the plan according to the timeframe set out in it.</p>	<p>The term “each Supervisor” is revised into “the Audit Committee” to comply with the establishment of Audit Committee, which substitutes the role of Supervisors.</p>
<p>Article 18</p> <p>The Procedures, after passage by the meeting of the Board of Directors, shall be submitted to the shareholders' meeting for approval. Provided that any Director expresses dissent which is contained in the minutes or a written statement, the dissenting opinion shall be submitted to <u>the Audit Committee</u> and to the shareholders' meeting for discussion. The same as above said in this Article shall apply to any amendment to the Procedures.</p> <p><u>Starting from the 16<sup>th</sup> term of the Board of Directors of the Company, the amendments to the procedures for Endorsements and Guarantees shall first be approved by one-half or more of</u></p>	<p>Article 18</p> <p>The Procedures, after passage by the meeting of the Board of Directors, shall be submitted <u>to each Supervisor and</u> to the shareholders' meeting for approval. Provided that any Director expresses dissent which is contained in the minutes or a written statement, the dissenting opinion shall be submitted to <u>each Supervisor</u> and to the shareholders' meeting for discussion. The same as above said in this Article shall apply to any amendment to the Procedures.</p>	<p>Paragraph 1 is amended and Paragraph 2 is added to comply with the establishment of Audit Committee, which substitutes the role of Supervisors.</p>

<p><u>all Audit Committee members before submission to the Board of Directors for a resolution. If approval of one-half or more of all Audit Committee members is not obtained, the aforementioned amendments may be implemented if approved by two-thirds or more of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the meeting of the Board of Directors.</u></p>		
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--

## Agenda 9-proposed by the board of directors

### Explanatory note:

To elect 11 directors (including 3 independent directors) for the 16<sup>th</sup> term of the board of directors.

1. The term of the 11 directors and 3 supervisors of the 15<sup>th</sup> board expired on June 18, 2016. It is planned to elect all of the 11 directors (including 3 independent directors) of the 16<sup>th</sup> term of the board of directors, serving a term of three years from June 23, 2016 to June 22, 2019. Following the establishment of the audit committee, the supervisory mechanism will be abolished starting from the 16<sup>th</sup> term of the board of directors. The Company will not hold any election of supervisors from now on.
2. The candidate nomination system is adopted in election of the 16<sup>th</sup> term of the board of directors. Shareholders shall elect the directors from the list of the nominated candidates as follows.

### Candidates for Directors of the 16<sup>th</sup> term of the Board of Directors.

Name	Current Position	Major Education	Remark
Jyh-Yuh, Sung	Chairman, China Steel Corporation	M.S. in Mechanical Engineering, National Taiwan University	Representing Ministry of Economic Affairs, R.O.C. (holding 3,154,709,357 shares)
Jong-Chin, Shen	Vice Minister of the Ministry of Economic Affairs, R.O.C.	M.S. in Commerce Automation and Management, National Taipei University of Technology	Representing Ministry of Economic Affairs, R.O.C. (holding 3,154,709,357 shares)
Feng-Sheng, Wu	Vice Chairperson and Executive Director of State-Owned Enterprise Commission, Ministry of Economic Affairs, R.O.C.	M.A. in Sociology, National Taiwan University	Representing Ministry of Economic Affairs, R.O.C. (holding 3,154,709,357 shares)
Hornng-Nan, Lin	President, China Steel Corporation	MBA in International Management, Thunderbird School of Global Management	Representing Gau Ruei Investment Corporation (holding 1,335,318 shares)

Shyi-Chin, Wang	Executive Vice President, China Steel Corporation	Ph.D. in Materials Science, National Sun Yat-sen University	Representing Ever Wealthy International Corporation (holding 2,226,265 shares)
Jih-Gang, Liu	Vice President, Commercial Division, China Steel Corporation	B.A. in Mechanical Engineering, National Taiwan University	Representing Chiun Yu Investment Corporation (holding 1,548,289 shares)
Cheng-I, Weng	Emeritus Professor, Department of Mechanical Engineering, National Cheng Kung University	Ph D. in Mechanical Engineering, University of Rochester, U.S.A.	Representing Hung Kao Investment Corporation (holding 1,003,980 shares)
Chao-Chin, Wei	President, Labor Union of China Steel Corporation in Kaohsiung	M.S. in Electrical Engineering, National Cheng Kung University	Representing Labor Union of China Steel Corporation in Kaohsiung (holding 7,221,487 shares)
Min-Hsiung, Hon	Honorary Chair Professor, National Cheng Kung University	Ph.D. in Materials Engineering, North Carolina State University, Raleigh, U.S.A.	Independent Director (holding 0 shares)
Shyue-bin, Chang	Chair Professor and Dean, College of Mechatronic Engineering, Kao Yuan University	Ph.D. in Aerospace Engineering, Cornell University, U.S.A.	Independent Director (holding 0 shares)
Lan-Feng, Kao	Professor, Department of Finance, National University of Kaohsiung	Ph.D. in Accounting, National Cheng Kung University	Independent Director (holding 2,216 shares)

Resolution:

Agenda 10 -proposed by the board of directors

Explanatory note:

It is proposed to release the prohibition on Mr. Jyh-Yuh, Sung from holding the position of director of Chung-Hung Steel Corporation and China Ecotek Corporation if Mr. Jyh-Yuh, Sung is elected as the director for the 16<sup>th</sup> term of the board of directors.

1. The agenda is proposed in compliance with Paragraph1, Article 209 of the Company Act : A director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.

2. Mr. Jyh-Yuh, Sung is holding the following positions:

Invested Company	Direct/Indirect Shareholding by CSC	Concurrent Post	Business Relationship with CSC
Chung-Hung Steel Corporation	40.68%	Director	Production and trading of steel, magnetic and ceramics magnetic materials; Design, production and trading of machinery and spare parts; Production, wholesale and retail trade of basic chemical materials
China Ecotek Corporation	45.23%	Director	Engineering of environmental protection and steel construction

3. Although the Company is related to Chung-Hung Steel Corporation and China Ecotek Corporation in part of its business, products and services provided by these companies belong to different market segments. The Company may thereby protect its investment rights and benefit from Mr. Jyh-Yuh, Sung's serving in the board of these two companies by participating in important operating decisions and monitor the execution of business strategies.

Resolution:

Agenda 11 -proposed by the board of directors

Explanatory note:

It is proposed to release the prohibition on Mr. Feng-Sheng, Wu from holding the position of director of Taiwan Shipbuilding Corporation if Mr. Feng-Sheng, Wu is elected as the director for the 16<sup>th</sup> term of the board of directors.

1. The agenda is proposed in compliance with Paragraph1, Article 209 of the Company Act : A director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.

2. Mr. Feng-Sheng, Wu is holding the following position:

Invested Company	Direct/Indirect Shareholding by CSC	Concurrent Post	Business Relationship with CSC
Taiwan Shipbuilding Corporation	2.48%	Director	Machinery and equipment manufacturing; Steel casting

3. Although the Company is related to Taiwan Shipbuilding Corporation in part of its business, products and services provided by the two companies belong to different market segments. The Company may thereby protect its investment rights and benefit from Mr. Feng-Sheng, Wu’s serving in the board of Taiwan Shipbuilding Corporation by participating in important operating decisions and monitor the execution of business strategies.

Resolution:

Agenda 12 -proposed by the board of directors

Explanatory note:

It is proposed to release the prohibition on Mr. Shyi-Chin, Wang from holding the position of director of Formosa Ha Tinh Steel Corporation and Formosa Ha Tinh (Cayman) Limited if Mr. Shyi-Chin, Wang is elected as the director for the 16<sup>th</sup> term of the board of directors.

1. The agenda is proposed in compliance with Paragraph1, Article 209 of the Company Act : A director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.

2. Mr. Shyi-Chin, Wang is holding the following positions:

Invested Company	Direct/Indirect Shareholding by CSC	Concurrent Post	Business Relationship with CSC
Formosa Ha Tinh Steel Corporation	25%	Director	Integrated steel mill
Formosa Ha Tinh (Cayman) Limited	25%	Director	The holding company of Formosa Ha Tinh Steel Corporation.

3. Although the Company is related to Formosa Ha Tinh Steel Corporation and Formosa Ha Tinh (Cayman) Limited in part of its business, products and services provided by these companies belong to different market segments. The Company may thereby protect its investment rights and benefit from Mr. Shyi-Chin, Wang’s serving in the board of these two companies by participating in important operating decisions and monitor the execution of business strategies.

Resolution:



Agenda 13 -proposed by the board of directors

Explanatory note:

It is proposed to release the prohibition on Mr. Jih-Gang, Liu from holding the position of director of Chung-Hung Steel Corporation, CSC Steel Holdings Bhd., CSC Steel Sdn. Bhd., East Asia United Steel Corporation, and Taiwan Shipbuilding Corporation if Mr. Jih-Gang, Liu is elected as the director for the 16<sup>th</sup> term of the board of directors.

1. The agenda is proposed in compliance with Paragraph1, Article 209 of the Company Act : A director who does anything for himself or on behalf of another person that is within the scope of the Company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. Mr. Jih-Gang, Liu is holding the following positions:

Invested Company	Direct/Indirect Shareholding by CSC	Concurrent Post	Business Relationship with CSC
Chung-Hung Steel Corporation	40.68%	Director	Production and trading of steel, magnetic and ceramics magnetic materials; Design, production and trading of machinery and spare parts; Production, wholesale and retail trade of basic chemical materials
CSC Steel Holdings Bhd.	46.37%	Director	The holding company of CSC Steel Sdn. Bhd.
CSC Steel Sdn. Bhd.	46.37%	Director	Production and trading of Cold-rolled product
East Asia United Steel Corporation	19.36%	Director	The holding company of Nippon Steel and Sumitomo Metals (Wakayama) – the slab supplier of the CSC Group.
Taiwan Shipbuilding Corporation	2.48%	Director	Machinery and equipment manufacturing; Steel

			casting
--	--	--	---------

3. Although the Company is related to the above-mentioned five companies in part of its business, products and services provided by these companies belong to different market segments. The Company may thereby protect its investment rights and benefit from Mr. Jih-Gang, Liu's serving in the board of the five companies by participating in important operating decisions and monitor the execution of business strategies.

Resolution: