China Steel Corporation
Annual General Meeting
June 21, 2017

Proposals and Discussion

1. Adoption of the 2016 Business Report and Financial Statements.
2. Adoption of the Proposal for Distribution of 2016 Profits.
3. Amendments to Procedures for Acquisition or Disposal of Assets.
4. Proposal to release the prohibition on Chairman, Mr. Chao-Tung, Wong, from holding the position of Chairman of China Ecotek Corporation and Director of Chung-Hung Steel Corporation.
5. Proposal to release the prohibition on Director, Mr. Jih-Gang, Liu, from holding the position of Director of China Ecotek Corporation, Taiwan High Speed Rail Corporation and Formosa Ha Tinh (Cayman) Limited.

1. Proposed by the board of directors

Proposal:

Adoption of the 2016 Business Report and Financial Statements

Explanatory Note:

Please refer to Attachment 1 for the financial statements for the year ended December 31st, 2016.

Resolution:

Attachment 1

China Steel Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

China Steel Corporation

Opinion

We have audited the accompanying consolidated financial statements of China Steel Corporation (the Corporation) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion and the audit reports issued by other independent accountants (refer to other matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Corporation and its subsidiaries in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2016 are stated as follows:

<u>Acquisition of Material Associates</u>

In January 2016, the Corporation increased investment in Formosa Ha Tinh (Cayman) Limited through its subsidiary, China Steel Asia Pacific Holdings Pte. Ltd., with the total shareholding increased from 19% to 25%. Such investment accounted for using the equity method amounted to NT$37,176,938 thousand. The related accounting approach is as disclosed in Note 4 to the standalone financial statements. According to IAS 28 -

Investments in Associates and Joint Ventures, the acquired assets and liabilities of Formosa Ha Tinh (Cayman) Limited needed to be identified and to have their value appraised. As a result, the Corporation hired an appraiser who composed the purchase price allocation report and used the report as the basis for acquisition transactions.

While composing the purchase price allocation report, the appraiser conducted the tangible and intangible assets valuation which was based on the financial statements of Formosa Ha Tinh (Cayman) Limited on the acquisition date, the acquisition price, and internal and external factors in the industry. The valuation involved various key assumptions, including valuation models, key inputs, future expected cash flows and the discount rate used. As a result, the purchase price allocation is deemed to be the key audit matter.

We have assessed the professionality, competence, and objectivity of the appraiser and verified the appraiser hired by the Corporation. Additionally, we have discussed with the management the scope of work performed by the appraiser, reviewed the contract terms and conditions signed by the Corporation and the appraiser, and identified no concerns over the appraiser's objectivity or any restrictions imposed on the scope of the work. We have confirmed the valuation method the appraiser adopted, which complies with IFRSs. The audit procedures we performed included:

1. Test the appropriateness and the compliance of acquisition balance sheet per requirements of IFRS 3 - Business Combination; and

2. Review the reasonableness of financial forecasts.

We also consulted our internal valuation experts to have them assess the appropriateness of the appraisal in determining the fair value of the acquired intangibles in the purchase price allocation report. The assessment in particular included:

1. Test the valuation models used and discuss the applicable models with the Corporation's management and the appraiser;

2. Verify the key assumptions and the reasonableness of key inputs, including weighted average cost of capital and internal rate of return etc.

Additionally, we have audited the purchase price allocated to the acquired assets, which depreciates over the assets' useful lives.

Impairment Assessment on Available-For-Sale Financial Assets

Starting from the 3rd quarter in 2015, the prices of raw material, including coal and iron price, fluctuated dramatically due to the economic downturn in the steel industry and the decrease in the steel price. As of December 31, 2016, the investment in mining and alloy steel companies, recognized as available-for-sale financial assets, amounted to NT$4,994,765 thousand, representing 1% of the Corporation and its subsidiaries' total assets. The related accounting approach and impairment assessment is as disclosed in Note 4 to the Corporation and its subsidiaries' financial statements.

We focused on the key assumptions involved in impairment assessment because the management's judgement and the assumptions were the most sensitive key inputs. We obtained the valuation models from the management and had our internal experts evaluate the appropriateness of the discount rate used. The audit procedures we performed included:

1. Test the key inputs, such as the estimated products prices of the investees (for example, the price of coal, iron and alloy steel), the budgeted operating revenues and costs, and the budgeted capital expenditure;

2. Test the accuracy of each valuation model; and

3. Evaluate the appropriateness of future expected cash flows and discuss thereof with the management.

We recalculated management's sensitivity analysis on key assumptions and replaced the key assumptions with alternative scenarios, such as future changes in discount and growth rate.

Other Matter

Certain investments accounted for using the equity method, in the consolidated financial statements as of December 31, 2016 and for the year then ended were based on financial statements audited by other independent auditors. Such investments accounted for using the equity method amounted to NT$34,874,658 thousand, representing 5% of the Corporation and its subsidiaries' total assets, as of December 31, 2016, and the share of comprehensive income amounted to loss NT$969,122 thousand, representing 5% of the Corporation and its subsidiaries' total comprehensive income, for the year ended December 31, 2016.

We have also audited the standalone financial statements of China Steel Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2 Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation and its subsidiaries' internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation and its subsidiaries' ability to continue as a going concern. If **we**

conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Corporation and its subsidiaries audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lee-Yuan Kuo and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2017

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. As stated in Note 4 to the 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, 2016 Amount	%	December 31, 2015 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 15,467,768	2	$ 20,334,823	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,288,349	1	3,441,885	-
Available-for-sale financial assets - current (Notes 4, 5 and 8)	2,806,737	-	3,839,902	1
Derivative financial assets for hedging - current (Notes 4 and 10)	36,784	-	123,828	-
Notes receivable (Notes 4 and 11)	1,233,769	-	1,206,786	-
Notes receivable - related parties (Notes 4, 11 and 33)	384,078	-	258,005	-
Accounts receivable, net (Notes 4 and 11)	11,463,575	2	10,578,187	2
Accounts receivable - related parties (Notes 4, 11 and 33)	499,185	-	448,197	-
Amounts due from customers for construction contracts (Notes 4 and 12)	8,472,037	1	8,767,343	1
Other receivables (Notes 4 and 33)	1,382,410	-	1,453,760	-
Current tax assets (Note 28)	139,482	-	95,004	-
Inventories (Notes 4, 5 and 13)	79,489,138	12	68,906,548	10
Other financial assets - current (Notes 4, 16 and 34)	11,833,708	2	12,191,202	2
Other current assets	3,558,170	1	3,496,706	1
Total current assets	140,055,190	21	135,142,176	20
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 8)	26,306,913	4	50,284,593	8
Held-to-maturity financial assets - noncurrent (Notes 4 and 9)	222,669	-	285,963	-
Derivative financial assets for hedging - noncurrent (Notes 4 and 10)	3,354	-	41,713	-
Debt investments with no active market - noncurrent (Notes 4, 14 and 19)	1,932,814	-	2,014,061	-
Investments accounted for using equity method (Notes 4, 15 and 30)	49,528,952	7	15,207,682	2
Property, plant and equipment (Notes 4, 17 and 34)	430,849,587	64	448,688,581	66
Investment properties (Notes 4, 18 and 34)	10,316,142	2	10,108,189	2
Intangible assets (Notes 4 and 30)	2,488,714	-	2,404,617	-
Deferred tax assets (Notes 4 and 28)	5,372,981	1	5,558,156	1
Refundable deposits (Note 4)	566,022	-	479,287	-
Other financial assets - noncurrent (Notes 4, 16 and 34)	3,393,174	-	2,663,786	-
Other noncurrent assets (Notes 24 and 33)	5,085,281	1	5,260,212	1
Total noncurrent assets	536,066,603	79	542,996,840	80
TOTAL	$ 676,121,793	100	$ 678,139,016	100

LIABILITIES AND EQUITY	December 31, 2016 Amount	%	December 31, 2015 Amount	%
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft (Notes 19 and 34)	$ 35,905,740	5	$ 34,386,947	5
Short-term bills payable (Note 19)	16,632,100	2	31,641,286	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	4,941	-	1,525	-
Derivative financial liabilities for hedging - current (Notes 4 and 10)	37,609	-	29,428	-
Notes payable	851,631	-	555,486	-
Accounts payable (Note 21)	12,484,269	2	7,898,460	1
Accounts payable - related parties (Notes 21 and 33)	536,544	-	256,131	-
Amounts due to customers for construction contracts (Notes 4 and 12)	3,853,724	1	4,115,170	1
Other payables (Notes 22 and 33)	21,437,649	3	19,351,699	3
Current tax liabilities (Note 28)	2,129,043	-	1,621,208	-
Provisions - current (Notes 4 and 23)	4,324,106	1	3,158,369	-
Current portion of bonds payable (Notes 4 and 20)	5,212,668	1	4,696,735	1
Current portion of long-term bank borrowings (Notes 19 and 34)	16,210,014	2	23,561,520	4
Other current liabilities	3,530,170	1	3,092,890	-
Total current liabilities	123,150,208	18	134,366,854	20
NONCURRENT LIABILITIES				
Derivative financial liabilities for hedging - noncurrent (Notes 4 and 10)	36,065	-	57,412	-
Bonds payable (Notes 4 and 20)	95,037,294	14	94,842,610	14
Long-term bank borrowings (Notes 19 and 34)	70,329,355	10	83,128,236	12
Long-term bills payable (Note 19)	36,626,165	6	24,459,879	4
Provisions - noncurrent (Notes 4 and 23)	815,694	-	828,923	-
Deferred tax liabilities (Notes 4 and 28)	12,261,289	2	12,417,475	2
Net defined benefit liabilities (Notes 4 and 24)	6,901,619	1	5,967,987	1
Other noncurrent liabilities	1,384,411	-	1,344,807	-
Total noncurrent liabilities	223,391,892	33	223,047,329	33
Total liabilities	346,542,100	51	357,414,183	53
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 25)				
Share capital				
Ordinary shares	157,348,610	23	157,348,610	23
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	23	157,731,290	23
Capital surplus	37,807,466	6	37,612,027	5
Retained earnings				
Legal reserve	59,934,379	9	59,173,907	9
Special reserve	29,786,846	4	27,132,983	4
Unappropriated earnings	17,196,041	3	13,323,848	2
Total retained earnings	106,917,266	16	99,630,738	15
Other equity	8,680,706	1	7,924,408	1
Treasury shares	(8,576,842)	(1)	(8,577,644)	(1)
Total equity attributable to owners of the Corporation	302,559,886	45	294,320,819	43
NON-CONTROLLING INTERESTS	27,019,807	4	26,404,014	4
Total equity	329,579,693	49	320,724,833	47
TOTAL	$ 676,121,793	100	$ 678,139,016	100

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

(With Deloitte & Touche audit report dated March 22, 2017)

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			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 26, 33 and 38)	$ 293,055,804	100	$ 285,053,876	100
OPERATING COSTS (Notes 13, 27 and 33)	253,332,496	87	263,652,456	92
GROSS PROFIT	39,723,308	13	21,401,420	8
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	-	-	89	-
REALIZED GROSS PROFIT	39,723,308	13	21,401,331	8
OPERATING EXPENSES				
Selling and marketing expenses	4,950,440	2	4,649,447	2
General and administrative expenses	7,165,255	2	6,676,319	2
Research and development expenses	2,175,992	1	1,960,034	1
Total operating expenses	14,291,687	5	13,285,800	5
PROFIT FROM OPERATIONS	25,431,621	8	8,115,531	3
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 27 and 33)	1,471,380	-	1,759,579	-
Other gains and losses (Notes 27 and 33)	(523,311)	-	3,179,750	1
Finance costs (Note 27)	(3,816,641)	(1)	(3,752,097)	(1)
Share of the profit of associates	(663,882)	-	202,847	-
Total non-operating income and expenses	(3,532,454)	(1)	1,390,079	-
PROFIT BEFORE INCOME TAX	21,899,167	7	9,505,610	3
INCOME TAX (Notes 4 and 28)	2,711,843	1	1,886,191	-
NET PROFIT FOR THE YEAR	19,187,324	6	7,619,419	3
OTHER COMPREHENSIVE INCOME (Notes 4, 24, 25 and 28)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(1,166,886)	-	(490,525)	-

(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			
	2016		2015	
	Amount	%	Amount	%
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	$ 182,490	-	$ 76,869	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(1,827,100)	(1)	(927,721)	-
Unrealized gains and losses on available-for-sale financial assets	1,900,382	1	(2,679,096)	(1)
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(164,285)	-	(19,026)	-
Share of the other comprehensive income (loss) of associates	(186,690)	-	997,447	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	86,036	-	(32,953)	-
Other comprehensive income for the period, net of income tax	(1,176,053)	-	(3,075,005)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 18,011,271	6	$ 4,544,414	2
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 16,038,369	6	$ 7,604,721	3
Non-controlling interests	3,148,955	1	14,698	-
	$ 19,187,324	7	$ 7,619,419	3
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 15,950,850	5	$ 5,073,036	2
Non-controlling interests	2,060,421	1	(528,622)	-
	$ 18,011,271	6	$ 4,544,414	2
EARNINGS PER SHARE (Note 29)				
Basic	$ 1.04		$ 0.49	
Diluted	$ 1.03		$ 0.49	

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

(With Deloitte & Touche audit report dated March 22, 2017)

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													
	Share Capital			Retained Earnings			Other Equity							
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized 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	Treasury Shares	Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2015	$ 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$1.0per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	(15,734,861)	-	(15,734,861)
Cash dividends to preference shareholders - NT$1.4per 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
Appropriation of 2015 earnings (Note 25)														
Legal reserve	-	-	-	760,472	-	(760,472)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	2,654,116	(2,654,116)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.5 per share	-	-	-	-	-	(7,867,430)	-	-	-	-	-	(7,867,430)	-	(7,867,430)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(253)	253	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	16,038,369	-	-	-	-	-	16,038,369	3,148,955	19,187,324
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(843,817)	(1,230,844)	2,077,225	(90,083)	756,298	-	(87,519)	(1,088,534)	(1,176,053)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	15,194,552	(1,230,844)	2,077,225	(90,083)	756,298	-	15,950,850	2,060,421	18,011,271
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	159,065	-	-	-	-	-	-	-	-	159,065	96,945	256,010
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,541,573)	(1,541,573)
Adjustment of other equity	-	-	36,374	-	-	12,981	-	-	-	-	802	50,157	-	50,157
BALANCE AT DECEMBER 31, 2016	$ 157,348,610	$ 382,680	$ 37,807,466	$ 59,934,379	$ 29,786,846	$ 17,196,041	$ (32,048)	$ 8,650,573	$ 62,181	$ 8,680,706	$ (8,576,842)	$ 302,559,886	$ 27,019,807	$ 329,579,693

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

(With Deloitte & Touche audit report dated March 22, 2017)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 21,899,167	$ 9,505,610
Adjustments for:		
Depreciation expense	35,691,883	35,116,060
Amortization expense	371,594	339,665
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(38,984)	98,790
Finance costs	3,816,641	3,752,097
Interest income	(317,940)	(426,374)
Dividend income	(574,258)	(403,048)
Share of the profit of associates	581,025	(281,595)
Loss (gain) on disposal of property, plant and equipment	(335,742)	72,143
Gain on disposal of intangible assets	(2,741)	(2,318)
Gain on disposal of investments	(1,288,242)	(2,317,857)
Impairment loss recognized on financial assets	770,842	405,022
Increase (decrease) in provision for loss on inventories	(3,970,141)	4,559,013
Impairment loss recognized on (reversal of) non-financial assets	45,168	(1,652,414)
Recognition of provisions	8,665,856	4,377,661
Others	80,617	14,578
Changes in operating assets and liabilities		
Financial instruments held for trading	(296,414)	881,219
Notes receivable	(26,983)	36,981
Notes receivable - related parties	(126,073)	(95,803)
Accounts receivable	(930,908)	330,976
Accounts receivable - related parties	(50,988)	286,794
Amounts due from customers for construction contracts	295,306	(1,453,861)
Other receivables	38,119	46,880
Inventories	(6,612,449)	7,927,512
Other current assets	(61,464)	2,265,716
Notes payable	296,145	(829,296)
Notes payable - related parties	-	(88)
Accounts payable	4,585,809	(1,005,060)
Accounts payable - related parties	280,413	(433,492)
Amounts due to customers for construction contracts	(261,446)	(1,287,868)
Other payables	2,591,463	(413,757)
Provisions	(7,522,566)	(5,224,959)
Other current liabilities	(166,259)	(187,549)
Net defined benefit liabilities	(50,764)	50,430
Cash generated from operations	57,375,686	54,051,808
Income taxes paid	(2,226,223)	(4,776,794)
Net cash generated from operating activities	55,149,463	49,275,014

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2016	**2015**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	$ (3,263,329)	$ (5,727,876)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	3,714,862	6,578,485
Acquisition of available-for-sale financial assets	(2,570,588)	(23,053,113)
Proceeds from disposal of available-for-sale financial assets	4,266,220	5,321,509
Proceeds from the capital reduction on available-for-sale financial assets	16,840	567,347
Purchases of debt investments with no active market	(24,269)	(45,441)
Proceeds from disposal of debt investments with no active market	120,419	949,226
Acquisition of held-to-maturity financial assets	(19,480)	(55,753)
Proceeds from disposal of held-to-maturity financial assets	77,236	-
Acquisition of investments accounted for using equity method	(11,100,850)	(1,242,940)
Proceeds from disposal of investments accounted for using equity method	178,384	-
Net cash outflow on acquisition of subsidiaries	-	(105,382)
Acquisition of property, plant and equipment	(19,618,793)	(25,119,118)
Proceeds from disposal of property, plant and equipment	895,675	109,749
Increase in refundable deposits	(86,735)	(42,454)
Acquisition of intangible assets	(382,402)	(122,687)
Acquisition of investment properties	(339,112)	(390,207)
Decrease (increase) in other financial assets	(289,219)	1,220,484
Decrease in other noncurrent assets	424,793	176,918
Interest received	332,908	431,312
Dividends received from associates	289,575	353,829
Dividends received from others	558,902	403,048
Net cash used in investing activities	(26,818,963)	(39,793,064)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	286,529,045	235,755,883
Repayments of short-term borrowings	(283,521,183)	(232,763,733)
Increase (decrease) in short-term bills payable	(15,009,186)	11,529,190
Issuance of bonds payable	5,400,000	9,996,610
Repayments of bonds payable	(4,699,300)	(8,313,002)
Proceeds from long-term bank borrowings	57,902,133	47,721,329
Repayments of long-term bank borrowings	(76,915,897)	(49,248,241)
Increase in long-term bills payable	179,932,318	187,707,326
Decrease in long-term bills payable	(167,766,032)	(183,266,859)
Increase in other noncurrent liabilities	45,656	278,482
Dividends paid to owners of the Corporation	(7,815,051)	(15,590,415)
Disposal of the Corporation's shares by subsidiaries	-	13,325
Interest paid	(4,032,834)	(4,021,824)

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2016	**2015**
Decrease in non-controlling interests	$ (1,541,573)	$ (3,235,448)
Net cash used in financing activities	(31,491,904)	(3,437,377)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(553,340)	350,710
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,714,744)	6,395,283
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	17,054,940	10,659,657
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 13,340,196	$ 17,054,940
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, 2016 and 2015:		
Cash and cash equivalents in the consolidated balance sheets	$ 15,467,768	$ 20,334,823
Bank overdraft	(2,127,572)	(3,279,883)
Cash and cash equivalents in the consolidated statements of cash flows	$ 13,340,196	$ 17,054,940

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

(With Deloitte & Touche audit report dated March 22, 2017)

China Steel Corporation

Standalone Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

China Steel Corporation

Opinion

We have audited the accompanying standalone financial statements of China Steel Corporation (the Corporation), which comprise the standalone balance sheets as of December 31, 2016 and 2015, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion and the audit reports issued by other independent accountants (refer to other matter paragraph), the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2016 and 2015, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Corporation's standalone financial statements for the year ended December 31, 2016 are stated as follows:

<u>Acquisition of Material Associates</u>

In January 2016, the Corporation increased investment in Formosa Ha Tinh (Cayman) Limited through its subsidiary, China Steel Asia Pacific Holdings Pte Ltd., with the total shareholding increased from 19% to 25%. Such investment accounted for using the equity method amounted to NT$37,176,938 thousand. The related accounting approach is as disclosed in Note 4 to the standalone financial statements. According to IAS 28 - Investments in Associates and Joint Ventures, the acquired assets and liabilities of Formosa Ha Tinh (Cayman) Limited needed to be identified and to have their value appraised. As a result, the Corporation hired an appraiser who composed the purchase price allocation report and used the report as the basis for acquisition transactions.

While composing the purchase price allocation report, the appraiser conducted the tangible and intangible assets valuation which was based on the financial statements of Formosa Ha Tinh (Cayman) Limited on the acquisition date, the acquisition price, and internal and external environment factors in the industry. The valuation involved various key assumptions, including valuation models, key inputs, future expected cash flows and the discount rate used. As a result, the purchase price allocation is deemed to be the key audit matter.

We have assessed the professionality, competence, and objectivity of the appraiser and verified the appraiser hired by the Corporation. Additionally, we have discussed with the management the scope of work performed by the appraiser, reviewed the contract terms and conditions signed by the Corporation and the appraiser, and identified no concerns over the appraiser's objectivity or any restrictions imposed on the scope of the work. We have confirmed the valuation method the appraiser adopted, which complies with IFRSs. The audit procedures we performed included:

1. Test the appropriateness and the compliance of acquisition balance sheet per requirements of IFRS 3 - Business Combination; and

2. Review the reasonableness of financial forecasts.

We also consulted our internal valuation experts to have them assess the appropriateness of the appraisal in determining the fair value of the acquired intangibles in the purchase price allocation report. The assessment in particular included:

1. Test the valuation models used and discuss the applicable models with the Corporation's management and the appraiser;

2. Verify the key assumptions and the reasonableness of key inputs, including weighted average cost of capital and internal rate of return etc.

Additionally, we have audited the purchase price allocated to the acquired assets, which depreciates over the assets' useful lives.

<u>Impairment Assessment on Available-For-Sale Financial Assets</u>

Starting from the 3rd quarter in 2015, the prices of raw material, including coal and iron price, fluctuated dramatically due to the economic downturn in the steel industry and the decrease in the steel price. As of December 31, 2016, the investment in mining and alloy steel companies, recognized as available-for-sale financial assets, amounted to NT$4,994,765 thousand, representing 1% of the Corporation's total assets. The related accounting approach and impairment assessment as disclosed in Note 4 to the Corporation's financial statements.

We focused on the key assumptions involved in impairment assessment because the management's judgement and the assumptions were the most sensitive key inputs. We obtained the valuation models from the management and had our internal experts evaluate the appropriateness of the discount rate used. The audit procedures we performed included:

1. Test the key inputs, such as the estimated products prices of the investees (for example, the price of coal, iron and alloy steel), the budgeted operating revenues and costs, and the budgeted capital expenditure;

2. Test the accuracy of each valuation model; and

3. Evaluate the appropriateness of future expected cash flows and discuss thereof with the management.

We recalculated management's sensitivity analysis on key assumptions and replaced the key assumptions with alternative scenarios, such as future changes in discount and growth rate.

Other Matter

Certain investments accounted for using the equity method, in the standalone financial statements as of December 31, 2016 and for the year then ended were based on financial statements audited by other independent auditors. Such investments accounted for using the equity method amounted to NT$34,874,658 thousand, representing 7% of the Corporation's total assets, as of December 31, 2016, and the share of comprehensive income amounted to loss NT$969,122 thousand, representing 6% of the Corporation's total comprehensive income, for the year ended December 31, 2016.

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

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

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

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2 Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions

are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the Corporation audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lee-Yuan Kuo and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2017

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. Also, as stated in Note 4 to the 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, 2016 Amount	%	December 31, 2015 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,477,746	1	$ 7,518,687	2
Available-for-sale financial assets - current (Notes 4 and 7)	780,716	-	1,341,235	-
Derivative financial assets for hedging - current (Notes 4 and 8)	32,094	-	79,125	-
Notes receivable (Notes 4 and 9)	472,193	-	443,376	-
Notes receivable - related parties (Notes 4, 9 and 28)	324,457	-	198,399	-
Accounts receivable, net (Notes 4 and 9)	1,257,657	-	903,126	-
Accounts receivable - related parties (Notes 4, 9 and 28)	1,815,399	-	686,746	-
Other receivables (Note 28)	1,139,592	-	1,496,979	1
Other receivables - loans to related parties (Note 28)	7,211,809	2	5,890,000	1
Inventories (Notes 4, 5 and 10)	42,506,461	9	37,640,539	8
Other financial assets - current (Notes 4, 13 and 29)	6,622,457	2	6,604,939	2
Other current assets	818,410	-	988,788	-
Total current assets	65,458,991	14	63,791,939	14
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 7)	15,551,376	3	12,389,861	3
Derivative financial assets for hedging - noncurrent (Notes 4 and 8)	2,142	-	36,205	-
Debt investments with no active market - noncurrent (Notes 4 and 11)	1,837,425	-	1,818,091	-
Investments accounted for using equity method (Notes 3, 4, 12 and 28)	208,545,541	44	200,381,399	43
Property, plant and equipment (Notes 4, 14, 28 and 29)	167,632,162	36	175,420,761	38
Investment properties (Notes 4, 15 and 28)	7,127,220	2	7,163,037	1
Intangible assets	54,785	-	65,736	-
Deferred tax assets (Notes 4 and 24)	2,936,474	1	3,140,979	1
Refundable deposits (Note 4)	55,688	-	44,083	-
Other financial assets - noncurrent (Notes 4 and 13)	1,073,565	-	148,307	-
Total noncurrent assets	404,816,378	86	400,608,459	86
TOTAL	$ 470,275,369	100	$ 464,400,398	100

LIABILITIES AND EQUITY	December 31, 2016 Amount	%	December 31, 2015 Amount	%
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft (Notes 16, 28 and 29)	$ 8,851,509	2	$ 11,466,879	3
Short-term bills payable (Note 16)	-	-	12,847,014	3
Derivative financial liabilities for hedging - current (Notes 4 and 8)	8,965	-	26,497	-
Accounts payable	4,142,060	1	2,057,194	-
Accounts payable - related parties (Note 28)	969,388	-	357,453	-
Other payables (Notes 18 and 28)	14,929,164	3	11,956,612	3
Current tax liabilities (Note 24)	1,529,584	-	822,723	-
Provisions - current (Notes 4 and 19)	2,404,802	1	1,699,678	-
Current portion of bonds payable (Note 17)	5,199,253	1	4,649,075	1
Current portion of long-term bank borrowings (Notes 16 and 29)	4,195,825	1	9,087,829	2
Other current liabilities	3,325,849	1	2,943,340	1
Total current liabilities	45,556,399	10	57,914,294	13
NONCURRENT LIABILITIES				
Derivative financial liabilities for hedging - noncurrent (Notes 4 and 8)	6,904	-	17	-
Bonds payable (Note 17)	67,657,491	15	72,847,061	16
Long-term bank borrowings (Notes 16 and 29)	32,950,349	7	24,276,027	5
Long-term bills payable (Note 16)	5,899,355	1	-	-
Deferred tax liabilities (Notes 4 and 24)	10,799,579	2	10,925,638	2
Net defined benefit liabilities (Notes 4 and 20)	4,785,826	1	4,057,302	1
Other noncurrent liabilities	59,580	-	59,240	-
Total noncurrent liabilities	122,159,084	26	112,165,285	24
Total liabilities	167,715,483	36	170,079,579	37
EQUITY (Notes 4 and 21)				
Share capital				
Ordinary shares	157,348,610	33	157,348,610	34
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	33	157,731,290	34
Capital surplus	37,807,466	8	37,612,027	8
Retained earnings				
Legal reserve	59,934,379	13	59,173,907	12
Special reserve	29,786,846	6	27,132,983	6
Unappropriated earnings	17,196,041	4	13,323,848	3
Total retained earnings	106,917,266	23	99,630,738	21
Other equity	8,680,706	2	7,924,408	2
Treasury shares	(8,576,842)	(2)	(8,577,644)	(2)
Total equity	302,559,886	64	294,320,819	63
TOTAL	$ 470,275,369	100	$ 464,400,398	100

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

(With Deloitte & Touche audit report dated March 22, 2017)

CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 22 and 28)	$ 168,927,075	100	$ 160,909,464	100
OPERATING COSTS (Notes 10 and 28)	147,174,784	87	148,511,291	92
GROSS PROFIT	21,752,291	13	12,398,173	8
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(384,546)	(1)	225,679	-
REALIZED GROSS PROFIT	21,367,745	12	12,623,852	8
OPERATING EXPENSES				
Selling and marketing expenses	2,725,816	2	2,633,416	2
General and administrative expenses	3,716,730	2	3,217,154	2
Research and development expenses	1,844,055	1	1,618,945	1
Total operating expenses	8,286,601	5	7,469,515	5
PROFIT FROM OPERATIONS	13,081,144	7	5,154,337	3
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 28)	1,322,937	1	1,068,481	1
Other gains and losses (Notes 23 and 28)	(34,229)	-	1,643,968	1
Finance costs (Notes 23 and 28)	(1,990,052)	(1)	(1,886,133)	(1)
Share of the profit of subsidiaries and associates	5,653,411	3	2,335,661	1
Total non-operating income and expenses	4,952,067	3	3,161,977	2
PROFIT BEFORE INCOME TAX	18,033,211	10	8,316,314	5
INCOME TAX EXPENSE (Notes 4 and 24)	1,994,842	1	711,593	-
NET PROFIT FOR THE YEAR	16,038,369	9	7,604,721	5
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(657,109)	-	(163,686)	-

(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			
	2016		2015	
	Amount	%	Amount	%
Share of the other comprehensive income of subsidiaries and associates	$ (298,416)	-	$ (158,219)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	111,708	-	27,827	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(867,506)	(1)	393,288	-
Unrealized gain and losses on available-for-sale financial assets	2,933,162	2	(2,344,410)	(2)
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(69,360)	-	(1,360)	-
Share of the other comprehensive income of subsidiaries and associates	(1,251,789)	(1)	(285,356)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	11,791	-	231	-
Other comprehensive loss for the year, net of income tax	(87,519)	-	(2,531,685)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 15,950,850	9	$ 5,073,036	3
EARNINGS PER SHARE (Note 25)				
Basic	$ 1.04		$ 0.49	
Diluted	$ 1.03		$ 0.49	

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

(With Deloitte & Touche audit report dated March 22, 2017) (Concluded)

CHINA STEEL CORPORATION

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

	Share Capital			Retained Earnings			Other Equity					
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedges	Total Other Equity	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2015	$ 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$1.0per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	(15,734,861)
Cash dividends to preference shareholders - NT$1.4per 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
Appropriation of 2015 earnings (Note 21)												
Legal reserve	-	-	-	760,472	-	(760,472)	-	-	-	-	-	-
Special reserve	-	-	-	-	2,654,116	(2,654,116)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.5 per share	-	-	-	-	-	(7,867,430)	-	-	-	-	-	(7,867,430)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(253)	253	-	-	-	-	-	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	16,038,369	-	-	-	-	-	16,038,369
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(843,817)	(1,230,844)	2,077,225	(90,083)	756,298	-	(87,519)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	15,194,552	(1,230,844)	2,077,225	(90,083)	756,298	-	15,950,850
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	159,065	-	-	-	-	-	-	-	-	159,065
Adjustment from changes in equity of subsidiaries and associates	-	-	36,374	-	-	12,981	-	-	-	-	802	50,157
BALANCE AT DECEMBER 31, 2016	$ 157,348,610	$ 382,680	$ 37,807,466	$ 59,934,379	$ 29,786,846	$ 17,196,041	$ (32,048)	$ 8,650,573	$ 62,181	$ 8,680,706	$ (8,576,842)	$ 302,559,886

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

(With Deloitte & Touche audit report dated March 22, 2017)

CHINA STEEL CORPORATION

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

	For the Year Ended December 31	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 18,033,211	$ 8,316,314
Adjustments for:		
Depreciation	18,409,717	18,598,624
Amortization	10,951	11,071
Finance costs	1,990,052	1,886,133
Interest income	(124,145)	(166,372)
Dividend income	(350,156)	(222,530)
Share of the profit of subsidiaries and associates	(5,653,411)	(2,335,661)
Loss on disposal of property, plant and equipment	21,862	22,915
Gain on disposal of investments	(603,519)	(1,857,244)
Impairment loss recognized on financial assets	488,299	416,000
Increase (decrease) in provision for loss on inventories	(2,919,280)	2,883,645
Unrealized (realized) gain on the transactions with subsidiaries and associates	384,546	(225,679)
Recognition of provisions	7,252,605	3,949,768
Others	4,461	249,953
Changes in operating assets and liabilities		
Notes receivable	(28,817)	142,971
Notes receivable - related parties	(126,058)	(38,990)
Accounts receivable	(354,531)	920,295
Accounts receivable - related parties	(1,128,653)	275,777
Other receivables	(516,076)	1,156,871
Inventories	(1,913,314)	674,674
Other current assets	170,378	84,467
Accounts payable	2,084,866	(1,412,321)
Accounts payable - related parties	611,935	(533,489)
Other payables	2,647,544	(1,314,346)
Provisions	(6,547,481)	(3,709,365)
Other current liabilities	382,509	(92,297)
Net defined benefit liabilities	71,415	102,061
Other noncurrent liabilities	340	59,240
Cash generated from operations	32,299,250	27,842,485
Income taxes paid	(821,131)	(2,163,500)
Net cash generated from operating activities	31,478,119	25,678,985
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(193,268)	(462,930)
Proceeds from disposal of available-for-sale financial assets	649,443	1,941,520
Proceeds from the capital reduction on available-for-sale financial assets	2,267	541,925
Proceeds from the capital return on investment accounted for using equity method	999,968	13,748

(Continued)

CHINA STEEL CORPORATION

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

	For the Year Ended December 31	
	2016	**2015**
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	(11,426,350)	(22,533,483)
Acquisition of property, plant and equipment	(10,152,877)	(10,661,694)
Proceeds from disposal of property, plant and equipment	-	125,537
Increase in refundable deposits	(11,605)	(10,384)
Increase in other receivables - loans to related parties	(1,321,809)	(660,000)
Increase in other financial assets	(941,687)	(318,927)
Interest received	124,587	165,095
Dividends received from subsidiaries and associates	4,993,852	11,071,395
Other dividends received	335,602	222,530
Net cash used in investing activities	(16,941,877)	(20,311,359)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	15,500,000	17,530,000
Repayments of short-term borrowings	(16,725,401)	(13,962,453)
Increase (decrease) in short-term bills payable	(12,847,014)	10,947,384
Proceeds from long-term bills payable	5,899,355	-
Repayments of bonds payable	(4,650,000)	(8,150,000)
Proceeds from long-term borrowings	14,817,064	16,683,267
Repayments of long-term borrowings	(10,139,862)	(6,339,917)
Dividends paid	(7,911,996)	(15,784,094)
Interest paid	(2,129,360)	(1,982,364)
Net cash used in financing activities	(18,187,214)	(1,058,177)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,650,972)	4,309,449
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,523,387	213,938
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 872,415	$ 4,523,387
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, 2016 and 2015:		
Cash and cash equivalents in the standalone balance sheets	$ 2,477,746	$ 7,518,687
Bank overdraft	(1,605,331)	(2,995,300)
Cash and cash equivalents in the standalone statements of cash flows	$ 872,415	$ 4,523,387

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

(With Deloitte & Touche audit report dated March 22, 2017) (Concluded)

2. **Proposed by the board of directors**

Proposal:

Adoption of the Proposal for Distribution of 2016 Profits

Explanatory Note:

(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$ 1,988,255,524.74
Reverse of special reserve: disposal of fixed assets		252,920.00
Actuarial gains(losses) from defined benefit pension plans (included in retained earnings)		(545,400,452.00)
Effects resulting from changes in long-term equity investment		(285,435,075.00)
Add: After-tax earnings of 2016 (A)		16,038,369,015.07
Deduct: Legal reserve = (A) *10%		(1,603,836,902.00)
Deduct: Reverse of special reserve to undistributed earnings		2,130,614,461.00
Subtotal of distributable earnings		17,722,819,491.81
Distributable Items:		
Dividends for preferred shares	(53,575,199.00)	
Dividends for common shares	(13,374,631,847.00)	
Subtotal of distributable items		(13,428,207,046.00)
Undistributed earnings		NT$ 4,294,612,445.81

(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$0.85 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:

3. **Proposed by the board of directors**

Proposal:

Amendments to Procedures for Acquisition or Disposal of Assets

Explanatory Note:

1. Amendments are made in compliance with the amendment to “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.
2. A comparison table of drafted clause and the clause in force is attached.

Resolution:

Attachment 2

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

Revised clause	Clause in force	Explanation
Article 8 In acquiring or disposing real property or equipment where the transaction amount reaches NT$300 million or more, the Company, unless transacting with a government <u>entity</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: 1. Where due to special circumstances a limited price, specified price, or special price must be given as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction. 2. Where the transaction amount is NT$1 billion or more, appraisals from two or more professional appraisers shall be obtained. 3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than	Article 8 In acquiring or disposing real property or equipment where the transaction amount reaches NT$300 million or more, the Company, unless transacting with a government <u>agency</u>, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions: 1. Where due to special circumstances a limited price, specified price, or special price must be given as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors, and the same procedure shall be followed for any future changes to the terms and conditions of the transaction. 2. Where the transaction amount is NT$1 billion or more, appraisals from two or more professional appraisers shall be obtained. 3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than	The amendment is made in compliance with the amendment to “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”.

the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by ROC Accounting Research and Development Foundation (hereinafter "ARDF") and render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price: (1) Where the discrepancy between the appraisal result and the transaction amount reaches 20% or more of the transaction amount. (2) Where the discrepancy between the appraisal results of two or more professional appraisers reaches 10% or more of the transaction amount. 4. No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser. While dealing with the acquisition or disposal of real property or equipment not contained in the preceding paragraph, the first-echelon units in charge acquiring or disposing of real property should refer to the declared current value, assessed	the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by ROC Accounting Research and Development Foundation (hereinafter "ARDF") and render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price: (1) Where the discrepancy between the appraisal result and the transaction amount reaches 20% or more of the transaction amount. (2) Where the discrepancy between the appraisal results of two or more professional appraisers reaches 10% or more of the transaction amount. 4. No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser. While dealing with the acquisition or disposal of real property or equipment not contained in the preceding paragraph, the first-echelon units in charge acquiring or disposing of real property should refer to the declared current value, assessed	

value and the actual transaction prices of neighboring real properties for setting a transaction price; and the first-echelon units in charge acquiring or disposing of equipment should refer to past transaction prices experienced by the Company or those in the same industry for setting a transaction price, as a reference for levels in authority to estimate the transaction price.	value and the actual transaction prices of neighboring real properties for setting a transaction price; and the first-echelon units in charge acquiring or disposing of equipment should refer to past transaction prices experienced by the Company or those in the same industry for setting a transaction price, as a reference for levels in authority to estimate the transaction price.	
Article 10 Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches NT$300 million or more, except in transactions with a government <u>entity</u>, the Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price before the date of occurrence of the event; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	Article 10 Where the Company acquires or disposes of memberships or intangible assets and the transaction amount reaches NT$300 million or more, except in transactions with a government <u>agency</u>, the Company shall engage a certified public accountant to render an opinion on the reasonableness of the transaction price before the date of occurrence of the event; the CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.	The reason for the amendment is the same as that for Article 8.
Article 13 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, except the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds <u>issued by domestic securities investment trust enterprises</u>, the Company may not proceed to enter into a transaction contract or make a payment until the following	Article 13 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, except the trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of <u>domestic</u> money market funds, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the	The reason for the amendment is the same as that for Article 8.

matters have been approved by the Board of Directors: 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Article 14 and Article 15. 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. 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. 6. An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding article. 7. Restrictive covenants and other important stipulations associated with the transaction. When the Company acquires or disposes of equipment for business use from or to its subsidiaries, the Board of Directors may delegate	Board of Directors: 1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets. 2. The reason for choosing the related party as a trading counterparty. 3. With respect to the acquisition of real property from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with the provisions of Article 14 and Article 15. 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. 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. 6. An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding article. 7. Restrictive covenants and other important stipulations associated with the transaction. When the Company acquires or disposes of 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.	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.	
Article 19 When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening a meeting of the Board of Directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage. <u>However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of a subsidiary in which it directly or indirectly holds 100% of the issued shares or authorized capital, and in the case of a merger between subsidiaries in which the Company directly or indirectly holds 100% of the respective subsidiaries' issued shares or authorized capital.</u>	Article 19 When conducting a merger, demerger, acquisition, or transfer of shares, prior to convening a meeting of the Board of Directors to resolve on the matter, the Company shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and passage.	The reason for the amendment is the same as that for Article 8.
Article 22 Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within two days counting inclusively from the date	Article 22 Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within two days counting inclusively from the date	1. The reason for the amendment is the same as that for Article 8. 2. The original Item 3, Subparagraph 4, Paragraph 1 is moved to

of occurrence of the event: 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches NT$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises. 2. Merger, demerger, acquisition, or transfer of shares. 3. Loss from derivatives trading reaching the limit on aggregate loss or loss on individual contract set out in Sub-item 2, Item 5, Subparagraph 1 of Article 17 of the Procedures. 4. Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount reaches NT$1 billion or more. 5. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction reaches NT$500 million or more. 6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in the mainland China area reaches NT$300 million or	of occurrence of the event: 1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches NT$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds. 2. Merger, demerger, acquisition, or transfer of shares. 3. Loss from derivatives trading reaching the limit on aggregate loss or loss on individual contract set out in Sub-item 2, Item 5, Subparagraph 1 of Article 17 of the Procedures. 4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs or an investment in the mainland China area reaches NT$300 million or more; provided, this shall not apply to the following circumstances: (1)Trading of government bonds. (2)Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds. (3)Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount is less than NT$500 million. (4)Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and	Subparagraph 4, and the transaction amount is increased to 1 billion because the paid in capital of the Company exceeds 10 billion. 3. The original Item 4, Subparagraph 4, Paragraph 1 is moved to Subparagraph 5. 4. The original Item 1 and 2, Subparagraph 4, Paragraph 1 are moved to Item 1 and 2, Subparagraph 6, and the wording of domestic money market funds is amended. 5. The deadline of the announcement of correction is added in paragraph 3.

more; provided, this shall not apply to the following circumstances: (1)Trading of government bonds. (2)Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.	allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT$500 million.	
The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the tenth day of each month. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.	The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the tenth day of each month. When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.	
In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company's headquarter, where they shall be retained for five years except where another act provides otherwise.	In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company's headquarter, where they shall be retained for five years except where another act provides otherwise.	

4. **Proposed by the board of directors**

Proposal:

Proposal to release the prohibition on Chairman, Mr. Chao-Tung, Wong, from holding the position of Chairman of China Ecotek Corporation and Director of Chung-Hung Steel Corporation.

Explanatory note:

(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. Chao-Tung, Wong is holding the following positions:

Invested Company	Direct/Indirect Shareholding by CSC	Concurrent Post	Business Relationship with CSC
China Ecotek Corporation	45.23%	Chairman	Engineering of environmental protection and steel construction
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

(3) Although the Company is related to China Ecotek Corporation and Chung-Hung Steel 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. Chao-Tung, Wong’s serving in the board of these two companies by participating in important operating decisions and monitor the execution of business strategies.

Resolution:

5. **Proposed by the board of directors**

Proposal:

Proposal to release the prohibition on Director, Mr. Jih-Gang, Liu, from holding the position of Director of China Ecotek Corporation, Taiwan High Speed Rail Corporation and Formosa Ha Tinh (Cayman) Limited.

Explanatory note:

(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 position:

Invested Company	Direct/Indirect Shareholding by CSC	Concurrent Post	Business Relationship with CSC
China Ecotek Corporation	45.23%	Director	Engineering of environmental protection and steel construction
Taiwan High Speed Rail Corporation	4.32%	Director	Machinery installation
Formosa Ha Tinh (Cayman) Limited	25%	Director	The holding company of Formosa Ha Tinh Steel Corporation, an integrated steel mill

(3) Although the Company is related to the aforesaid three 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 these three companies by participating in important operating decisions and monitor the execution of business strategies.

Resolution: