

Stock Code: 2002



**CHINASTEEL**

**China Steel Corporation**

**2019 Annual General Meeting  
Meeting Handbook**

June 19, 2019

CSC Chung Cheng Hall (Auditorium)

No. 1, Chung-Kang Rd., Hsiao Kang Dist., Kaohsiung City, Taiwan

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**China Steel Corporation**  
**2019 Annual General Meeting**  
**Meeting Procedures**

1. Call Meeting to Order
2. Chairman Takes the Chair
3. All Arise in Silence
4. Sing the National Anthem
5. Three Bows to the National Flag and the Portrait of Dr. Sun Yat-Sen
6. Chairman's Remarks
7. Report Items
8. Proposals, Discussion, and Directors Election
9. Extraordinary Motions
10. Meeting Adjourned

# **China Steel Corporation 2019 Annual General Meeting Meeting Agenda**

Time: 9:00 a.m., June 19, 2019 (Wednesday)

Venue: CSC Chung Cheng Hall (Auditorium) (No. 1, Chung-Kang Rd.,  
Hsiao Kang Dist., Kaohsiung City, Taiwan)

Attendants: shareholders and proxies entrusted by shareholders

Chairman: Chairman of the Board, Mr. Chao-Tung Wong

1. Chairman's Remarks

2. Report Items

- (1) Report on the Operations of 2018.
- (2) Report on Audit Committee's audit report of 2018.
- (3) Report on the distribution of remuneration for employees and directors of 2018.
- (4) Report on amendments to the Corporate Governance Best-Practice Principles.
- (5) Report on amendments to the Codes of Ethics for First Echelon Supervisors and Executives.
- (6) Report on amendments to the Rules of Procedure for Board of Directors Meetings.
- (7) Report on the issuance of domestic unsecured corporate bonds in 2018.

### 3. Proposals, Discussion, and Directors Election

- (1) Adoption of the 2018 Business Report and Financial Statements.
- (2) Adoption of the Proposal for Distribution of 2018 profits.
- (3) Amendments to the Procedures for Acquisition or Disposal of Assets.
- (4) Amendments to the Procedures for Loaning of Funds.
- (5) Amendments to the Procedures for Endorsements and Guarantees.
- (6) Amendments to the Rules Governing Procedures for Shareholders' Meeting.
- (7) Amendments to the Rules Governing the Election of Directors.
- (8) Election of 11 Directors (including 3 Independent Directors) of the 17th Board of Directors.
- (9) Proposal to release the prohibition on Mr. Chao-Tung Wong, when elected as the Director of the 17th Board of Directors, from holding the position of Director of China Ecotek Corporation and Chung-Hung Steel Corporation.
- (10) Proposal to release the prohibition on Mr. Fong-Sheng Wu, when elected as the Director of the 17th Board of Directors, from holding the position of Chairman of Tang Eng Iron Works Co., Ltd.
- (11) Proposal to release the prohibition on Mr. Horng-Nan Lin, when elected as the Director of the 17th Board of Directors, from holding the position of Director of China Ecotek Corporation, Formosa Ha

Tinh (Cayman) Limited and Formosa Ha Tinh Steel Corporation.

(12) Proposal to release the prohibition on Mr. Shyi-Chin Wang, when elected as the Director of the 17th Board of Directors, from holding the position of Director of Changzhou China Steel Precision Materials Co., Ltd., Formosa Ha Tinh (Cayman) Limited, Formosa Ha Tinh Steel Corporation and Taiwan High Speed Rail Corporation.

(13) Proposal to release the prohibition on Mr. Yueh-Kun Yang, when elected as the Director of the 17th Board of Directors, from holding the position of Director of C.S. Aluminium Corporation.

4. Extraordinary Motions

5. Meeting Adjourned

## **Report Items**

**1. Report on the Operations of 2018 by President Mr. Horng-Nan Lin.**

**2. Report on Audit Committee's audit report of 2018.**

**(Please refer to Page 42 in this handbook)**

### **3. Report on the Distribution of Remuneration for Employees and Directors of 2018**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) The distribution is pursuant to Paragraph 1, Article 6 of the Company's Articles of Incorporation and Letter No. Economics-Commerce-10402436190 dated January 4, 2016 issued by the Ministry of Economic Affairs, R. O. C.
- (2) In addition, the explanation in the comparison table concerning the amendment to Article 6 of the Articles of Incorporation adopted by the Shareholders' Meeting on June 23, 2016 states the following: 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.
- (3) Application of the amended regulations announced by the Ministry of Economic Affairs, R. O. C. states the following about the term "profit": Where the Articles of Incorporation states the remuneration for directors, other than the remuneration for employees required by law, remuneration for employees and directors shall be calculated based on the amount of earnings before taxes and remuneration for employees and directors.
- (4) The amount of remuneration for employees of 2018 calculated based on 8% of profit after taxes was NT\$1,744,054,472, which was equivalent to 6.190% of the amount of earnings before taxes and



remuneration for employees and directors, thereby complying with Article 6 of the Articles of Incorporation; whereas the amount of remuneration for directors calculated based on 0.15% of profit after taxes was NT\$32,701,021, which was equivalent to 0.116% of the amount of earnings before taxes and remuneration for employees and directors. These amounts were fully distributed in cash.

## **4. Amendments to the Corporate Governance Best-Practice Principles**

**Proposed by the Board of Directors**

### **Explanatory Note:**

- (1) Amendments are made in compliance with the requirements specified in Letter No. Taiwan-Stock-Governance-1070024089 issued by Taiwan Stock Exchange (TWSE) and practical needs.
- (2) Amendments are made to Article 3, Article 3-1, Article 6, Article 7, Article 11, Article 18, Article 22, Article 23, Article 24, Article 26, Article 28, Article 29, Article 30, Article 35, Article 37, Article 39, Article 41, Article 47, and Article 48.
- (3) A comparison table of draft clauses and the clauses in force is attached.

## Attachment 1

### Comparison Table for Draft Amendments to the Corporate Governance Best-Practice Principles of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 3</p> <p>The Company shall take into consideration the overall operational activities of the Company and its subsidiaries to design and fully implement an internal control system, and shall conduct continuing reviews of the system, in order to ensure the continued effectiveness of the system's design and implementation in light of changes in the Company's internal and external environment in compliance with the Regulations Governing Establishment of Internal Control Systems by Public Companies.</p> <p>The Company shall perform full self-assessment of its internal control system, while the Board of Directors and management team shall review the results of self-assessment by each division and reports prepared by the internal audit department at least annually. Directors shall regularly hold discussions with internal auditors about reviews of internal control system deficiencies. A record of the discussions shall be kept, the improvements shall be implemented and followed up, and a report shall be submitted to the Board of Directors. <b><u>The Company is advised to establish channels and mechanisms of communication among its Independent Directors, Audit Committee, and Chief Auditor; while the convener of the Audit Committee</u></b></p>	<p>Article 3</p> <p>The Company shall take into consideration the overall operational activities of the Company and its subsidiaries to design and fully implement an internal control system, and shall conduct continuing reviews of the system, in order to ensure the continued effectiveness of the system's design and implementation in light of changes in the Company's internal and external environment in compliance with the Regulations Governing Establishment of Internal Control Systems by Public Companies.</p> <p><b><u>The formulation of or any amendment to the internal control system shall require the approval by a majority of all members of the Audit Committee, and shall be submitted to the Board of Directors for resolution.</u></b></p> <p>The Company shall perform full self-assessment of its internal control system, while the Board of Directors and management team shall review the results of self-assessment by each division and reports prepared by the internal audit department at least annually. Directors shall regularly hold discussions with internal auditors about reviews of internal control system deficiencies. A record of the discussions shall be kept, the improvements shall be implemented and followed up, and a report shall be submitted to the Board of Directors. <b><u>Evaluation of the effectiveness of the internal control system shall be approved by a majority of all members of the Audit Committee, and shall be submitted to the Board of Directors for resolution.</u></b></p>	<p>Amendments are made in compliance with Article 3 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>

Revised clause	Clause in force	Explanation
<p><b><u>shall report their communication with the Independent Directors and Chief Auditor at the Shareholders' Meeting.</u></b></p> <p>The management team of the Company shall pay special attention to the internal audit department and its personnel, fully empower them, urge them to faithfully conduct audits, evaluate problems of the internal control system, and assess the efficiency of the Company's operations, in order to ensure that the system can operate effectively on an on-going basis, and to assist the Board of Directors and the management team to perform their duties faithfully so as to ensure a sound corporate governance system.</p> <p><b><u>Appointment, dismissal, evaluation, review, as well as salary and compensation of internal auditors of the Company shall be conducted in accordance with the Company's "Internal Control System Provisions," with the appointment and dismissal of Chief Auditor shall be confirmed by the Chairman,</u></b></p>	<p>The management team of the Company shall pay special attention to the internal audit department and its personnel, fully empower them, urge them to faithfully conduct audits, evaluate problems of the internal control system, and assess the efficiency of the Company's operations, in order to ensure that the system can operate effectively on an on-going basis, and to assist the Board of Directors and the management team to perform their duties faithfully so as to ensure a sound corporate governance system.</p> <p><b><u>In order to implement the internal control system and strengthen the professional competence of internal auditors so as to improve and maintain audit quality and implementation effects, the Company shall have deputies in place for internal auditors.</u></b></p> <p><b><u>The qualification requirements on internal auditors as stipulated in Paragraph 6, Article 11 of the Regulations Governing Establishment of Internal Control Systems by Public Companies, as well as Article 16, Article 17, and Article 18 thereof shall apply mutatis mutandis to the deputies as mentioned in the preceding paragraph.</u></b></p>	

Revised clause	Clause in force	Explanation
<p><b><u>approved by the Audit Committee, and then submitted to the Board of Directors for approval.</u></b></p>		
<p>Article 3-1</p> <p>The Company <b><u>shall appoint a Company Secretary as the most senior officer</u></b> to be in charge of corporate governance affairs, <b><u>who shall be a qualified lawyer or accountant, or who have served in a managerial position for at least three years in a securities, financial, or futures-related institution or a public company in handling legal affairs, financial affairs, stock affairs, or corporate governance affairs.</u></b></p> <p>The corporate governance affairs mentioned in the preceding paragraph <b><u>shall</u></b> include at least the following items:</p> <ol style="list-style-type: none"> <li>1. Handling matters related to Board Meetings and Shareholders' Meetings in accordance with the law.</li> <li>2. Producing minutes of Board Meetings and Shareholders' Meetings.</li> <li>3. <b><u>Assisting in the onboarding and continuous training of Directors.</u></b></li> <li>4. Providing Directors with information required for business execution.</li> <li>5. <b><u>Assisting Directors in legal</u></b></li> </ol>	<p>Article 3-1</p> <p>The Company <b><u>may set up a full-time (or part-time) corporate governance unit or appoint personnel</u></b> to be in charge of corporate governance affairs, <b><u>and designate vice presidents to be in charge of supervision according to the duties of each division.</u></b></p> <p>The corporate governance affairs as mentioned in the preceding paragraph <b><u>are advised to</u></b> include at least the following items:</p> <ol style="list-style-type: none"> <li>1. <b><u>Handling company registration and amendment registration.</u></b></li> <li>2. Handling matters related to Board Meetings and Shareholders' Meetings in accordance with the law, <b><u>and assisting the Company to comply with the laws and regulations governing such meetings.</u></b></li> <li>3. Producing minutes of Board Meetings and Shareholders' Meetings.</li> <li>4. Providing Directors with information required for business execution, <b><u>and updating them on developments of laws and regulations related to the operation of the Company in order to assist them in legal compliance.</u></b></li> <li>5. <b><u>Affairs related to investor</u></b></li> </ol>	<p>Amendments are made in compliance with Article 3-1 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>

Revised clause	Clause in force	Explanation
<p><b><u>compliance.</u></b></p> <p>6. Other matters stipulated in the Articles of Incorporation or contracts.</p>	<p><b><u>relations.</u></b></p> <p>6. Other matters stipulated in the Articles of Incorporation or contracts.</p>	
<p>Article 6</p> <p>The Company's Board of Directors shall properly arrange the agendas and procedures for Shareholders' Meetings, and formulate the principles and procedures for shareholders' nominations of Directors and submission of shareholder proposals. The Board of Directors shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold Shareholders' Meetings at a convenient location, with sufficient time allowed and sufficient numbers of suitable personnel assigned to handle attendance registration. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.</p> <p>For a Shareholders' Meeting convened by the Board of Directors, it is advised that the Chairman chairs the meeting, that a majority of Directors (including at least one Independent Director) and <b><u>the convener of the Audit Committee</u></b> attend the meeting in person, and that at least one member of <b><u>other</u></b> functional committees attend the meeting as a representative. Attendance details shall be recorded in the minutes of the Shareholders' Meeting.</p>	<p>Article 6</p> <p>The Company's Board of Directors shall properly arrange the agendas and procedures for Shareholders' Meetings, and formulate the principles and procedures for shareholders' nominations of Directors and submission of shareholder proposals. The Board of Directors shall also properly handle the proposals duly submitted by shareholders. Arrangements shall be made to hold Shareholders' Meetings at a convenient location, with sufficient time allowed and sufficient numbers of suitable personnel assigned to handle attendance registration. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Shareholders shall be granted reasonable time to deliberate each proposal and an appropriate opportunity to make statements.</p> <p>For a Shareholders' Meeting convened by the Board of Directors, it is advised that the Chairman chairs the meeting, that a majority of Directors (including at least one Independent Director) attend the meeting in person, and that at least one member of <b><u>all</u></b> functional committees attend the meeting as a representative. Attendance details shall be recorded in the minutes of the Shareholders' Meeting.</p>	<p>Amendments are made in compliance with Article 6 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 7</p> <p>The Company shall encourage its shareholders to actively participate in</p>	<p>Article 7</p> <p>The Company shall encourage its shareholders to actively participate in</p>	<p>Amendments are made in compliance with Article 7 of the</p>

Revised clause	Clause in force	Explanation
<p>corporate governance. The Company is advised to engage a professional shareholder services agent to handle Shareholders' Meeting affairs, so that Shareholders' Meetings can proceed in a legal, effective, and secure manner. The Company shall seek all ways and means, including fully exploiting technologies for information disclosure, to upload <b><u>annual reports, annual financial statements</u></b>, notices, agendas, and supplementary information of Shareholders' Meetings in both Chinese and English concurrently, <b><u>and shall adopt electronic voting</u></b> in order to increase shareholders' attendance rates at Shareholders' Meetings and ensure that shareholders exercise their rights at such meetings in accordance with the laws.</p> <p>The Company adopts a candidate nomination system for the election of Directors. <b><u>It is advised to</u></b> avoid raising extraordinary motions and amendments to original proposals at a Shareholders' Meeting.</p> <p>The Company is advised to arrange for its shareholders to vote on each separate proposal in the agenda of the Shareholders' Meeting and to enter the voting results, namely the numbers of votes cast for and against and the number of abstentions, on the Market Observation Post System (MOPS) on the same day.</p>	<p>corporate governance. The Company is advised to engage a professional shareholder services agent to handle Shareholders' Meeting affairs, so that Shareholders' Meetings can proceed in a legal, effective, and secure manner. The Company shall seek all ways and means, including fully exploiting technologies for information disclosure <b><u>and voting, and is advised</u></b> to upload notices, agendas, and supplementary information of Shareholders' Meetings in both Chinese and English concurrently in order to increase shareholders' attendance rates at Shareholders' Meetings and ensure that shareholders exercise their rights at such meetings in accordance with the laws.</p> <p>The Company adopts a candidate nomination system for the election of Directors <b><u>and shall</u></b> avoid raising extraordinary motions and amendments to original proposals at a Shareholders' Meeting <b><u>in which electronic voting is employed.</u></b></p> <p>The Company is advised to arrange for its shareholders to vote on each separate proposal in the agenda of the Shareholders' Meeting and to enter the voting results, namely the numbers of votes cast for and against and the number of abstentions, on the Market Observation Post System (MOPS) on the same day.</p> <p><b><u>If the Company distributes souvenirs at a Shareholders' Meeting, the Company shall not practice differential treatment or discrimination.</u></b></p>	<p>"Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 11</p> <p>Shareholders shall be entitled to profit distributions of the Company's profits. In order to protect shareholders'</p>	<p>Article 11</p> <p>Shareholders shall be entitled to profit distributions of the Company's profits. In order to protect shareholders'</p>	<p>1. Amendments are made in compliance with Article 11 of the "Corporate</p>

Revised clause	Clause in force	Explanation
<p>investment interests, the Shareholders' Meeting may examine statements prepared by the Board of Directors in accordance with Article 184 of the Company Act, and may decide profit distribution or deficit off-setting plans by resolution. The Shareholders' Meeting may appoint an inspector when conducting the abovementioned examination.</p> <p>In accordance with Article 245 of the Company Act, shareholders may apply to the court for the appointment of an inspector to examine the accounting records, assets, <b><u>specific matters, documents and records of specific transaction</u></b> of the Company.</p> <p>The Company's Board of Directors, <b><u>Audit Committee</u></b> and management shall fully cooperate in the examination conducted by the inspector in the preceding two paragraphs without any <b><u>circumvention, obstruction or rejection</u></b>.</p>	<p>investment interests, the Shareholders' Meeting may examine statements prepared by the Board of Directors in accordance with Article 184 of the Company Act, and may decide profit distribution or deficit off-setting plans by resolution. The Shareholders' Meeting may appoint an inspector when conducting the abovementioned examination.</p> <p>In accordance with Article 245 of the Company Act, shareholders may apply to the court for the appointment of an inspector to examine the accounting records <b><u>and</u></b> assets of the Company.</p> <p>The Company's Board of Directors and management shall fully cooperate in the examination conducted by the inspector in the preceding two paragraphs without any <b><u>obstruction, rejection or circumvention</u></b>.</p>	<p>Governance Best Practice Principles for TWSE/TPEX Listed Companies. "</p> <p>2. The wordings "Audit Committee" is added in the paragraph which goes: "... shall fully cooperate in the examination conducted by the inspector in the preceding two paragraphs without any circumvention, obstruction or rejection."</p>
<p>Article 18</p> <p>A corporate shareholder who has control over the Company shall comply with the following matters:</p> <ol style="list-style-type: none"> <li>1. It shall assume a duty of good faith to other shareholders and shall not directly or indirectly cause the Company to conduct any business which is contrary to normal business practice or not profitable.</li> <li>2. Its representative shall follow the rules implemented by the Company with respect to exercise of rights and participation in resolution. When attending a Shareholders' Meeting, the representative shall exercise his/her voting rights in good faith and for the best interest of all shareholders, and shall exercise the fiduciary duty and duty of care of a Director.</li> </ol>	<p>Article 18</p> <p>A corporate shareholder who has control over the Company shall comply with the following matters:</p> <ol style="list-style-type: none"> <li>1. It shall assume a duty of good faith to other shareholders and shall not directly or indirectly cause the Company to conduct any business which is contrary to normal business practice or not profitable.</li> <li>2. Its representative shall follow the rules implemented by the Company with respect to exercise of rights and participation in resolution. When attending a Shareholders' Meeting, the representative shall exercise his/her voting rights in good faith and for the best interest of all shareholders, and shall exercise the fiduciary duty and duty of care of a Director <b><u>and a</u></b></li> </ol>	<p>Delete the wording of "Supervisor(s)" as the Company has abolished Supervisory mechanism.</p>



Revised clause	Clause in force	Explanation
<p>3. It shall comply with the regulation of relevant laws and the Articles of Incorporation in nominating Directors, and shall not act beyond the authority granted by the Shareholders' Meeting or the Board of Directors.</p> <p>4. It shall not improperly intervene in the Company's decision-making process or obstruct the Company's business activities.</p> <p>5. It shall not restrict or impede the production and management of the Company by methods of unfair competition such as monopolizing company procurement or foreclosing sales channels.</p> <p>6. The legal representative designated when a corporate shareholder has been elected as a Director shall meet the Company's requirements for professional qualifications. It is inappropriate for a corporate shareholder to arbitrarily replace its legal representative.</p>	<p><b><u>Supervisor.</u></b></p> <p>3. It shall comply with the regulation of relevant laws and the Articles of Incorporation in nominating Directors <b><u>and Supervisors,</u></b> and shall not act beyond the authority granted by the Shareholders' Meeting or the Board of Directors.</p> <p>4. It shall not improperly intervene in the Company's decision-making process or obstruct the Company's business activities.</p> <p>5. It shall not restrict or impede the production and management of the Company by methods of unfair competition such as monopolizing company procurement or foreclosing sales channels.</p> <p>6. The legal representative designated when a corporate shareholder has been elected as a Director <b><u>or a Supervisor</u></b> shall meet the Company's requirements for professional qualifications. It is inappropriate for a corporate shareholder to arbitrarily replace its legal representative.</p>	
<p>Article 22</p> <p>Pursuant to the Company Act, The Company specifies in the Articles of Incorporation that it adopts the candidate nomination system for elections of Directors, <b><u>carefully reviews</u></b> the qualifications, education and experience <b><u>of a nominated candidate</u></b> as well as the existence of any other matters set forth in Article 30 of the Company Act, <b><u>and acts in accordance with Article 192-1 of the Company Act.</u></b></p>	<p>Article 22</p> <p>Pursuant to the Company Act, The Company specifies in the Articles of Incorporation that it adopts the candidate nomination system for elections of Directors. <b><u>The Company reviews in advance</u></b> the qualifications, education and experience as well as the existence of any other matters set forth in Article 30 of the Company Act <b><u>with respect to the Director candidates recommended by shareholders or Directors. In addition, the Company may not arbitrarily add requirements for documentation of other qualifications, and shall provide shareholders with the results of review for their reference, so as to</u></b></p>	<p>Amendments are made in compliance with Article 22 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>

Revised clause	Clause in force	Explanation
	<p><b><u>elect qualified Directors.</u></b></p> <p><b><u>The Board of Directors shall carefully assess the qualifications and other matters listed in the preceding paragraph and the willingness of a candidate to serve as a Director after the candidate is elected, before proposing a roster of Director candidates as required.</u></b></p>	
<p>Article 23</p> <p>Clear distinctions shall be drawn between the responsibilities and duties of the Chairman and the President of the Company.</p> <p>It is inappropriate for the Chairman to also serve as the President. If the Chairman <b><u>and</u></b> the President <b><u>are the same person</u></b>, or the Chairman and the President are spouses or relatives within the first degree of relationship, it is advised to increase the number of Independent Directors, <b><u>and a majority of the members of the Board of Directors shall not be employees or managements.</u></b></p> <p>When establishing a functional committee, the Company shall clearly define the responsibilities and duties of the committee.</p>	<p>Article 23</p> <p>Clear distinctions shall be drawn between the responsibilities and duties of the Chairman and the President of the Company.</p> <p>It is inappropriate for the Chairman to also serve as the President. If the Chairman <b><u>serves as</u></b> the President, or the Chairman and the President are spouses or relatives within the first degree of relationship, it is advised to increase the number of Independent Directors.</p> <p>When establishing a functional committee, the Company shall clearly define the responsibilities and duties of the committee.</p>	<p>Amendments are made in compliance with Article 23 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 24</p> <p>The Company may appoint three or more Independent Directors in accordance with the Articles of Incorporation, and the number of Independent Directors shall not be less than one-fifth of the total number of Directors.</p> <p>Independent Directors shall possess professional knowledge, and there shall be restrictions on their shareholdings. Applicable laws and regulations shall</p>	<p>Article 24</p> <p>The Company may appoint three or more Independent Directors in accordance with the Articles of Incorporation, and the number of Independent Directors shall not be less than one-fifth of the total number of Directors.</p> <p>Independent Directors shall possess professional knowledge, and there shall be restrictions on their shareholdings. Applicable laws and regulations shall</p>	<p>Amendments are made in compliance with Article 24 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>

Revised clause	Clause in force	Explanation
<p>be observed and, in addition, an Independent Director is not advised to serve concurrently as a Director (including Independent Director) of more than five other TWSE/TPEX listed companies. Independent Directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company.</p> <p>If the Company and its group enterprises and organizations, as well as another company and its group enterprises and organizations nominate each other's Director, Supervisor or managements as an Independent Director candidate of their respective companies, the Company shall, at the time it receives nominations for Independent Directors, disclose the fact and explain the suitability of the Independent Director candidate. If the candidate is elected as an Independent Director, the Company shall disclose the number of votes cast in favor of the elected Independent Director.</p> <p>The term "group enterprises and organizations" in the preceding paragraph comprises subsidiaries of the Company, any foundation in which the Company's cumulative direct or indirect contribution of funds exceeds 50</p>	<p>be observed and, in addition, an Independent Director is not advised to serve concurrently as a Director (including Independent Director) of more than five other TWSE/TPEX listed companies. Independent Directors shall also maintain independence within the scope of their directorial duties, and may not have any direct or indirect interest in the Company.</p> <p><b><u>The Company shall adopt a candidate nomination system for the election of Independent Directors and expressly stipulate such system in the Articles of Incorporation in accordance with Article 192-1 of the Company Act. Shareholders shall elect the Independent Directors from among the nominees listed in the roster of candidates. Independent and Non-independent Directors shall be elected at the same time but in separately calculated numbers in accordance with Article 198 of the Company Act.</u></b></p> <p>If the Company and its group enterprises and organizations, as well as another company and its group enterprises and organizations nominate each other's Director, Supervisor or manager as an Independent Director candidate of their respective companies, the Company shall, at the time it receives nominations for Independent Directors, disclose the fact and explain the suitability of the Independent Director candidate. If the candidate is elected as an Independent Director, the Company shall disclose the number of votes cast in favor of the elected Independent Director.</p> <p>The term "group enterprises and organizations" in the preceding paragraph comprises subsidiaries of the Company, any foundation in which the Company's cumulative direct or indirect contribution of funds exceeds 50</p>	

Revised clause	Clause in force	Explanation
<p>percent of its endowment, and other institutions or juristic persons over which the Company has substantial control.</p> <p>Independent Directors and Non-independent Directors shall not change their statuses during their term of office.</p> <p>Professional qualifications, restrictions on both shareholding and concurrent positions held, validation of independence, method of nomination, and other compliance matters related to Independent Directors shall be handled in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations set forth by Taiwan Stock Exchange.</p>	<p>percent of its endowment, and other institutions or juristic persons over which the Company has substantial control.</p> <p>Independent Directors and Non-independent Directors shall not change their statuses during their term of office.</p> <p><b><u>If an Independent Director is discharged for any reason, causing the number of Independent Directors to be lower than that required in the first paragraph or the Articles of Incorporation, a by-election for Independent Director shall be held in the next Shareholders' Meeting. In the event that all the Independent Directors are discharged, the Company shall convene an extraordinary Shareholders' Meeting to hold a by-election within 60 days from the date of occurrence of the event.</u></b></p> <p>Professional qualifications, restrictions on both shareholding and concurrent positions held, validation of independence, method of nomination, and other compliance matters related to Independent Directors shall be handled in accordance with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matter for Public Companies, and the rules and regulations set forth by Taiwan Stock Exchange.</p>	

Revised clause	Clause in force	Explanation
<p>Article 26</p> <p>The Company or other members of the Board of Directors may not obstruct, <b><u>reject or circumvent</u></b> the performance of <b><u>duties</u></b> by Independent Directors.</p> <p>The Company shall stipulate remuneration of Directors in accordance with applicable laws and regulations. The Company may set a reasonable remuneration for Independent Directors which is different from that of other Directors at its discretion.</p>	<p>Article 26</p> <p>The Company or other members of the Board of Directors may not <b><u>restrict</u></b> or obstruct the <b><u>job</u></b> performance of Independent Directors.</p> <p>The Company shall stipulate remuneration of Directors in accordance with applicable laws and regulations. The Company may set a reasonable remuneration for Independent Directors which is different from that of other Directors at its discretion.</p>	<p>Amendments are made in compliance with Article 26 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 28</p> <p>The Audit Committee shall be composed of the entire number of Independent Directors, and may not comprise less than three members, one of whom shall be the convener, and at least one of whom shall specialize in accounting or finance.</p>	<p>Article 28</p> <p>The Audit Committee shall be composed of the entire number of Independent Directors, and may not comprise less than three members, one of whom shall be the convener, and at least one of whom shall specialize in accounting or finance.</p> <p><b><u>Provisions related to supervisors in the Securities and Exchange Act, the Company Act, as well as other laws and regulations shall apply mutatis mutandis to the Audit Committee.</u></b></p> <p><b><u>Article 25 of the Principles does not apply to the following matters, which shall be subject to approval by a majority of all members of the Audit Committee and be submitted to the Board of Directors for resolution:</u></b></p> <ol style="list-style-type: none"> <li>1. <b><u>Formulation of or amendments to the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.</u></b></li> <li>2. <b><u>Assessment of the effectiveness of the internal control system.</u></b></li> <li>3. <b><u>Formulation of or amendments to procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, engaging in derivatives trading, loaning of</u></b></li> </ol>	<p>Amendments are made in compliance with Article 28 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>

Revised clause	Clause in force	Explanation
<p>Exercise of powers by the Audit Committee and Independent Directors, as well as related matters, shall be handled in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations set forth by Taiwan Stock Exchange.</p>	<p><u>funds to others, or provision of endorsements/guarantees to others, in accordance with Article 36-1 of the Securities and Exchange Act.</u></p> <p>4. <u>Matters bearing on the personal interest of a Director.</u></p> <p>5. <u>Material assets or derivatives trading.</u></p> <p>6. <u>Material loaning of funds, and provision of endorsements/guarantees.</u></p> <p>7. <u>Offering, issuance or private placement of any equity based securities.</u></p> <p>8. <u>Appointment, discharge or compensation of an attesting CPA.</u></p> <p>9. <u>Appointment or discharge of a finance manager, accounting manager or Chief Auditor.</u></p> <p>10. <u>Annual and semi-annual financial reports.</u></p> <p>11. <u>Other significant matters set forth by the Company or the competent authority.</u></p> <p>Exercise of powers by the Audit Committee and Independent Directors, as well as related matters, shall be handled in accordance with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules and regulations set forth by Taiwan Stock Exchange.</p>	
<p>Article 29</p> <p>The Company shall establish a Remuneration Committee, <b><u>and a majority of the Committee is advised to be comprised of Independent Directors.</u></b> Professional qualifications of the committee members, exercise of</p>	<p>Article 29</p> <p>The Company shall establish a Remuneration Committee. Professional qualifications of the committee members, exercise of their powers, formulation of the organization regulations, and related matters shall be</p>	<p>Amendments are made in compliance with Article 28-1 of the "Corporate Governance Best Practice Principles for TWSE/TPEX</p>

Revised clause	Clause in force	Explanation
<p>their powers, formulation of the organization regulations, and related matters shall be handled in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter," and the Company's Organization Regulations for Remuneration Committee.</p>	<p>handled in accordance with the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter," and the Company's Organization Regulations for Remuneration Committee.</p> <p><b><u>The Remuneration Committee shall exercise the care of a good administrator in faithfully performing the official powers listed in Paragraph 1, Article 5 of the Company's Organization Regulations for Remuneration Committee, and shall submit its recommendations to the Board of Directors for deliberation.</u></b></p> <p><b><u>When performing the official powers mentioned in the preceding paragraph, the Remuneration Committee shall follow the principles stipulated in Paragraph 2, Article 5 of the Company's Organization Regulations for Remuneration Committee.</u></b></p>	<p>Listed Companies."</p>
<p>Article 30</p> <p>The Company is advised to establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place. The unit in-charge of whistleblowers' reporting shall be independent, provide encrypted protection for the files provided by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the Company's internal control system for management purposes.</p>	<p>Article 30</p> <p>The Company is advised to establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place. The unit in-charge of whistleblowers' reporting shall be independent, provide encrypted protection for the files provided by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into the Company's internal control system for management purposes.</p>	<p>The amendment is made to correct the missing word of this clause in Chinese.</p>

Revised clause	Clause in force	Explanation
<p>Article 35</p> <p>When a Board Meeting is convened to consider any matter submitted thereto in accordance with Article 14-3 of the Securities and Exchange Act, an Independent Director of the Company shall attend the meeting in person, and may not appoint a Non-independent Director as a proxy. When an Independent Director has a dissenting or qualified opinion, it shall be noted in the minutes of the Board Meeting. If the Independent Director cannot attend the Board Meeting in person to voice his/her dissenting or qualified opinion, unless there are justifiable reasons for failure to do so, he/she shall provide a written opinion in advance, and the opinion shall be noted in the minutes of the Board Meeting.</p> <p>Under any of the following circumstances, resolutions adopted by the Board of Directors shall not only be noted in the meeting minutes, but also publicly announced and filed on the MOPS <b>two hours</b> before the beginning of trading hours on the first business day after the date of the Board Meeting:</p> <ol style="list-style-type: none"> <li>1. Independent Directors have dissenting or qualified opinions which are on record or indicated in a written statement.</li> <li>2. Matters not approved by the Audit Committee, but are approved by at least two-thirds of all Directors.</li> </ol> <p>During a Board Meeting, managements from the relevant divisions who are not Directors may sit in on the meeting, depending on the agenda, to report on the current business conditions of the Company and respond to inquiries raised by the Directors. Where necessary, CPAs, lawyers or other professionals may be invited to sit in on the meeting to assist the Directors in</p>	<p>Article 35</p> <p>When a Board Meeting is convened to consider any matter submitted thereto in accordance with Article 14-3 of the Securities and Exchange Act, an Independent Director of the Company shall attend the meeting in person, and may not appoint a Non-independent Director as a proxy. When an Independent Director has a dissenting or qualified opinion, it shall be noted in the minutes of the Board Meeting. If the Independent Director cannot attend the Board Meeting in person to voice his/her dissenting or qualified opinion, unless there are justifiable reasons for failure to do so, he/she shall provide a written opinion in advance, and the opinion shall be noted in the minutes of the Board Meeting.</p> <p>Under any of the following circumstances, resolutions adopted by the Board of Directors shall not only be noted in the meeting minutes, but also publicly announced and filed on the MOPS before the beginning of trading hours on the first business day after the date of the Board Meeting:</p> <ol style="list-style-type: none"> <li>1. Independent Directors have dissenting or qualified opinions which are on record or indicated in a written statement.</li> <li>2. Matters not approved by the Audit Committee, but are approved by at least two-thirds of all Directors.</li> </ol> <p>During a Board Meeting, managements from the relevant divisions who are not Directors may sit in on the meeting, depending on the agenda, to report on the current business conditions of the Company and respond to inquiries raised by the Directors. Where necessary, CPAs, lawyers or other professionals may be invited to sit in on the meeting to assist the Directors in</p>	<p>Amendments are made in compliance with Article 33 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>



Revised clause	Clause in force	Explanation
understanding the conditions of the Company and adopting appropriate resolutions; however, these professionals shall leave the meeting during discussion and voting.	understanding the conditions of the Company and adopting appropriate resolutions; however, these professionals shall leave the meeting during discussion and voting.	
<p>Article 37</p> <p>The Company shall submit the following matters to the Board of Directors for deliberation:</p> <ol style="list-style-type: none"> <li>1. The Company's business plan.</li> <li>2. Annual financial reports.</li> <li>3. Formulation of or amendments to the internal control system, <b><u>and evaluation of the effectiveness of the internal control system.</u></b></li> <li>4. Formulation of or amendments to procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, engaging in derivatives trading, loaning of funds to others, or provision of endorsements/guarantees to others.</li> <li>5. Offering, issuance or private placement of any equity based securities.</li> <li>6. Appointment or discharge of a finance manager, accounting manager or Chief Auditor.</li> <li>7. Donations to related parties or major donations to non-related parties; however, public-interest donations of disaster relief for a major natural disaster may be submitted to the next Board Meeting for ratification.</li> <li>8. Any matter required by Article 14-3 of the Securities and Exchange Act, and any other laws and regulations or the Articles of Incorporation to be approved by resolution at a Shareholders' Meeting or to be <b><u>approved by resolution at a Board Meeting</u></b>, or any significant matter</li> </ol>	<p>Article 37</p> <p>The Company shall submit the following matters to the Board of Directors for deliberation:</p> <ol style="list-style-type: none"> <li>1. The Company's business plan.</li> <li>2. Annual financial reports.</li> <li>3. Formulation of or amendments to the internal control system.</li> <li>4. Formulation of or amendments to procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, engaging in derivatives trading, loaning of funds to others, or provision of endorsements/guarantees to others.</li> <li>5. Offering, issuance or private placement of any equity based securities.</li> <li>6. Appointment or discharge of a finance manager, accounting manager or Chief Auditor.</li> <li>7. Donations to related parties or major donations to non-related parties; however, public-interest donations of disaster relief for a major natural disaster may be submitted to the next Board Meeting for ratification.</li> <li>8. Any matter required by Article 14-3 of the Securities and Exchange Act, and any other laws and regulations or the Articles of Incorporation to be approved by resolution at a Shareholders' Meeting or to be <b><u>submitted to the Board of</u></b></li> </ol>	<p>Amendments are made in compliance with Article 35 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>

Revised clause	Clause in force	Explanation
<p>required by the competent authority.</p> <p>Except for matters that shall be submitted to the Board of Directors for deliberation as mentioned in the preceding paragraph, when the Board of Directors is in recess, it may authorize others to exercise its powers in accordance with the relevant laws and regulations or the Articles of Incorporation. However, the level of authorization or the content or matters to be authorized shall be clearly specified, and general authorization is not permitted.</p>	<p><b>Directors</b>, or any significant matter required by the competent authority.</p> <p>Except for matters that shall be submitted to the Board of Directors for deliberation as mentioned in the preceding paragraph, when the Board of Directors is in recess, it may authorize others to exercise its powers in accordance with the relevant laws and regulations or the Articles of Incorporation. However, the level of authorization or the content or matters to be authorized shall be clearly specified, and general authorization is not permitted.</p>	
<p>Article 39</p> <p>The members of the Board of Directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In addition, they shall exercise their powers with a high level of self-discipline and prudence. With regard to conducting corporate affairs, they shall ensure that all matters are handled based on the resolutions of the Board of Directors, except for matters that shall be approved by the Shareholders' Meeting in accordance with the law or the Articles of Incorporation.</p>	<p>Article 39</p> <p>The members of the Board of Directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator. In addition, they shall exercise their powers with a high level of self-discipline and prudence. With regard to conducting corporate affairs, they shall ensure that all matters are handled based on the resolutions of the Board of Directors, except for matters that shall be approved by the Shareholders' Meeting in accordance with the law or the Articles of Incorporation.</p> <p><b><u>Any resolution of the Board of Directors that involves the Company's business development or major policy directions shall be carefully considered and may not affect the promotion or implementation of corporate governance.</u></b></p>	<p>Amendments are made in compliance with Article 37 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 41</p> <p>The Company <b><u>shall take out</u></b> liability insurance for Directors with respect to liabilities arising from performance of duties during their term of office which will lead to compensation in accordance</p>	<p>Article 41</p> <p>The Company <b><u>may purchase</u></b> liability insurance for Directors with respect to liabilities arising from performance of duties during their term of office which will lead to compensation in accordance</p>	<p>Amendments are made in compliance with Article 39 of the "Corporate Governance Best Practice Principles for TWSE/TPEX</p>

Revised clause	Clause in force	Explanation
<p>with the law, so as to reduce and spread the risk of material damage to the Company and shareholders caused by the wrongdoings or negligence of Directors.</p> <p>The Company <b>shall</b> report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has <b>taken out</b> or renewed <b>for</b> Directors at the next Board Meeting.</p>	<p>with the law, so as to reduce and spread the risk of material damage to the Company and shareholders arising from the wrongdoings or negligence of Directors.</p> <p>The Company <b>is advised to</b> report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has <b>purchased</b> or renewed for Directors at the next Board Meeting.</p>	<p>Listed Companies."</p>
<p>Article 47</p> <p>Information disclosure is a major responsibility of the Company. The Company shall perform its obligations faithfully in accordance with the relevant laws and regulations set forth by TWSE or TPEX.</p> <p><b><u>The Company is advised to publish and report its financial reports for the first quarter, second quarter, third quarter, and whole year, as well as its monthly operating results before the specified deadline.</u></b></p> <p>The Company shall establish an Internet-based reporting system for public information, appoint personnel in-charge of gathering and disclosing company information, and establish a spokesperson system so as to ensure proper and timely disclosure of information that might affect the decisions of shareholders and stakeholders.</p>	<p>Article 47</p> <p>Information disclosure is a major responsibility of the Company. The Company shall perform its obligations faithfully in accordance with the relevant laws and regulations set forth by TWSE or TPEX.</p> <p>The Company shall establish an Internet-based reporting system for public information, appoint personnel in-charge of gathering and disclosing company information, and establish a spokesperson system so as to ensure proper and timely disclosure of information that might affect the decisions of shareholders and stakeholders.</p>	<p>Amendments are made in compliance with Article 55 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 48</p> <p>In order to enhance the accuracy and timeliness of the material information disclosed, the Company appoints the Executive Vice President, who understands thoroughly the Company's financial and business conditions, and who is capable of coordinating with</p>	<p>Article 48</p> <p>In order to enhance the accuracy and timeliness of the material information disclosed, the Company appoints the Executive Vice President, who understands thoroughly the Company's financial and business conditions, and who is capable of coordinating with</p>	<p>Since the Executive Vice President serves as the spokesperson, the term "deputy spokesperson" is deleted.</p>

Revised clause	Clause in force	Explanation
<p>divisions to gather relevant information and representing the Company in making statements independently, to serve as the spokesperson of the Company.</p> <p>The Company shall appoint one or more deputy spokesperson who shall represent the Company in making statements independently when the spokesperson cannot perform his/her duties. However, the order of authority shall be confirmed to avoid any confusion.</p> <p>In order to implement the spokesperson system, the Company has established the "Guidelines for Establishment of Spokesperson and Deputy Spokespersons," which unifies process of making external statements, while requiring the management team and employees to maintain the confidentiality of financial and operational secrets and not to disclose such information at will.</p> <p>The Company shall disclose the relevant information immediately when there is a change of spokesperson or deputy spokesperson.</p>	<p>divisions to gather relevant information and representing the Company in making statements independently, to serve as the spokesperson and <b><u>deputy spokesperson</u></b> of the Company.</p> <p>The Company shall appoint one or more deputy spokesperson who shall represent the Company in making statements independently when the spokesperson cannot perform his/her duties. However, the order of authority shall be confirmed to avoid any confusion.</p> <p>In order to implement the spokesperson system, the Company has established the "Guidelines for Establishment of Spokesperson and Deputy Spokespersons," which unifies process of making external statements, while requiring the management team and employees to maintain the confidentiality of financial and operational secrets and not to disclose such information at will.</p> <p>The Company shall disclose the relevant information immediately when there is a change of spokesperson or deputy spokesperson.</p>	

## **5. Amendments to the Codes of Ethics for First Echelon Supervisors and Executives**

**Proposed by the Board of Directors**

### **Explanatory Note:**

- (1) Since the Company has added the position of Sr. Fellow in the personnel system, the amendment is made to include Sr. Fellow(s) in Article 2.
- (2) Since the Audit Committee has been set up and the Supervisory mechanism has been abolished, amendments are made to delete the wording of Supervisor in Article 11 and Article 16.
- (3) A comparison table of draft clauses and the clauses in force is attached.

## Attachment 2

### Comparison Table for Draft Amendments to the Codes of Ethics for First Echelon Supervisors and Executives of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 2</p> <p>First echelon supervisors and executives as referred to in this Code include President, Executive Vice President, Vice Presidents at each division, the Special Assistant to President, Assistant Vice Presidents, first echelon supervisors and salaried advisors at each unit, Sr. Engineering Experts, Sr. Administration Experts, <b><u>Sr. Fellows</u></b> and Fellows.</p>	<p>Article 2</p> <p>First echelon supervisors and executives as referred to in this Code include President, Executive Vice President, Vice Presidents at each division, the Special Assistant to President, Assistant Vice Presidents, first echelon supervisors and salaried advisors at each unit, Sr. Engineering Experts, Sr. Administration Experts and Fellows.</p>	<p>Since the Company revised the promotion standard of Scientist in Research &amp; Development Department and added the position of Sr. Fellow on May 16, 2018, the amendment is made to include Sr. Fellow in the scope of first echelon supervisors.</p>
<p>Article 11</p> <p>Encouraging the reporting of any conduct that is illegal or that violates the Codes of Ethics:</p> <p>The Company shall raise awareness of ethics internally and encourage employees to report to the Chief Auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law, regulation or the Code of Ethical Conduct. The company shall keep informants' identities confidential and ensure their safety at its best to protect them from reprisals and threat.</p>	<p>Article 11</p> <p>Encouraging the reporting of any conduct that is illegal or that violates the Codes of Ethics:</p> <p>The Company shall raise awareness of ethics internally and encourage employees to report to the <b><u>Supervisor</u></b>, Chief Auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law, regulation or the Code of Ethical Conduct. The company shall keep informants' identities confidential and ensure their safety at its best to protect them from reprisals and threat.</p>	<p>Since the Audit Committee has been set up and the Supervisory mechanism has been abolished, the amendment is made to delete the wording of Supervisor. In addition, according to Article 5 of Organization Regulations for Audit Committee, the matter listed in this Article is outside the scope of the Audit Committee's authority, so there is no need to report to the Audit Committee.</p>
<p>Article 16</p> <p>The Code, as well as any amendments to it, shall enter into force after it has been adopted by the Board of Directors, and shall be submitted to the Shareholders' Meeting.</p>	<p>Article 16</p> <p>The Code, as well as any amendments to it, shall enter into force after it has been adopted by the Board of Directors, and shall be <b><u>delivered to each Supervisor</u></b> and submitted to the Shareholders' Meeting.</p>	<p>Since the Audit Committee has been set up and the Supervisory mechanism has been abolished, the amendment is made to delete the wording of Supervisor.</p>

## **6. Amendments to the Rules of Procedure for Board of Directors Meetings**

**Proposed by the Board of Directors**

### **Explanatory Note:**

- (1) In compliance with the Articles of Incorporation, the amendment is made to merge Paragraph 5 into Paragraph 3 of Article 4 and revise the wording for the avoidance of doubt.
- (2) Others designated by the Chairman are added in the attendees in Paragraph 1 of Article 9 for practical needs.
- (3) The amendment is made to delete the later part of regulation in Paragraph 1 of Article 12, which is a duplicate of Paragraph 5 of Article 7.
- (4) A comparison table of draft clauses and the clauses in force is attached.

### Attachment 3

#### Comparison Table for Draft Amendments to the Rules of Procedure for Board of Directors Meetings of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 4 (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>The notice set forth in the preceding paragraph may be effected by means of writing or electronic transmission. In the event of an emergency, such a meeting may be notified by any other appropriate means. <b><u>Any Director may declare a waiver of the notice in writing.</u></b></p> <p>All matters set forth in Paragraph 1 of Article 7 shall be specified in the notice of the reasons for convening the Board Meeting. None of those matters may be raised by an extraordinary motion except in the event of an emergency or for other legitimate reason.</p> <p>(Omitted)</p>	<p>Article 4 (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>The notice set forth in the preceding paragraph may be effected by means of writing or electronic transmission. In the event of an emergency, such a meeting may be notified by any other appropriate means.</p> <p>All matters set forth in Paragraph 1 of Article 7 shall be specified in the notice of the reasons for convening the Board Meeting. None of those matters may be raised by an extraordinary motion except in the event of an emergency or for other legitimate reason.</p> <p><b><u>Any member of the Board of Directors may declare a waiver of the notice in the preceding 3 paragraphs in writing prior or subsequent to the meeting.</u></b></p> <p>(Omitted)</p>	<p>In compliance with the Articles of Incorporation, the amendment is made to merge Paragraph 5 into Paragraph 3 of this Article and revise the wording for the avoidance of doubt.</p>
<p>Article 9</p> <p>When a Board Meeting is held, the management team shall furnish the attending Directors with relevant materials for ready reference. In order to assist the Directors in understanding the conditions of the Company and adopting appropriate resolutions, managements equivalent or above Vice Presidents, Commissioner of Wind Power Business</p>	<p>Article 9</p> <p>When a Board Meeting is held, the management team shall furnish the attending Directors with relevant materials for ready reference. In order to assist the Directors in understanding the conditions of the Company and adopting appropriate resolutions, managements equivalent or above Vice Presidents, Commissioner of Wind Power Business</p>	<p>Others designated by the Chairman are added in the attendees in Paragraph 1 for practical needs.</p>



Revised clause	Clause in force	Explanation
<p>Development Committee, Special Assistant to President, the Chief Auditor, as well as salaried and unsalaried advisors <b><u>and others</u></b> designated by the Chairman shall attend the meeting to report important financial, business and internal auditing affairs and other important matters of the Company and answer the questions brought up by Directors.</p> <p>(Omitted)</p>	<p>Development Committee, Special Assistant to President, the Chief Auditor, as well as salaried and unsalaried advisors designated by the Chairman shall attend the meeting to report important financial, business and internal auditing affairs and other important matters of the Company and answer the questions brought up by Directors.</p> <p>(Omitted)</p>	
<p>Article 16</p> <p>A Director unable to attend the meeting in person may appoint another Director to attend as a proxy.</p>	<p>Article 16</p> <p>A Director unable to attend the meeting in person may appoint another Director to attend as a proxy. <b><u>With regard to matters that shall be submitted to the Board of Directors in accordance with Article 14-3 of the Securities and Exchange Act, an Independent Director unable to attend in person may only appoint another Independent Director as a proxy.</u></b></p>	<p>The amendment is made to delete the later part of regulation in Paragraph 1 of Article 12, which is a duplicate of Paragraph 5 of Article 7.</p>

## **7. Report on the issuance of domestic unsecured corporate bonds in 2018**

### **Proposed by the Board of Directors**

- (1) The report is proposed in accordance with Article 246 of the Company Act.
- (2) For the purpose of working capital expansion, the Company completed the issuance of unsecured corporate bonds of 2018 worth NT\$6 billion in the first term on May 28, NT\$5.6 billion in the second term on August 8, and NT\$ 4.15 billion for Bond A as well as NT\$ 2.25 billion for Bond B in the third term on October 9. In 2018, the total amount of unsecured corporate bonds issued was NT\$18 billion. The conditions for the issuance of corporate bonds are reported as follows:

#### **A. 1<sup>st</sup> Unsecured Corporate Bond in 2018**

- a. Total amount: NT\$6 billion.
- b. Issuance period: 7 years, from May 28, 2018 to May 28, 2025.
- c. Par value: NT\$1 million.
- d. Issue price: Fully issued at par value.
- e. Coupon rate: Fixed rate at 0.95%.
- f. Interest payment method: Simple interest will be paid once a year based on the coupon rate from the issue date.
- g. Principal repayment method: 50% of the principal will be paid at the end of the 6<sup>th</sup> and 7<sup>th</sup> years from the issue date, respectively.

#### **B. 2<sup>nd</sup> Unsecured Corporate Bond in 2018**

- a. Total amount: NT\$5.6 billion.
- b. Issuance period: 10 years, from August 8, 2018 to August 8,

2028.

- c. Par value: NT\$1 million.
- d. Issue price: Fully issued at par value.
- e. Coupon rate: Fixed rate at 1.10%.
- f. Interest payment method: Simple interest will be paid once a year based on the coupon rate from the issue date.
- g. Principal repayment method: 50% of the principal will be paid at the end of the 9<sup>th</sup> and 10<sup>th</sup> years from the issue date, respectively.

C. 3<sup>rd</sup> Unsecured Corporate Bond A & B in 2018

- a. Total amount: Divided into Bond A and Bond B. The total issuance of Bond A is NT\$4.15 billion, whereas the total issuance of Bond B is NT\$2.25 billion.
- b. Issuance period: Bond A - 7 years, from October 9, 2018 to October 9, 2025; Bond B - 10 years, from October 9, 2018 to October 9, 2028.
- c. Par value: NT\$1 million.
- d. Issue price: Fully issued at par value.
- e. Coupon rate: Bond A - Fixed rate at 0.90%; Bond B - Fixed rate at 1.05%.
- f. Interest payment method: Simple interest will be paid once a year based on the coupon rate from the issue date.
- g. Principal repayment method: Bond A - 25% and 75% of the principal will be paid at the end of the 6<sup>th</sup> and 7<sup>th</sup> years from the issue date, respectively; Bond B - 50% of the principal will be paid at the end of the 9<sup>th</sup> and 10<sup>th</sup> years from the issue date, respectively.

# **Proposals, Discussion, and Directors Election**

## **1. Proposal:**

**Adoption of the 2018 Business Report and Financial Statements**

**Proposed by the Board of Directors**

### **Explanatory Note:**

Please refer to Attachment 4 and 5 for the 2018 Business Report and the financial statements for the year ended December 31st, 2018.

### **Resolution:**

## **Attachment 4**

### **China Steel Corporation 2018 Business Report**

#### **I. Operating Directives**

Intelligent manufacturing to improve production and sales

Energy reduction to strive for circular economy

Innovative technology to improve grade and quality

Passing the torch to advance core values

#### **II. Implementation of Operating Directives**

With the gradual recovery of the global steel industry, the Company has created a smart production and sales system through continuously reducing costs and improving the added value of products, and focuses on research and development of advanced products and process technologies to expand the product differentiation advantage, thereby enhancing the Company's competitiveness.

- (I) Intelligent manufacturing to improve production and sales: Through smart production and sales platform, the Company promotes various types of smart solutions, including product design, production scheduling, autonomous crane, equipment monitoring, process control, and shipping schedule to increase production and sales efficiency as well as customer satisfaction.
- (II) Energy reduction to strive for circular economy: The Company continues to promote "cost reduction activities", the "Five-Year Energy Conservation Action Plan", and "energy integration in Linhai Industrial Zone", and upgrades equipments to increase energy efficiency and reduce costs.
- (III) Innovative technology to improve grade and quality: Based on business development strategies and industry development trend, the Company concentrates on the core technology for the electric vehicle industry, smart production technology, environmental protection and emission reduction

technology, important industrial materials development and key materials development for the "five-plus-two" industries as the five major development strategies in technology innovation to strengthen the technical foundation for the sustainable development of the Company.

- (IV) Passing the torch to advance core values: The Company is focused on passing down an excellent corporate culture, and pays serious attention to employees' career development by continuously organizing various types of training program and promoting succession planning. In order to raise safety awareness, the Company has also organized a number of safety and health education training sessions, with over 5,000 persons participated in training.

### **III. Business Results**

#### **(I) Production**

The Company's production volume of steel products (excluding secondary and salvage products) was 9.24 million metric tons in 2018, an increase of 410 thousand metric tons or approximately 5% from 8.83 million metric tons in 2017.

#### **(II) Sales**

The Company's sales volume of steel products was 11.24 million metric tons in 2018, an increase of 390 thousand metric tons or approximately 4% from 10.85 million metric tons in 2017.

### **IV. Profit Comparison with Last Year**

#### **(I) Operating revenues**

The Company's operating revenues in 2018 was NT\$235,403,151 thousand, an increase of NT\$28,304,521 thousand from NT\$207,098,630 thousand in 2017. This was mainly due to the increase in the average selling price of steel

products and the increase in sales volume.

(II) Gross profit

The Company's gross profit in 2018 was NT\$24,972,208 thousand, an increase of NT\$5,442,383 thousand from NT\$19,529,825 thousand in 2017. This was mainly due to the situation in which the increase in the average selling price of steel products was greater than the increase in the average production costs of steel products.

(III) Profit from operations

The Company's profit from operations in 2018 was NT\$16,316,631 thousand, an increase of NT\$4,741,587 thousand from NT\$11,575,044 thousand in 2017. This was mainly due to the increase in gross profit.

(IV) Net non-operating income and expenses

The Company's net non-operating income in 2018 was NT\$10,080,759 thousand, an increase of NT\$3,135,139 thousand from NT\$6,945,620 thousand in 2017. This was mainly due to the increase in share of profit of subsidiaries and associates.

(V) Income tax expense

The Company's income tax expense in 2018 was NT\$1,943,238 thousand, an increase of NT\$328,162 thousand from NT\$1,615,076 thousand in 2017. This was mainly due to the increase in net profit before income tax.

(VI) In summary, the Company's net profit in 2018 was NT\$24,454,152 thousand, an increase of NT\$7,548,564 thousand from NT\$16,905,588 thousand in 2017.

**V. Research and Development**

The Company completed a total of 37 new product R&D projects in 2018, a fruitful year for the Company in terms of research and development, and

continued the efforts towards improving competitive advantage through product differentiation. In terms of intellectual property rights, the Company was ranked 7th with 214 patent applications and 7th with 215 patent certificates according to the 2018 top 100 list announced by the Intellectual Property Office, Ministry of Economic Affairs. The Company was also the only enterprise from traditional industry that ranked in the top 10. In addition, the Company was awarded one gold medal and two silver medals from the 2018 National Invention and Creation Award, highlighting high recognition of the Company's achievements in intellectual property.

Following international market trends and considering the development needs of the domestic steel-using industry, the Company has planned a total of five major R&D guidelines, including core technology for the electric vehicle industry, smart production technology, environmental protection and emission reduction technology, important industrial materials development and key materials development for the "five-plus-two" industries. By focusing R&D resources on each key item, the Company hopes to enhance technology and achieve sustainable development. In 2018, the Company has accomplished outstanding R&D results; major R&D outcomes are listed as follows:

- (I) Core technology for the electric vehicle industry
  1. Development of electrical sheets: Through the establishment of key technologies, the Company has developed thin electrical sheets with lower iron loss, higher magnetic flux and higher strength for drive motors in electric vehicles, such as 25CS1250HF and other high specification products. The Company has successfully led the use of such products by major electric vehicle manufacturers and the development of specifications for these manufacturers, enabling the Company to become the sole supplier of electrical sheets for a well-known major manufacturer. In addition, many international car manufacturers are inquiring the supply



of electrical sheets for electric vehicles from the Company. These manufacturers are expected to adopt the Company's ultra-performance electrical sheets.

2. Hot stamping technology and applications: To meet lightweight and safety requirements, hot stamping has become the most important technology development trend for automotive structural parts. The Company began developing hot stamping technology in 2010, and has established hot stamping parts manufacturing technology and entered the vehicle supply system, filling the gap in the industry chain. At present, the technology has been used for mass production by local manufacturers.

(II) Smart production technology

1. Development of autonomous cranes: The transportation of steel products in production lines relies heavily on a large number of cranes. Autonomous cranes not only can greatly reduce manpower needs, but also serve as the cornerstone of the development of smart transportation and storage systems. Since the Company invested in the development of autonomous cranes in 2014, it has established a complete technology, and has finished actual operation tests. In the future, the Company will gradually promote the construction of autonomous cranes in its plants.
2. Smart decision making support system for steelmaking scheduling: This system establishes continuous casting based on different variables, including delivery period, equipment conditions, steel type, and dimensions, to optimize steelmaking schedule which fully utilizes the production capacity of basic oxygen furnaces and satisfies order requirements, reduces the waiting time involved with various types of equipment, and maximizes the use of hot metal from blast furnaces.
3. Metallurgical process dynamic control system for bake hardening (BH) steel: This system dynamically fine-tunes the annealing temperature of hot

dip galvanizing lines based on the measured components of upstream steelmaking, and eliminates variations in product properties caused by component variations, thereby enhancing product quality and reducing product rejection rate.

(III) Energy and environmental protection technology

1. Development of high-performance microbial denitification technology for coking wastewater: The development of microbial denitification technology for coking wastewater has successfully accelerated bacterial activity, which not only maintains high rate of removal of chemical oxygen demand (COD) and ammonia nitrogen pollutants in wastewater, but also greatly reduces the impact from high-load water. This technology has been successfully implemented and applied, complying with effluent-related regulations.
2. Establishment and application of power-saving technology for cooling water towers: This technology identifies energy consumption issues involving cooling water from point of production to point of downstream use. The analysis technology developed by combining the theory of heat-flow with new technologies, including Internet of Things, big data, and intelligent technology, provides scientific measures to improve energy conservation.
3. With regard to R&D issues such as circular economy, energy and environmental protection, the Company has strengthened research efforts in collaboration with the industry, the academia and the research community in Taiwan, in hope of utilizing external R&D resources to significantly improve R&D capabilities in pursuit of sustainable economic models.

## Attachment 5

### **China Steel Corporation Audit Committee's Audit Report**

The Board of Directors has prepared the Company's 2018 Financial Statements audited by Deloitte & Touche Taiwan, earnings distribution plan and business report. The Audit Committee has reviewed the aforementioned financial statements and documents, and concluded all information is presented fairly. We hereby submit this report pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

2019 Annual General Shareholders' Meeting

China Steel Corporation

Convener of the Audit Committee:

A handwritten signature in blue ink, reading "Shyue-Bin Chang", is written above a horizontal line.

Shyue-Bin Chang

March 25, 2019

## **China Steel Corporation and Subsidiaries**

**Consolidated** Financial Statements for the  
Years Ended December 31, 2018 and 2017 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, 2018 and 2017, 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, based on our audits and the report of other independent auditors (refer to the other matter paragraph below), 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, 2018 and 2017, 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. Based on our audits and the report of other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter**

As disclosed in Note 3 to the consolidated financial statements, the Corporation and its subsidiaries have applied the revised 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 FSC starting from 2018. Our opinion is not modified in respect of this matter.

### **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, 2018. 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, 2018 are stated as follows:

#### Inventory Valuation

As of December 31, 2018, inventories of the Corporation and its subsidiaries amounted to NT\$101,084,885 thousand, of which the inventories from steel industry amounted to NT\$84,631,378 thousand, representing 13% of the Corporation and its subsidiaries' total assets. Due to the drastic fluctuations in the prices of raw materials and finished goods in the steel industry, inventory valuation, which involved critical accounting estimates, is deemed to be a key audit matter. Refer to Notes 4, 5 and 15 to the consolidated financial statements for the related accounting policies and disclosures on inventory valuation.

We focused on inventory valuation, and the key audit procedures we performed included the following:

1. We evaluated the appropriateness of the approach applied to inventory valuation.
2. We verified the completeness of inventory included in inventory valuation.
3. We tested the net realizable value of inventory items on a sample basis and evaluated the underlying assumptions and supporting documents, re-performed and calculated the appropriateness of net realizable value and the value written - off.

#### Valuation of Financial Assets At Fair Value Through Other Comprehensive Income - Formosa Ha Tinh (Cayman) Limited

As of December 31, 2018, the Corporation's investment in Formosa Ha Tinh (Cayman) Limited (FHC) amounted to NT\$29,358,000 thousand, representing 4% of the Corporation and its subsidiaries' total assets. Such investment is an unlisted investment with no active market. Therefore, the Corporation engaged an appraiser who made an appraisal and issued a valuation report, which was used as the basis for determining the fair value of the investment. Assets of FHC were mainly from its wholly-owned subsidiary, Formosa Ha Tinh Steel Corporation (FHS). The appraiser adopted the market approach to appraise FHS which involved various assumptions and unobservable inputs, including comparable companies, market multiplier, discount for lack of marketability and control premium. As a result, the fair value of the investment in FHC is deemed to be a key audit matter. Refer to Notes 4 and 5 to the consolidated financial statements for the related accounting policies on valuation of financial assets.

The audit procedures we performed included the following:

1. We assessed the professional qualifications, competence, objectivity and independence of the appraiser hired by the Corporation.
2. We discussed with the management the scope of work performed by the independent appraiser, reviewed the contract terms and conditions signed by the Corporation and the appraiser, and we identified no concerns over the appraiser's objectivity or any restriction imposed on the scope of the work.
3. We confirmed the valuation method adopted by the independent appraiser is complied with IFRSs.

We also consulted our internal valuation experts in the assessment of the appropriateness of the appraisal and in verifying the key assumptions and the reasonable ness of key inputs, including the comparable companies, market multiplier, discount for lack of marketability and control premium.

#### **Other Matter**

Certain investments accounted for using the equity method, in the consolidated financial statements for the year ended December 31, 2017 were based on financial statements audited by other independent auditors. The share of comprehensive income amounted to loss of NT\$875,298 thousand, representing 5% of the Corporation and

its subsidiaries' total comprehensive income, for the year ended December 31, 2017.

We have also audited the standalone financial statements of China Steel Corporation as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion with emphasis of matter and other matter paragraphs and an unmodified opinion with other matter paragraph, respectively.

### **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, 2018 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 25, 2019

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.*



# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018		December 31, 2017		LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 18,287,242	3	\$ 12,856,662	2	Short-term borrowings and bank overdraft (Notes 21 and 36)	\$ 42,010,006	6	\$ 35,326,058	5
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,594,485	-	4,910,644	1	Short-term bills payable (Note 21)	22,412,046	3	24,635,582	4
Financial assets at fair value through other comprehensive income - current (Notes 4, 5 and 8)	2,969,038	1	-	-	Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	247	-
Available-for-sale financial assets - current (Notes 4, 5 and 10)	-	-	2,186,156	-	Derivative financial liabilities for hedging - current (Note 12)	-	-	48,218	-
Derivative financial assets for hedging - current (Note 12)	-	-	54,131	-	Financial liabilities for hedging - current (Note 12)	4,405,228	1	-	-
Financial assets for hedging - current (Note 12)	2,484,391	-	-	-	Contract liabilities - current (Notes 4 and 28)	7,555,264	1	-	-
Contract assets - current (Notes 4 and 28)	11,536,389	2	-	-	Notes payable	1,786,843	-	1,188,154	-
Notes receivable (Notes 4 and 13)	1,853,631	-	1,797,938	-	Accounts payable (Note 23)	19,354,016	3	13,261,485	2
Notes receivable - related parties (Notes 4, 13 and 35)	488,680	-	309,587	-	Accounts payable - related parties (Notes 23 and 35)	66,171	-	37,377	-
Accounts receivable, net (Notes 4 and 13)	15,270,077	2	14,311,437	2	Amounts due to customers for construction contracts (Notes 4 and 14)	-	-	5,426,228	1
Accounts receivable - related parties (Notes 4, 13 and 35)	789,032	-	355,077	-	Other payables (Notes 24 and 35)	25,625,388	4	23,155,371	3
Amounts due from customers for construction contracts (Notes 4 and 14)	-	-	9,400,960	2	Current tax liabilities (Note 30)	4,854,183	1	3,127,173	-
Other receivables (Note 35)	2,198,312	-	1,636,999	-	Provisions - current (Notes 4 and 25)	7,276,429	1	4,042,476	-
Current tax assets (Note 30)	171,737	-	181,204	-	Current portion of bonds payable (Note 22)	12,899,340	2	11,198,974	2
Inventories (Notes 4, 5 and 15)	101,084,885	15	87,963,760	13	Current portion of long-term bank borrowings (Notes 21 and 36)	2,974,653	1	18,549,055	3
Non-current assets held for sale (Notes 4 and 20)	839,218	-	212,780	-	Refund liabilities - current (Notes 24 and 25)	2,868,815	-	-	-
Other financial assets - current (Notes 18 and 36)	9,353,900	2	10,752,021	2	Other current liabilities	1,250,323	-	4,323,642	1
Other current assets	4,386,727	1	4,051,059	1					
<b>Total current assets</b>	<b>174,307,744</b>	<b>26</b>	<b>150,980,415</b>	<b>23</b>	<b>Total current liabilities</b>	<b>155,338,705</b>	<b>23</b>	<b>144,320,040</b>	<b>21</b>
<b>NONCURRENT ASSETS</b>					<b>NONCURRENT LIABILITIES</b>				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	1,879,072	-	-	-	Derivative financial liabilities for hedging - noncurrent (Note 12)	-	-	210,325	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	56,780,774	9	-	-	Financial liabilities for hedging - noncurrent (Note 12)	4,350,730	1	-	-
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 10)	-	-	58,383,988	9	Bonds payable (Note 22)	98,933,304	15	83,852,513	13
Held-to-maturity financial assets - noncurrent (Notes 4 and 11)	-	-	129,750	-	Long-term bank borrowings (Notes 21 and 36)	27,494,745	4	57,047,876	9
Derivative financial assets for hedging - noncurrent (Note 12)	-	-	16,237	-	Long-term bills payable (Note 21)	21,319,494	3	27,613,159	4
Financial assets at amortized cost- noncurrent (Notes 4 and 9)	17,580	-	-	-	Provisions - noncurrent (Notes 4 and 25)	862,059	-	835,048	-
Financial assets for hedging - noncurrent (Note 12)	109,643	-	-	-	Deferred tax liabilities (Notes 4 and 30)	12,708,119	2	12,205,775	2
Debt investments with no active market - noncurrent (Notes 4 and 16)	-	-	1,854,343	-	Net defined benefit liabilities (Notes 4 and 26)	9,361,721	1	8,321,780	1
Investments accounted for using equity method (Notes 4 and 17)	14,767,074	2	14,729,813	2	Other noncurrent liabilities	1,360,001	-	1,357,376	-
Property, plant and equipment (Notes 4, 19 and 36)	398,733,684	59	413,821,236	62					
Investment properties (Notes 4, 20 and 36)	9,570,503	2	10,956,078	2	<b>Total noncurrent liabilities</b>	<b>176,390,173</b>	<b>26</b>	<b>191,443,852</b>	<b>29</b>
Intangible assets (Note 4)	1,850,508	-	1,938,180	-					
Deferred tax assets (Notes 4 and 30)	8,332,662	1	6,192,780	1	<b>Total liabilities</b>	<b>331,728,878</b>	<b>49</b>	<b>335,763,892</b>	<b>50</b>
Refundable deposits	582,235	-	700,646	-	<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 27)</b>				
Other financial assets - noncurrent (Notes 18 and 36)	2,290,486	-	2,623,741	-	Share capital				
Other noncurrent assets	5,304,631	1	5,388,672	1	Ordinary shares	157,348,610	23	157,348,610	24
					Preference shares	382,680	-	382,680	-
<b>Total noncurrent assets</b>	<b>500,218,852</b>	<b>74</b>	<b>516,735,464</b>	<b>77</b>	Total share capital	157,731,290	23	157,731,290	24
					Capital surplus	38,545,884	6	38,211,082	6
					Retained earnings				
					Legal reserve	63,228,774	9	61,538,216	9
					Special reserve	27,649,488	4	27,655,869	4
					Unappropriated earnings	31,804,134	5	20,033,060	3
					Total retained earnings	122,682,396	18	109,227,145	16
					Other equity	2,595,167	-	7,372,935	1
					Treasury shares	(8,646,700)	(1)	(8,532,389)	(1)
					<b>Total equity attributable to owners of the Corporation</b>	<b>312,908,037</b>	<b>46</b>	<b>304,010,063</b>	<b>46</b>
					<b>NON-CONTROLLING INTERESTS</b>	<b>29,889,681</b>	<b>5</b>	<b>27,941,924</b>	<b>4</b>
					<b>Total equity</b>	<b>342,797,718</b>	<b>51</b>	<b>331,951,987</b>	<b>50</b>
<b>TOTAL</b>	<b>\$ 674,526,596</b>	<b>100</b>	<b>\$ 667,715,879</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 674,526,596</b>	<b>100</b>	<b>\$ 667,715,879</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 25, 2019)

# 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			
	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 28, 35 and 40)	\$ 400,665,057	100	\$ 347,012,002	100
OPERATING COSTS (Notes 15, 29 and 35)	<u>351,826,655</u>	<u>88</u>	<u>307,672,853</u>	<u>89</u>
GROSS PROFIT	<u>48,838,402</u>	<u>12</u>	<u>39,339,149</u>	<u>11</u>
OPERATING EXPENSES				
Selling and marketing expenses	5,979,883	1	5,407,932	1
General and administrative expenses	7,059,548	2	6,940,039	2
Research and development expenses	2,180,058	1	2,069,549	1
Expected credit loss	<u>39,902</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>15,259,391</u>	<u>4</u>	<u>14,417,520</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>33,579,011</u>	<u>8</u>	<u>24,921,629</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 29 and 35)	1,786,804	1	1,778,303	1
Other gains and losses (Notes 29 and 35)	(303,078)	-	745,573	-
Finance costs (Note 29)	(3,327,227)	(1)	(3,717,893)	(1)
Share of the profit (loss) of associates	<u>186,235</u>	<u>-</u>	<u>(324,315)</u>	<u>-</u>
Total non-operating income and expenses	<u>(1,657,266)</u>	<u>-</u>	<u>(1,518,332)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	31,921,745	8	23,403,297	7
INCOME TAX (Notes 4 and 30)	<u>4,035,136</u>	<u>1</u>	<u>2,972,107</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>27,886,609</u>	<u>7</u>	<u>20,431,190</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 26, 27 and 30)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(1,170,383)	-	(1,500,451)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(914,883)	-	-	-
Gains and losses on hedging instruments	440,590	-	-	-

(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			
	2018		2017	
	Amount	%	Amount	%
Share of the other comprehensive income (loss) of associates	\$ (7,139)	-	\$ -	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	132,088	-	236,316	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(242,424)	-	(2,073,572)	(1)
Unrealized gains and losses on available-for-sale financial assets	-	-	979,157	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	-	-	(198,511)	-
Gains and losses on hedging instruments	(202,003)	-	-	-
Share of the other comprehensive income (loss) of associates	746,686	-	(828,695)	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	(867)	-	87,480	-
Other comprehensive income (loss) for the year, net of income tax	(1,218,335)	-	(3,298,276)	(1)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 26,668,274</u>	<u>7</u>	<u>\$ 17,132,914</u>	<u>5</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 24,454,152	6	\$ 16,905,588	5
Non-controlling interests	<u>3,432,457</u>	<u>1</u>	<u>3,525,602</u>	<u>1</u>
	<u>\$ 27,886,609</u>	<u>7</u>	<u>\$ 20,431,190</u>	<u>6</u>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 23,004,013	6	\$ 14,430,315	4
Non-controlling interests	<u>3,664,261</u>	<u>1</u>	<u>2,702,599</u>	<u>1</u>
	<u>\$ 26,668,274</u>	<u>7</u>	<u>\$ 17,132,914</u>	<u>5</u>
<b>EARNINGS PER SHARE (Note 31)</b>				
Basic	<u>\$ 1.58</u>		<u>\$ 1.09</u>	
Diluted	<u>\$ 1.57</u>		<u>\$ 1.09</u>	

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

(Concluded)

(With Deloitte & Touche audit report dated March 25, 2019)

# 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										Treasury Shares	Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity		
	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	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge					Gains and Losses on Hedging Instruments	Total Other Equity
BALANCE AT JANUARY 1, 2017	\$ 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
Appropriation of 2016 earnings (Note 27)	-	-	-	1,603,837	-	(1,603,837)	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve (reversal)	-	-	-	-	(2,130,614)	2,130,614	-	-	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.85 per share	-	-	-	-	-	(13,374,632)	-	-	-	-	-	-	-	(13,374,632)	-	(13,374,632)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(363)	363	-	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	16,905,588	-	-	-	-	-	-	-	16,905,588	3,525,602	20,431,190
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(1,167,502)	(2,078,545)	964,290	-	(193,516)	-	(1,307,771)	-	(2,475,273)	(823,003)	(3,298,276)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	15,738,086	(2,078,545)	964,290	-	(193,516)	-	(1,307,771)	-	14,430,315	2,702,599	17,132,914
Acquisition of the Corporation's shares held by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(19,595)	(19,595)	(19,249)	(38,844)
Disposal of the Corporation's shares held by subsidiaries	-	-	28,066	-	-	-	-	-	-	-	-	-	64,048	92,114	21,905	114,019
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	267,245	-	-	-	-	-	-	-	-	-	-	267,245	163,931	431,176
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,947,069)	(1,947,069)
Adjustment of other equity	-	-	108,305	-	-	-	-	-	-	-	-	-	-	108,305	-	108,305
BALANCE AT DECEMBER 31, 2017	157,348,610	382,680	38,211,082	61,538,216	27,655,869	20,033,060	(2,110,593)	9,614,863	-	(131,335)	-	7,372,935	(8,532,389)	304,010,063	27,941,924	331,951,987
Effect of retrospective application (Note 3)	-	-	-	-	-	3,842,218	(4,005,260)	(9,614,863)	5,251,741	131,335	3,972,776	(4,264,271)	-	(422,053)	(14,538)	(436,591)
Balance after adjustments at January 1, 2018	157,348,610	382,680	38,211,082	61,538,216	27,655,869	23,875,278	(6,115,853)	-	5,251,741	-	3,972,776	3,108,664	(8,532,389)	303,588,010	27,927,386	331,515,396
Appropriation of 2017 earnings (Note 27)	-	-	-	1,690,558	-	(1,690,558)	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve (reversal)	-	-	-	-	(5,992)	5,992	-	-	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.88 per share	-	-	-	-	-	(13,846,677)	-	-	-	-	-	-	-	(13,846,677)	-	(13,846,677)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(389)	389	-	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	24,454,152	-	-	-	-	-	-	-	24,454,152	3,432,457	27,886,609
Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(826,559)	196,229	-	(950,911)	-	131,102	(623,580)	-	(1,450,139)	231,804	(1,218,335)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	23,627,593	196,229	-	(950,911)	-	131,102	(623,580)	-	23,004,013	3,664,261	26,668,274
Acquisition of the Corporation's shares held by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(115,054)	(115,054)	(80,380)	(195,434)
Disposal of the Corporation's shares held by subsidiaries	-	-	262	-	-	-	-	-	-	-	-	-	378	640	694	1,334
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	281,424	-	-	-	-	-	-	-	-	-	-	281,424	-	281,424
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,622,280)	(1,622,280)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(110,083)	-	-	110,083	-	-	110,083	-	-	-	-
Adjustment of other equity	-	-	53,116	-	-	(4,225)	-	-	-	-	-	-	365	49,256	-	49,256
BALANCE AT DECEMBER 31, 2018	\$ 157,348,610	\$ 382,680	\$ 38,545,884	\$ 63,228,774	\$ 27,649,488	\$ 31,804,134	\$ (5,919,624)	\$ -	\$ 4,410,913	\$ -	\$ 4,103,878	\$ 2,595,167	\$ (8,646,700)	\$ 312,908,037	\$ 29,889,681	\$ 342,797,718

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

(With Deloitte & Touche audit report dated March 25, 2019)

# 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>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 31,921,745	\$ 23,403,297
Adjustments for:		
Depreciation expense	34,160,855	34,529,292
Amortization expense	280,302	346,646
Expected credit loss	39,902	-
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	51,554	(382,240)
Finance costs	3,327,227	3,717,893
Interest income	(369,947)	(290,218)
Dividend income	(618,920)	(586,347)
Share of the loss (profit) of associates	(215,944)	254,202
Loss (gain) on disposal of property, plant and equipment	190,813	(75,446)
Gain on disposal of investments	(73,151)	(1,410,097)
Impairment loss recognized on financial assets	-	784,146
Impairment loss recognized on nonfinancial assets	1,830,853	829,398
Write-down (reversal of ) inventories	1,057,104	(880,774)
Recognition of provisions	2,021,082	1,186,595
Others	(112,655)	69,002
Changes in operating assets and liabilities		
Financial instruments held for trading	-	(92,049)
Financial assets mandatorily classified as at fair value through profit or loss	1,418,486	-
Financial assets for hedging	921,936	-
Contract assets	(689,452)	-
Notes receivable	(55,693)	(564,169)
Notes receivable - related parties	(179,093)	74,491
Accounts receivable	(2,274,704)	(2,820,725)
Accounts receivable - related parties	(433,955)	144,252
Amounts due from customers for construction contracts	-	(928,923)
Other receivables	(468,152)	(187,347)
Inventories	(14,061,608)	(7,729,846)
Other current assets	635,478	(492,889)
Financial liabilities for hedging	8,866	-
Contract liabilities	420,039	-
Notes payable	598,689	336,523
Accounts payable	6,092,531	777,216
Accounts payable - related parties	28,794	(499,167)
Amounts due to customers for construction contracts	-	1,572,504
Other payables	3,107,888	1,946,119
Provisions	(19,117)	(1,475,427)
Other current liabilities	(493,947)	793,500
Net defined benefit liabilities	(130,442)	(80,290)
Refund liabilities	<u>1,286,615</u>	<u>-</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>2018</b>	<b>2017</b>
Cash generated from operations	\$ 69,203,979	\$ 52,269,122
Income taxes paid	<u>(4,099,781)</u>	<u>(2,797,644)</u>
Net cash generated from operating activities	<u>65,104,198</u>	<u>49,471,478</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(1,587,302)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	517,094	-
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	129,326	-
Acquisition of financial assets at amortized cost	(13,912)	-
Proceeds from disposal of financial assets at amortized cost	118,514	-
Acquisition of financial assets at fair value through profit or loss	(1,814,988)	(4,415,691)
Proceeds from disposal of financial assets as at fair value through profit or loss	3,064,280	3,188,616
Acquisition of available-for-sale financial assets	-	(1,466,827)
Proceeds from disposal of available-for-sale financial assets	-	2,634,032
Proceeds from the capital reduction on available-for-sale financial assets	-	23,728
Acquisition of debt investments with no active market	-	(18,451)
Proceeds from disposal of debt investments with no active market	-	20,000
Acquisition of financial assets for hedging	(1,203,457)	-
Acquisition of financial liabilities for hedging	3,642,472	-
Derecognition of financial liabilities for hedging	(18,409,436)	-
Acquisition of investments accounted for using equity method	(243,120)	(1,226,596)
Proceeds from disposal of investments accounted for using equity method	221,066	240,791
Net cash outflow on acquisition of subsidiaries	(1,138,500)	-
Disposal of subsidiaries	-	13,021
Acquisition of property, plant and equipment	(18,704,664)	(21,812,961)
Proceeds from disposal of property, plant and equipment	56,720	336,150
Decrease (increase) in refundable deposits	115,611	(134,624)
Acquisition of intangible assets	(37,087)	(39,082)
Acquisition of investment properties	(158,305)	(614,852)
Proceeds from disposal of investment properties	63,878	-
Decrease (increase) in other financial assets	(203,123)	1,888,676
Decrease in other noncurrent assets	43,172	671,269
Interest received	355,006	297,593
Dividends received from associates	429,253	660,524
Dividends received from others	<u>618,956</u>	<u>601,667</u>
Net cash used in investing activities	<u>(34,138,546)</u>	<u>(19,153,017)</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>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	\$ 255,310,817	\$ 254,690,716
Repayments of short-term borrowings	(251,441,059)	(255,597,380)
Proceeds from short-term bills payable	222,871,015	255,688,593
Repayments of short-term bills payable	(225,094,551)	(247,685,111)
Issuance of bonds payable	28,000,000	-
Repayments of bonds payable	(11,200,000)	(5,213,643)
Proceeds from long-term bank borrowings	51,061,021	26,710,000
Repayments of long-term bank borrowings	(73,637,400)	(34,033,111)
Proceeds from long-term bills payable	2,600,267	7,777,423
Repayments of long-term bills payable	(8,893,932)	(16,790,429)
Increase (decrease) in other noncurrent liabilities	86,637	(20,001)
Dividends paid to owners of the Corporation	(13,892,306)	(13,264,276)
Acquisition of the Corporation's shares held by subsidiaries	(195,434)	(38,844)
Disposal of the Corporation's shares held by subsidiaries	1,334	114,019
Interest paid	(3,567,240)	(3,954,803)
Decrease in non-controlling interests	(1,622,280)	(1,947,069)
Net cash used in financing activities	<u>(29,613,111)</u>	<u>(33,563,916)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>1,286,762</u>	<u>(211,212)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,639,303	(3,456,667)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>9,883,529</u>	<u>13,340,196</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 12,522,832</u>	<u>\$ 9,883,529</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, 2018 and 2017:		
Cash and cash equivalents in the consolidated balance sheets	\$ 18,287,242	\$ 12,856,662
Bank overdraft	<u>(5,764,410)</u>	<u>(2,973,133)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 12,522,832</u>	<u>\$ 9,883,529</u>

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

(Concluded)

(With Deloitte & Touche audit report dated March 25, 2019)

## **China Steel Corporation**

**Standalone** Financial Statements for the  
Years Ended December 31, 2018 and 2017 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, 2018 and 2017, 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, based on our audits and the report of other independent auditors (refer to the other matter paragraph below), the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2018 and 2017, 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. Based on our audits and the report of other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter**

As disclosed in Note 3 to the standalone financial statements, the Corporation has applied the revised 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 FSC starting from 2018. Our opinion is not modified in respect of this matter.

### **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, 2018. 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, 2018 are stated as follows:

## Inventory Valuation

As of December 31, 2018, inventories of the Corporation amounted to NT\$50,931,887 thousand, representing 11% of the Corporation's total assets. Due to the drastic fluctuations in the prices of raw materials and finished goods in the steel industry, inventory valuation, which involved critical accounting estimates, is deemed to be a key audit matter. Refer to Notes 4, 5 and 12 to the Corporation's financial statements for the related accounting policies and disclosures on inventory valuation.

We focused on inventory valuation, and the audit procedures we performed included the following:

1. We evaluated the appropriateness of the approach applied to the inventory valuation.
2. We verified the completeness of inventory included in inventory valuation.
3. We tested the net realizable value of inventory items on a sample basis and evaluated the underlying assumptions and supporting documents, re-performed and calculated the appropriateness of net realizable value and the value written-off.

## Valuation of Financial Assets At Fair Value Through Other Comprehensive Income - Formosa Ha Tinh (Cayman) Limited

As of December 31, 2018, the Corporation's investment in Formosa Ha Tinh (Cayman) Limited (FHC) amounted to NT\$29,358,000 thousand, representing 6% of the Corporation's total assets. Such investment is an unlisted investment with no active market. Therefore, the Corporation engaged an appraiser who made an appraisal and issued a valuation report, which was used as the basis for determining the fair value of the investment. Assets of FHC were mainly from its wholly-owned subsidiary, Formosa Ha Tinh Steel Corporation (FHS). The appraiser adopted the market approach to appraise FHS which involved various assumptions and unobservable inputs, including comparable companies, market multiplier, discount for lack of marketability and control premium. As a result, the fair value of the investment in FHC is deemed to be a key audit matter. Refer to Notes 4 and 5 to the Corporation's standalone financial statements for the related accounting policies on valuation of financial assets.

The audit procedures we performed included the following:

1. We assessed the professional qualifications, competence, objectivity and independence of the appraiser hired by the Corporation.
2. We discussed with the management the scope of work performed by the independent appraiser, reviewed the contract terms and conditions signed by the Corporation and the appraiser, and we identified no concerns over the appraiser's objectivity or any restriction imposed on the scope of the work.
3. We confirmed the valuation method adopted by the independent appraiser is complied with IFRSs.

We also consulted our internal valuation experts in the assessment of the appropriateness of the appraisal and in verifying the key assumptions and the reasonableness of key inputs, including the comparable companies, market multiplier, discount for lack of marketability and control premium.

## **Other Matter**

Certain investments accounted for using the equity method in the Corporation's standalone financial statements for the year ended December 31, 2017 were based on financial statements audited by other independent auditors. The share of comprehensive income amounted to loss of NT\$875,298 thousand, representing 6% of the Corporation's total comprehensive income, for the year ended December 31, 2017.

## **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, 2018 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 25, 2019

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.*

# CHINA STEEL CORPORATION

## STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018		December 31, 2017		LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 7,619,772	2	\$ 2,923,910	1	Short-term borrowings and bank overdraft (Notes 18, 30 and 31)	\$ 17,328,763	4	\$ 10,722,766	2
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	112,155	-	-	-	Short-term bills payable (Note 18)	-	-	6,296,753	1
Available-for-sale financial assets - current (Notes 4 and 9)	-	-	111,603	-	Derivative financial liabilities for hedging - current (Note 10)	-	-	20,674	-
Derivative financial assets for hedging - current (Note 10)	-	-	44,469	-	Financial liabilities for hedging - current (Note 10)	4,192,300	1	-	-
Financial assets for hedging - current (Note 10)	811,156	-	-	-	Contract liabilities - current (Notes 4 and 24)	1,788,593	-	-	-
Contract assets - current (Notes 4 and 24)	204,993	-	-	-	Accounts payable	7,205,398	1	4,145,456	1
Notes receivable (Notes 4 and 11)	686,507	-	681,901	-	Accounts payable - related parties (Note 30)	2,277,200	-	1,813,858	-
Notes receivable - related parties (Notes 4, 11 and 30)	428,768	-	223,073	-	Other payables (Notes 20 and 30)	18,238,258	4	16,253,268	3
Accounts receivable, net (Notes 4 and 11)	2,872,455	1	2,246,631	1	Current tax liabilities (Note 26)	2,857,677	1	2,103,954	1
Accounts receivable - related parties (Notes 4, 11 and 30)	1,893,989	1	2,526,127	1	Provisions - current (Notes 4 and 21)	4,933,753	1	2,239,559	1
Other receivables	1,356,235	-	805,299	-	Current portion of bonds payable (Note 19)	5,649,340	1	7,698,974	2
Other receivables - loans to related parties (Note 30)	10,794,160	2	7,356,950	2	Current portion of long-term bank borrowings (Note 18)	-	-	9,860,615	2
Inventories (Notes 4, 5 and 12)	50,931,887	11	48,024,231	10	Refund liabilities - current (Notes 20 and 21)	3,040,059	1	-	-
Noncurrent assets held for sale (Notes 4 and 17)	594,606	-	-	-	Other current liabilities	500,564	-	3,910,313	1
Other financial assets - current (Notes 15 and 31)	6,070,843	1	6,869,408	1					
Other current assets	934,428	-	1,889,815	-	Total current liabilities	68,011,905	14	65,066,190	14
Total current assets	85,311,954	18	73,703,417	16	<b>NONCURRENT LIABILITIES</b>				
<b>NONCURRENT ASSETS</b>					Derivative financial liabilities for hedging - noncurrent (Note 10)	-	-	8,112	-
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	1,651,808	-	-	-	Financial liabilities for hedging - noncurrent (Note 10)	4,350,730	1	-	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	46,868,501	10	-	-	Bonds payable (Note 19)	72,304,214	15	59,967,190	13
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 9)	-	-	16,418,690	3	Long-term bank borrowings (Note 18)	-	-	20,653,020	5
Derivative financial assets for hedging - noncurrent (Note 10)	-	-	12,583	-	Long-term bills payable (Note 18)	5,897,729	1	5,899,102	1
Financial assets for hedging - noncurrent (Note 10)	767	-	-	-	Deferred tax liabilities (Notes 4 and 26)	10,722,181	2	10,715,281	2
Debt investments with no active market - noncurrent (Notes 4 and 13)	-	-	1,761,421	-	Net defined benefit liabilities (Notes 4 and 22)	6,887,381	2	6,048,974	1
Investments accounted for using equity method (Notes 4 and 14)	180,223,533	38	207,523,641	44	Other noncurrent liabilities	-	-	59,580	-
Property, plant and equipment (Notes 4, 16 and 30)	155,897,997	32	162,042,223	34	Total noncurrent liabilities	100,162,235	21	103,351,259	22
Investment properties (Notes 4 and 17)	6,532,164	1	7,129,792	2					
Intangible assets	34,847	-	44,810	-	Total liabilities	168,174,140	35	168,417,449	36
Deferred tax assets (Notes 4 and 26)	4,500,087	1	3,371,609	1	<b>EQUITY (Notes 4 and 23)</b>				
Refundable deposits	60,519	-	100,092	-	Share capital				
Other financial assets - noncurrent (Note 15)	-	-	319,234	-	Ordinary shares	157,348,610	33	157,348,610	33
Total noncurrent assets	395,770,223	82	398,724,095	84	Preference shares	382,680	-	382,680	-
					Total share capital	157,731,290	33	157,731,290	33
					Capital surplus	38,545,884	8	38,211,082	8
					Retained earnings				
					Legal reserve	63,228,774	13	61,538,216	13
					Special reserve	27,649,488	6	27,655,869	6
					Unappropriated earnings	31,804,134	6	20,033,060	4
					Total retained earnings	122,682,396	25	109,227,145	23
					Other equity	2,595,167	1	7,372,935	2
					Treasury shares	(8,646,700)	(2)	(8,532,389)	(2)
					Total equity	312,908,037	65	304,010,063	64
<b>TOTAL</b>	<b>\$ 481,082,177</b>	<b>100</b>	<b>\$ 472,427,512</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 481,082,177</b>	<b>100</b>	<b>\$ 472,427,512</b>	<b>100</b>

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

(With Deloitte & Touche audit report dated March 25, 2019)

# CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 24 and 30)	\$ 235,403,151	100	\$ 207,098,630	100
OPERATING COSTS (Notes 12 and 30)	<u>210,430,943</u>	<u>89</u>	<u>187,568,805</u>	<u>90</u>
GROSS PROFIT	24,972,208	11	19,529,825	10
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>(63,751)</u>	<u>-</u>	<u>147,162</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>24,908,457</u>	<u>11</u>	<u>19,676,987</u>	<u>10</u>
OPERATING EXPENSES				
Selling and marketing expenses	3,093,162	1	2,836,946	1
General and administrative expenses	3,715,086	2	3,544,812	2
Research and development expenses	<u>1,783,578</u>	<u>1</u>	<u>1,720,185</u>	<u>1</u>
Total operating expenses	<u>8,591,826</u>	<u>4</u>	<u>8,101,943</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>16,316,631</u>	<u>7</u>	<u>11,575,044</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 25 and 30)	1,587,435	1	1,383,476	1
Other gains and losses (Notes 25 and 30)	(61,193)	-	268,918	-
Finance costs (Notes 25 and 30)	(1,652,214)	(1)	(1,919,054)	(1)
Share of profit of subsidiaries and associates	<u>10,206,731</u>	<u>5</u>	<u>7,212,280</u>	<u>3</u>
Total non-operating income and expenses	<u>10,080,759</u>	<u>5</u>	<u>6,945,620</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	26,397,390	12	18,520,664	9
INCOME TAX EXPENSE (Notes 4 and 26)	<u>1,943,238</u>	<u>1</u>	<u>1,615,076</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>24,454,152</u>	<u>11</u>	<u>16,905,588</u>	<u>8</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(757,319)	-	(1,179,124)	-

(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			
	2018		2017	
	Amount	%	Amount	%
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	\$ (1,154,367)	(1)	\$ -	-
Gains and losses on hedging instruments	(117,906)	-	-	-
Share of the other comprehensive income of subsidiaries and associates	432,420	-	(188,829)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	158,592	-	200,451	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	92,177	-	(1,726,614)	(1)
Unrealized gains and losses on available-for-sale financial assets	-	-	895,527	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	-	-	(30,552)	-
Gains and losses on hedging instruments	(207,788)	-	-	-
Share of the other comprehensive income of subsidiaries and associates	104,052	-	(451,326)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	-	-	5,194	-
Other comprehensive income (loss) for the year, net of income tax	<u>(1,450,139)</u>	<u>(1)</u>	<u>(2,475,273)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 23,004,013</u>	<u>10</u>	<u>\$ 14,430,315</u>	<u>7</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 1.58</u>		<u>\$ 1.09</u>	
Diluted	<u>\$ 1.57</u>		<u>\$ 1.09</u>	

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

(With Deloitte & Touche audit report dated March 25, 2019)

(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						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	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge	Gains and Losses on Hedging Instruments	Total Other Equity		
	BALANCE AT JANUARY 1, 2017	\$ 157,348,610	\$ 382,680	\$ 37,807,466	\$ 59,934,379	\$ 29,786,846	\$ 17,196,041	\$ (32,048)	\$ 8,650,573	\$ -	\$ 62,181	\$ -		
Appropriation of 2016 earnings (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,603,837	-	(1,603,837)	-	-	-	-	-	-	-	-
Special reserve (reversal)	-	-	-	-	(2,130,614)	2,130,614	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.85 per share	-	-	-	-	-	(13,374,632)	-	-	-	-	-	-	-	(13,374,632)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(363)	363	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	16,905,588	-	-	-	-	-	-	-	16,905,588
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(1,167,502)	(2,078,545)	964,290	-	(193,516)	-	(1,307,771)	-	(2,475,273)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	15,738,086	(2,078,545)	964,290	-	(193,516)	-	(1,307,771)	-	14,430,315
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(19,595)	(19,595)
Disposal of the Corporation's shares held by subsidiaries	-	-	28,066	-	-	-	-	-	-	-	-	-	64,048	92,114
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	267,245	-	-	-	-	-	-	-	-	-	-	267,245
Adjustment from changes in equity of subsidiaries and associates	-	-	108,305	-	-	-	-	-	-	-	-	-	-	108,305
BALANCE AT DECEMBER 31, 2017	157,348,610	382,680	38,211,082	61,538,216	27,655,869	20,033,060	(2,110,593)	9,614,863	-	(131,335)	-	7,372,935	(8,532,389)	304,010,063
Effect of retrospective application (Note 3)	-	-	-	-	-	3,842,218	(4,005,260)	(9,614,863)	5,251,741	131,335	3,972,776	(4,264,271)	-	(422,053)
Balance after adjustments at January 1, 2018	157,348,610	382,680	38,211,082	61,538,216	27,655,869	23,875,278	(6,115,853)	-	5,251,741	-	3,972,776	3,108,664	(8,532,389)	303,588,010
Appropriation of 2017 earnings (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,690,558	-	(1,690,558)	-	-	-	-	-	-	-	-
Special reserve (reversal)	-	-	-	-	(5,992)	5,992	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.88 per share	-	-	-	-	-	(13,846,677)	-	-	-	-	-	-	-	(13,846,677)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(389)	389	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	24,454,152	-	-	-	-	-	-	-	24,454,152
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(826,559)	196,229	-	(950,911)	-	131,102	(623,580)	-	(1,450,139)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	23,627,593	196,229	-	(950,911)	-	131,102	(623,580)	-	23,004,013
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(115,054)	(115,054)
Disposal of the Corporation's shares held by subsidiaries	-	-	262	-	-	-	-	-	-	-	-	-	378	640
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	281,424	-	-	-	-	-	-	-	-	-	-	281,424
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(110,083)	-	-	110,083	-	-	110,083	-	-
Adjustment from changes in equity of subsidiaries and associates	-	-	53,116	-	-	(4,225)	-	-	-	-	-	-	365	49,256
BALANCE AT DECEMBER 31, 2018	\$ 157,348,610	\$ 382,680	\$ 38,545,884	\$ 63,228,774	\$ 27,649,488	\$ 31,804,134	\$ (5,919,624)	\$ -	\$ 4,410,913	\$ -	\$ 4,103,878	\$ 2,595,167	\$ (8,646,700)	\$ 312,908,037

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

(With Deloitte & Touche audit report dated March 25, 2019)



# CHINA STEEL CORPORATION

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 26,397,390	\$ 18,520,664
Adjustments for:		
Depreciation	17,609,689	17,394,877
Amortization	9,963	9,975
Net gain on financial assets at fair value through profit or loss	(3,802)	-
Finance costs	1,652,214	1,919,054
Interest income	(197,865)	(146,636)
Dividend income	(363,401)	(335,909)
Share of profit of subsidiaries and associates	(10,206,731)	(7,212,280)
Loss on disposal of property, plant and equipment	51,676	9,721
Gain on disposal of investments	-	(771,464)
Impairment loss recognized on financial assets	-	532,792
Impairment loss recognized on nonfinancial assets	-	40,311
Write-down (reversal of) inventories	42,812	(551,871)
Unrealized (realized) gain on the transactions with subsidiaries and associates	63,751	(147,162)
Recognition of provisions	1,783,317	774,194
Others	(154,575)	49,800
Changes in operating assets and liabilities		
Financial assets for hedging	118,500	-
Contract assets	(137,438)	-
Notes receivable	(4,606)	(209,708)
Notes receivable - related parties	(205,695)	101,384
Accounts receivable	(625,824)	(988,974)
Accounts receivable - related parties	632,138	(710,728)
Other receivables	(543,113)	321,472
Inventories	(2,790,464)	(4,988,766)
Other current assets	955,387	(1,071,405)
Contract liabilities	(814,399)	-
Accounts payable	3,059,942	3,396
Accounts payable - related parties	463,342	844,470
Other payables	3,277,721	1,377,976
Provisions	-	(939,437)
Other current liabilities	46,449	584,464
Net defined benefit liabilities	81,088	84,024
Refund liabilities	1,215,587	-
Cash generated from operations	41,413,053	24,494,234
Income taxes paid	(2,369,887)	(1,355,517)
Net cash generated from operating activities	<u>39,043,166</u>	<u>23,138,717</u>

(Continued)

# CHINA STEEL CORPORATION

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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ (15,000)	\$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	16	-
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	107,527	-
Proceeds from disposal of available-for-sale financial assets	-	841,250
Proceeds from the capital reduction on available-for-sale financial assets	-	1,284
Acquisition of financial liabilities for hedging	3,642,472	-
Derecognition of financial liabilities for hedging	(18,406,432)	-
Acquisition of investments accounted for using equity method	(826,000)	(779,498)
Proceeds from the capital reduction on investments accounted for using equity method	1,529,916	-
Acquisition of property, plant and equipment	(10,914,218)	(11,701,039)
Proceeds from disposal of property, plant and equipment	-	419
Decrease (increase) in refundable deposits	39,573	(44,404)
Increase in other receivables - loans to related parties	(3,437,210)	(145,141)
Decrease in other financial assets	198,391	466,929
Interest received	190,042	144,903
Dividends received from subsidiaries and associates	5,859,772	4,963,105
Other dividends received	<u>363,401</u>	<u>350,463</u>
Net cash used in investing activities	<u>(21,667,750)</u>	<u>(5,901,729)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	21,006,626	17,971,900
Repayments of short-term borrowings	(17,508,172)	(16,590,000)
Proceeds from short-term bills payable	80,103,247	122,646,753
Repayments of short-term bills payable	(86,400,000)	(116,350,000)
Issuance of bonds payable	18,000,000	-
Repayments of bonds payable	(7,700,000)	(5,200,000)
Repayments of long-term bank borrowings	(7,598,710)	(4,242,113)
Dividends paid	(13,892,306)	(13,428,207)
Interest paid	<u>(1,797,782)</u>	<u>(2,088,514)</u>
Net cash used in financing activities	<u>(15,787,097)</u>	<u>(17,280,181)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,588,319	(43,193)

(Continued)

# CHINA STEEL CORPORATION

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

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	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	\$ <u>829,222</u>	\$ <u>872,415</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ <u>2,417,541</u>	\$ <u>829,222</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, 2018 and 2017:		
Cash and cash equivalents in the standalone balance sheets	\$ 7,619,772	\$ 2,923,910
Bank overdraft	<u>(5,202,231)</u>	<u>(2,094,688)</u>
Cash and cash equivalents in the standalone statements of cash flows	\$ <u>2,417,541</u>	\$ <u>829,222</u>

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

(With Deloitte & Touche audit report dated March 25, 2019) (Concluded)

## 2. Proposal:

### Adoption of the Proposal for Distribution of 2018 Profits

Proposed by the Board of Directors

#### Explanatory Note:

(1) The Company's earnings distribution of 2018, 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\$	4,448,241,962.67
Increase in undistributed earnings from adoption of IFRS 15 and 9 on Jan 1, 2018		3,842,218,485.00
Disposal of investments in equity instruments at fair value through other comprehensive income		(110,083,562.00)
Reverse of special reserve: disposal of fixed assets		389,297.00
Actuarial gains (losses) from defined benefit pension plans (included in retained earnings)		(604,260,957.00)
Effects resulting from changes in long-term equity investment		(226,522,877.00)
Add: After-tax earnings of 2018 (A)		24,454,151,842.97
Deduct: Legal reserve = (A) *10%		(2,445,415,184.00)
Deduct: Provision of special reserve		(154,480,560.00)
Subtotal of distributable earnings		29,204,238,447.64
Distributable Items:		
Dividends for preferred shares	(53,575,199.00)	
Dividends for common shares	(15,734,860,997.00)	
Subtotal of distributable items		(15,788,436,196.00)
Undistributed earnings	NT\$	13,415,802,251.64

(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\$1.0 per share in cash.

(3) Upon approval of this earnings appropriation plan by resolution of Shareholders' Meeting, 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 up to the next NT dollar. The resulting difference shall be recognized as a Company expense.

#### Resolution:

### **3. Proposal:**

#### **Amendments to the Procedures for Acquisition or Disposal of Assets**

#### **Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) Amendments are made in compliance with the amendments to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by the Financial Supervisory Commission (FSC), and regulations of the Order No. Financial-Supervisory-Securities-Corporate-1070331908.
- (2) The Company proposed to amend Articles 2 to 4, Articles 6 to 10, Articles 13 to 16, Article 21-4, Article 22, and Article 25.
- (3) A comparison table of draft clauses and the clauses in force is attached.

#### **Resolution:**

## Attachment 6

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

Revised clause	Clause in force	Explanation
<p>Article 2</p> <p>The term "assets" as used in the Procedures includes the following:</p> <ol style="list-style-type: none"> <li>Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</li> <li>Real property (including land, houses and buildings, and investment property) and equipment.</li> <li>Memberships.</li> <li>Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li><b><u>Right-of-use assets.</u></b></li> <li>Derivatives.</li> <li>Assets acquired or disposed of in connection with mergers, demergers, acquisitions or transfer of shares in accordance with the law.</li> <li>Other major assets.</li> </ol>	<p>Article 2</p> <p>The term "assets" as used in the Procedures includes the following:</p> <ol style="list-style-type: none"> <li>Investments in stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities, and asset-backed securities.</li> <li>Real property (including land, houses and buildings, investment property, and <b><u>rights to use land</u></b>) and equipment.</li> <li>Memberships.</li> <li>Patents, copyrights, trademarks, franchise rights, and other intangible assets.</li> <li>Derivatives.</li> <li>Assets acquired or disposed of in connection with mergers, demergers, acquisitions or transfer of shares in accordance with the law.</li> <li>Other major assets.</li> </ol>	<p>In compliance with International Financial Reporting Standards (IFRS) 16 adoption in Taiwan, the Financial Supervisory Commission (FSC) amended the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies," to expand the scope of right-of-use assets.</p>
<p>Article 3</p> <p>The terms used in the Procedures are defined as follows:</p> <ol style="list-style-type: none"> <li><b><u>"Right-of-use assets": Refers to assets that represent a lessee's right</u></b></li> </ol>	<p>Article 3</p> <p>The terms used in the Procedures are defined as follows:</p>	<p>1. The definition of right-of-use assets is added to Subparagraph 1, Paragraph 1 referring to Article 9 of the "Regulations Governing the Preparation of Financial Reports by</p>

Revised clause	Clause in force	Explanation
<p><b><u>to use an underlying asset for the lease term in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."</u></b></p> <p>2. "Derivatives": Forward contracts, options contracts, futures contracts, leverage contracts, or swap contracts, whose value is derived from <b><u>a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables</u></b>; or hybrid contracts combining the above contracts; <b><u>or hybrid contracts or structured products containing embedded derivatives.</u></b> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts or long-term purchase (sales) agreements.</p> <p>3. "Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with the law": Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institution Merger Act or other acts, or to transfer of shares from any other</p>	<p>1. "Derivatives": Forward contracts, options contracts, futures contracts, leverage contracts, swap contracts and hybrid contracts combining the above products, whose value is derived from <b><u>the products of assets, interest rates, foreign exchange rates, indexes or other interests.</u></b> The term "forward contracts" does not include insurance contracts, performance contracts, after-sales service contracts, long-term lease contracts or long-term purchase (sales) agreements.</p> <p>2. "Assets acquired or disposed through mergers, demergers, acquisitions, or transfer of shares in accordance with the law": Refers to assets acquired or disposed through mergers, demergers or acquisitions conducted under the Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institution Merger Act or other acts, or to transfer of shares from any other</p>	<p>Securities Issuers."</p> <p>2. Remaining amendments are made in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC.</p>

Revised clause	Clause in force	Explanation
<p>company through issuance of new shares of its own as the consideration thereof (hereinafter referred to as "transfer of shares") under <b>Article 156-3</b> of the Company Act.</p>	<p>company through issuance of new shares of its own as the consideration thereof (hereinafter referred to as "transfer of shares") under <b>Paragraph 8, Article 156</b> of the Company Act.</p>	
<p>4. "Related party": As defined in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."</p>	<p>3. "Related party": As defined in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."</p>	
<p>5. "Subsidiary": As defined in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."</p>	<p>4. "Subsidiary": As defined in the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."</p>	
<p>6. "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 equipment.</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 equipment.</p>	
<p>7. "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 dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier. However, provided that 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>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 dates that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier. However, provided that 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>8. "Mainland area investment": Refers to investments in Mainland China approved by the</p>	<p>7. "Mainland area investment": Refers to investments in Mainland China approved by the</p>	



Revised clause	Clause in force	Explanation
<p>Investment Commission, Ministry of Economic Affairs, R. O. C. or conducted in accordance with the provisions of the "Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area."</p> <p>9. <b><u>"Securities exchange": "Domestic securities exchange" refers to the Taiwan Stock Exchange Corporation; "foreign securities exchange" refers to any organized securities exchange market that is regulated by the competent securities authorities of the jurisdiction where it is located.</u></b></p> <p>10. <b><u>"Over-the-counter (OTC) venue": "Domestic OTC venue" refers to a venue for OTC trading provided by a securities firm in accordance with the "Regulations Governing Securities Trading on the Taipei Exchange"; "foreign OTC venue" refers to a venue at a financial institution that is regulated by the foreign competent authority and that is permitted to conduct securities business.</u></b></p> <p>11. "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>12. "Transaction amount": Refers to the transaction amount calculated using one of the following</p>	<p>Investment Commission, Ministry of Economic Affairs, R. O. C. 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</p>	

Revised clause	Clause in force	Explanation
<p>methods. However, in calculation of threshold of the transaction amount to determine whether the Company shall obtain appraisal reports or opinions from certified public accountants (CPAs), or whether items need to be 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 or 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 or <b><u>right-of-use asset thereof</u></b> acquisitions or disposals (cumulative acquisitions and cumulative disposals, respectively) within the same development project within one year.</p> <p>(4)The cumulative transaction amount of acquisitions and</p>	<p>methods. However, in calculation of threshold of the transaction amount to determine whether the Company shall obtain appraisal reports or opinions from certified public accountants (CPAs), or whether items need to be 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 or 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 or disposals (cumulative acquisitions and cumulative disposals, respectively) within the same development project within one year.</p> <p>(4)The cumulative transaction amount of acquisitions and</p>	

Revised clause	Clause in force	Explanation
<p>disposals (cumulative acquisitions and (cumulative disposals, respectively) of the same securities within one year.</p> <p>13. "All Audit Committee members": Refers to the actual number of persons currently serving in the Audit Committee.</p> <p>14. "All Directors": Refers to the actual number of persons currently serving as Directors.</p>	<p>disposals (cumulative acquisitions and cumulative disposals, respectively) of the same securities within one year.</p> <p>10. "All Audit Committee members": Refers to the actual number of persons currently serving in the Audit Committee.</p> <p>11. "All Directors": Refers to the actual number of persons currently serving as Directors.</p>	
<p>Article 4</p> <p>Professional appraisers and their officers, CPAs, attorneys, and securities underwriters who provide the Company with appraisal reports, CPAs' opinions, attorney's opinions or underwriter's opinions <b><u>shall meet the following requirements:</u></b></p> <p>1. <b><u>May not have previously received a final and unappealable sentence to imprisonment for one year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents or occupational crime. However, this provision does not apply if three years have already passed since the service of the sentence completed, since the period of a suspended</u></b></p>	<p>Article 4</p> <p>Professional appraisers and their officers, CPAs, attorneys, and securities underwriters who provide the Company with appraisal reports, CPAs' opinions, attorney's opinions or underwriter's opinions <b><u>shall not be a related party of any party involved in the transaction.</u></b></p>	<p>Amendments are made in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC.</p>

Revised clause	Clause in force	Explanation
<p><u>sentence expired, or since a pardon was received.</u></p> <p>2. <u>May not be a related party or de facto related party of any party to the transaction.</u></p> <p>3. <u>If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</u></p> <p><u>When issuing an appraisal report or opinion, the aforementioned personnel shall comply with the following:</u></p> <p>1. <u>Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</u></p> <p>2. <u>When examining a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</u></p> <p>3. <u>They shall undertake an item-by-item evaluation of the comprehensiveness, accuracy, and reasonableness of the sources of data used, the parameters, and the</u></p>		

Revised clause	Clause in force	Explanation
<p><u>information, as the basis for issuance of the appraisal report or the opinion.</u></p> <p>4. <u>They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable and accurate, and that they have complied with applicable laws and regulations.</u></p>		
<p>Article 6</p> <p>The Company's acquisition or disposal of assets shall be approved by the levels of authority according to the following provisions which are implemented by the first echelon units in charge, depending on the nature of assets in accordance with respective control operations of the relevant trading cycles in internal control system, unless such control operations provided otherwise by this Procedures:</p> <p>1. Investments of current and non-current financial instruments:</p> <p>(Omitted)</p> <p>3. <b><u>Right-of-use assets:</u></b></p> <p>(1)<b><u>Acquisition: The Company's acquisition of right-of-use assets due to a new lease contract, or due to the modification of a lease contract which is classified as addition of one or more right-of-use assets and</u></b></p>	<p>Article 6</p> <p>The Company's acquisition or disposal of assets shall be approved by the levels of authority according to the following provisions which are implemented by the first echelon units in charge, depending on the nature of assets in accordance with respective control operations of the relevant trading cycles in internal control system, unless such control operations provided otherwise by this Procedures:</p> <p>1. Investments of current and non-current financial instruments:</p> <p>(Omitted)</p>	<p>The definition of acquisition and disposal of right-of-use assets as mentioned in Subparagraph 3, Paragraph 1 is added referring to Question 15 of the "FAQ of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC.</p>

Revised clause	Clause in force	Explanation
<p><b><u>expansion of scope of the lease as required by the International Financial Reporting Standards (IFRS), where the increase in lease amount is commensurate with the standalone price for the increase in scope, shall be handled in accordance with Sections 1 and 2 of this Chapter as well as Chapter 3. The recognition of right-of-use assets and the estimation of transaction amount shall be discussed with the Finance Department and the Accounting Department, and be handled in accordance with IFRS.</u></b></p> <p><b><u>(2) Disposal: Sublease of right-of-use assets by the Company (lessee) to others, where the sublease is classified as a finance lease as required by IFRS, shall be handled in accordance with Sections 1 and 2 of this Chapter as well as Chapter 3. The recognition of sublease and the estimation of transaction amount shall be discussed with the Finance Department and the Accounting Department, and be handled in accordance with IFRS.</u></b></p> <p>4. Other assets: Shall be approved by the President,</p>	<p>3. Other assets: Shall be approved by the President,</p>	

Revised clause	Clause in force	Explanation
<p>except as otherwise stipulated in the Company Act, the Business Mergers and Acquisitions Act, other laws, the Company's Articles of Incorporation, and Sections 3 and 4 of this Chapter.</p>	<p>except as otherwise stipulated in the Company Act, the Business Mergers and Acquisitions Act, other laws, the Company's Articles of Incorporation, and Sections 3 and 4 of this Chapter.</p>	
<p>Article 7</p> <p>The total amount of investments and other equity interests, the total amount of investment in securities, the limit amounts for individual securities, and the total amount of real property and <b><u>right-of-use assets thereof</u></b> for non-business use invested by the Company and its subsidiaries are stipulated below respectively, except for domestic public subsidiaries who have their own provisions of the Procedures for Acquisition or Disposal of Assets:</p> <p>(Omitted)</p> <p>3. The total amount of real property and <b><u>right-of-use assets thereof</u></b> acquired by the Company and each subsidiary for non-business use shall not exceed 10% of each company's paid-in capital.</p> <p>(Omitted)</p>	<p>Article 7</p> <p>The total amount of investments and other equity interests, the total amount of investment in securities, the limit amounts for individual securities, and the total amount of real property for non-business use invested by the Company and its subsidiaries are stipulated below respectively, except for domestic public subsidiaries who have their own provisions of the Procedures for Acquisition or Disposal of Assets:</p> <p>(Omitted)</p> <p>3. The total amount of real property acquired by the Company and each subsidiary for non-business use shall not exceed 10% of each company's paid-in capital.</p> <p>(Omitted)</p>	<p>Amendments are made in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC.</p>
<p>Article 8</p> <p>For the acquisition or disposal of real property, equipment or <b><u>right-of-use assets thereof</u></b> where the transaction amount reaches NT\$300 million or more, the Company, unless transacting with a <b><u>domestic</u></b> government agency, commissioning others to build on its own land, commissioning others to build on rented land,</p>	<p>Article 8</p> <p>For the acquisition or disposal of real property or equipment where the transaction amount reaches NT\$300 million or more, the Company, unless transacting with a government agency, commissioning others to build on its own land, commissioning others to build on rented land, or acquiring or disposing machinery equipment</p>	<p>1. Amendments are made in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC.</p> <p>2. The reference basis for the transaction price of right-of-use assets is</p>

Revised clause	Clause in force	Explanation
<p>or acquiring or disposing machinery equipment or <b><u>right-of-use assets thereof held</u></b> for operating use, shall obtain an appraisal report before the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>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 meeting of the Board of Directors, and the same procedure shall be followed for any <b><u>subsequent</u></b> change to the terms and conditions of the transaction <b><u>thereafter</u></b>.</p> <p>(Omitted)</p> <p>While dealing with the acquisition or disposal of real property, equipment or <b><u>right-of-use assets thereof</u></b> not contained in the preceding Paragraph, the first-echelon units in charge of acquiring or disposing of real property or <b><u>right-of-use assets thereof</u></b> shall refer to the declared current value, assessed value, the actual transaction prices of neighboring real properties and the <b><u>leasing market</u></b> for setting a transaction price; and the first-echelon units in charge of acquiring or disposing of equipment or <b><u>right-of-use assets thereof</u></b> shall refer to past transaction prices for same or similar assets experienced by the Company or those in the same industry, <b><u>or the leasing market</u></b> for setting a transaction</p>	<p>for operating use, shall obtain an appraisal report before the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <p>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 meeting of the Board of Directors, and the same procedure shall be followed for any <b><u>future</u></b> changes to the terms and conditions of the transaction.</p> <p>(Omitted)</p> <p>While dealing with the acquisition or disposal of real property or equipment not contained in the preceding Paragraph, the first-echelon units in charge of acquiring or disposing of real property shall refer to the declared current value, assessed value <b><u>and</u></b> the actual transaction prices of neighboring real properties for setting a transaction price; and the first-echelon units in charge of acquiring or disposing of equipment shall refer to past transaction prices for same or similar assets 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.</p>	<p>added according to actual business operations.</p>



Revised clause	Clause in force	Explanation
<p>price, as a reference for levels in authority to estimate the transaction price.</p>		
<p>Article 9</p> <p>When acquiring or disposing of securities, the Company shall, before the date of occurrence of the event, obtain the most recent financial statement from the issuing company, audited and reviewed by a certified public accountant (CPA), for reference in appraising the transaction price. In any of the following circumstances where the transaction amount reaches NT\$300 million or more, the Company shall engage a CPA to render an opinion on the reasonableness of the transaction price before the date of occurrence of the event. If the CPA needs to use the report of an expert as evidence, he/she shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF). However, securities with quoted prices in an active market or covered by other regulations of the FSC are not subject to this restriction.</p> <p>Exceptions in the preceding Paragraph refer to the following:</p> <ol style="list-style-type: none"> <li>1. Securities acquired by means of cash subscriptions when establishing a company by founders or by offering public shares in accordance with the <b>law</b>, where the rights represented by the acquired securities are commensurate with the proportion of capital contributed.</li> </ol>	<p>Article 9</p> <p>When acquiring or disposing of securities, the Company shall, before the date of occurrence of the event, obtain the most recent financial statement from the issuing company, audited and reviewed by a certified public accountant (CPA), for reference in appraising the transaction price. In any of the following circumstances where the transaction amount reaches NT\$300 million or more, the Company shall engage a CPA to render an opinion on the reasonableness of the transaction price before the date of occurrence of the event. If the CPA needs to use the report of an expert as evidence, he/she shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF). However, securities with quoted prices in an active market or covered by other regulations of the FSC are not subject to this restriction.</p> <p>Exceptions in the preceding Paragraph refer to the following:</p> <ol style="list-style-type: none"> <li>1. Securities acquired by means of cash subscriptions when establishing a company by founders or by offering public shares in accordance with the <b>Company Act</b>, where the rights represented by the acquired securities are commensurate with the proportion of capital contributed.</li> </ol>	<p>Amendments are made in compliance with regulations of the Order No. Financial-Supervisory-Securities-Corporate-107033 1908.</p>

Revised clause	Clause in force	Explanation
<p>2. Acquisition of securities issued by the target company based on par value in order to increase cash capital in accordance with the relevant regulations.</p> <p>3. Acquisition of securities issued by <b><u>direct or indirect</u></b> wholly-owned subsidiary for the purpose of increasing cash capital, <b><u>or mutual acquisition of securities issued by wholly-owned subsidiaries among these wholly-owned subsidiaries for the purpose of increasing cash capital.</u></b></p> <p>4. Listed, traded, and emerging securities traded in stock exchanges or by brokers.</p> <p>5. <b><u>Domestic</u></b> government bonds, or bonds traded with repurchase or resale agreements.</p> <p>6. Publicly offered funds.</p> <p>7. Listed (or OTC) stocks acquired or disposed of in accordance with the rules and regulations promulgated by <b><u>Taiwan Stock Exchange Corporation (TWSE) or Taipei Exchange (TPEX)</u></b> with regard to tender offer or auction of listed (or OTC) stocks.</p> <p>8. Participation in subscription to shares issued by <b><u>domestic</u></b> public companies for the purpose of increasing cash capital or domestic subscription of corporate bonds (including bank debentures), where the</p>	<p>2. Acquisition of securities issued by the target company based on par value in order to increase cash capital in accordance with the relevant regulations.</p> <p>3. Acquisition of securities issued by wholly-owned subsidiary for the purpose of increasing cash capital.</p> <p>4. Listed, traded, and emerging securities traded in stock exchanges or by brokers.</p> <p>5. Government bonds, or bonds traded with repurchase or resale agreements.</p> <p>6. <b><u>Onshore or offshore</u></b> publicly offered funds.</p> <p>7. Listed (or OTC) stocks acquired or disposed of in accordance with the rules and regulations promulgated by <b><u>a stock exchange or OTC market</u></b> with regard to tender offer or auction of listed (or OTC) stocks.</p> <p>8. Participation in subscription to shares issued by public companies for the purpose of increasing cash capital or domestic subscription of corporate bonds (including bank debentures)</p>	

Revised clause	Clause in force	Explanation
<p>securities are not acquired through private placement.</p> <p>(Omitted)</p>	<p>domestically, where the securities are not acquired through private placement.</p> <p>(Omitted)</p>	
<p>Article 10</p> <p>Where the Company acquires or disposes of intangible assets or <b><u>right-of-use assets thereof, or memberships</u></b> and the transaction amount reaches NT\$300 million or more, except in transactions with a <b><u>domestic</u></b> government agency, the Company shall engage a CPA 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 ARDF.</p>	<p>Article 10</p> <p>Where the Company acquires or disposes of <b><u>memberships</u></b> or intangible assets and the transaction amount reaches NT\$300 million or more, except in transactions with a government agency, the Company shall engage a CPA 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 ARDF.</p>	<p>Amendments are made in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC.</p>
<p>Article 13</p> <p>When the Company intends to acquire or dispose of real property <b><u>or right-of-use assets thereof</u></b> from or to a related party, or when it intends to acquire or dispose of assets other than real property <b><u>or right-of-use assets thereof</u></b> from or to a related party and the transaction amount reaches NT\$300 million or more, except the trading of <b><u>domestic</u></b> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, 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> <p>1. The purpose, necessity, and</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, except the 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, 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 Director:</p> <p>1. The purpose, necessity, and</p>	<p>Amendments are made in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC.</p>

Revised clause	Clause in force	Explanation
<p>anticipated benefit of the acquisition or disposal of the asset.</p> <p>2. The reason for choosing the related party as a trading counterparty.</p> <p>3. With respect to the acquisition of real property <b><u>or right-of-use assets thereof</u></b> from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15 of the Procedures.</p> <p>(Omitted)</p> <p><b><u>For the following transactions between the Company and its subsidiaries,</u></b> 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 Board Meeting:</p> <p>1. <b><u>Acquisition or disposal of equipment or right-of-use assets thereof for business use.</u></b></p> <p>2. <b><u>Acquisition or disposal of real property right-of-use assets for business use.</u></b></p>	<p>anticipated benefit of the acquisition or disposal of the asset.</p> <p>2. The reason for choosing the related party as a trading counterparty.</p> <p>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 Article 14 and Article 15 of the Procedures.</p> <p>(Omitted)</p> <p><b><u>When the Company acquires or disposes of equipment for business use from or to its subsidiaries,</u></b> 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 Board Meeting.</p>	
<p>Article 14</p> <p>Where the Company acquires a real property <b><u>or right-of-use assets thereof</u></b> from a related party, the reasonableness of the costs of the transaction shall be evaluated in accordance with the following methodology:</p> <p>(Omitted)</p> <p>Where the land and the building(s) located thereon are</p>	<p>Article 14</p> <p>Where the Company acquires a real property from a related party, the reasonableness of the costs of the transaction shall be evaluated in accordance with the following methodology:</p> <p>(Omitted)</p> <p>Where the land and the building(s) located thereon are</p>	<p>Amendments are made in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC.</p>

Revised clause	Clause in force	Explanation
<p>purchased or <b><u>leased</u></b> together, the transaction costs for the land and the building(s) may be evaluated separately in accordance with any of the methods set forth in the preceding Paragraph.</p> <p>Where the Company acquires real property <b><u>or right-of-use assets thereof</u></b> from a related party, in addition to evaluating the cost of the real property <b><u>or right-of-use assets thereof</u></b> in accordance with <b><u>the preceding two paragraphs</u></b>, CPAs must also be engaged to audit such a cost and to express their specific opinions.</p> <p>Where one of the following conditions is true, the preceding three paragraphs shall not apply:</p> <ol style="list-style-type: none"> <li>1. Where the related party acquires the real property <b><u>or right-of-use assets thereof</u></b> through inheritance or as a gift.</li> <li>2. Where the date on which the related party entered into the agreement to acquire the real property <b><u>or right-of-use assets thereof</u></b> precedes the date of the contract for the current transaction by more than five years.</li> <li>3. Where real property are acquired by entering into a joint development contract with a related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</li> <li>4. <b><u>Where the right-of-use assets of real property are acquired from subsidiaries for business use.</u></b></li> </ol>	<p>purchased together, the transaction costs for the land and the building(s) may be evaluated separately in accordance with any of the methods set forth in the preceding Paragraph.</p> <p>Where the Company acquires real property from a related party, in addition to evaluating the cost of the real property in accordance with <b><u>the Paragraph 1 and 2</u></b>, CPAs must also be engaged to audit such a cost and to express their specific opinions.</p> <p>Where one of the following conditions is true, the preceding three paragraphs shall not apply:</p> <ol style="list-style-type: none"> <li>1. Where the related party acquires the real property through inheritance or as a gift.</li> <li>2. Where the date on which the related party entered into the agreement to acquire the real property precedes the date of the contract for the current transaction by more than five years.</li> <li>3. Where real property are acquired by entering into a joint development contract with a related party, or through engaging a related party to build real property, either on the Company's own land or on rented land.</li> </ol>	

Revised clause	Clause in force	Explanation
<p>Article 15</p> <p>When the results of the Company's appraisal conducted in accordance with Paragraph 1 and 2 in the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 16. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:</p> <p>1. Where the related party acquires undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(Omitted)</p> <p>(2)Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area prices in accordance with standard property market sale or <b><u>leasing</u></b> practices.</p>	<p>Article 15</p> <p>When the results of the Company's appraisal conducted in accordance with Paragraph 1 and 2 in the preceding Article are uniformly lower than the transaction price, the matter shall be handled in compliance with Article 16. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA, this restriction shall not apply:</p> <p>1. Where the related party acquires undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>(Omitted)</p> <p>(2)Completed transactions by unrelated parties within the preceding year involving other floors of the same property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area prices in accordance with standard property market practices.</p> <p><b><u>(3)Leasing transactions by unrelated parties for other floors of the same property from within the preceding year, where the transaction terms are similar after</u></b></p>	<p>Amendments are made in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC.</p>

Revised clause	Clause in force	Explanation
<p>2. Where the Company acquires real property or obtains <b><u>right-of-use assets of real property through leasing</u></b> from a related party and provides evidence that the terms of the transaction are similar to the terms of transactions for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions for neighboring or closely valued parcels of land in the preceding Paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction.</p>	<p><b><u>calculation of reasonable price discrepancies among floors in accordance with standard property leasing market practices.</u></b></p> <p>2. Where the Company acquires real property from a related party and provides evidence that the terms of the transaction are similar to the terms of transactions completed for the acquisition of neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions for neighboring or closely valued parcels of land in the preceding Paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transaction for similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the property in the planned transaction.</p>	
<p>Article 16</p> <p>Where the Company acquires real property <b><u>or right-of-use assets thereof</u></b> from a related party and the results of appraisals conducted in accordance with <b><u>the preceding two Articles</u></b> 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 <b><u>Articles 14 and 15</u></b> are uniformly lower than the transaction price, the following steps shall be taken:</p>	<p>Amendments are made in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC.</p>

Revised clause	Clause in force	Explanation
<p>1. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property <u>or right-of-use assets thereof</u>, and may not be distributed or used for capital increase or issuance of bonus shares.</p> <p>2. Independent Directors shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to <u>the preceding two Subparagraphs</u> 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 <u>or leased</u> at a premium, or the assets have been disposed of, or <u>the lease contract have been terminated</u>, 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 <u>or right-of-use assets thereof</u> from a related party, it shall also comply with the preceding two paragraphs if there is other evidence indicating that the acquisition</p>	<p>1. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the difference between the transaction price and the appraised cost of real property, and may not be distributed or used for capital increase or issuance of bonus shares.</p> <p>2. Independent Directors shall comply with Article 218 of the Company Act.</p> <p>3. Actions taken pursuant to <u>Subparagraphs 1 and 2</u> 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 preceding two paragraphs if there is other evidence indicating that the acquisition was not an arm's length</p>	



Revised clause	Clause in force	Explanation
was not an arm's length transaction.	transaction.	
<p>Article 21-4</p> <p>In addition to the provisions of this section, the Company's participation in a merger, demerger, acquisition or share transfer must be conducted in adherence with the provisions of Paragraph 2 of Article 24, Paragraphs 1, 2, and 5 of Article 25, Article 29, and Article 30 of the Procedures.</p>	<p>Article 21-4</p> <p>In addition to the provisions of this section, the Company's participation in a merger, demerger, acquisition or share transfer must be conducted in adherence with the provisions of Paragraph 2 of Article 23, Paragraphs 1, 2, and 5 of Article 24, Article 28, and Article 29 of the Procedures.</p>	<p>Amendments are made in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC.</p>
<p>Article 22</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets, based on the nature of the event, shall publicly announce and report the relevant information on the FSC's designated website according to the format and content required by FSC within two days from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property <b>or right-of-use assets thereof</b> from or to a related party, or acquisition or disposal of assets other than real property or <b>right-of-use assets thereof</b> from or to a related party where the transaction amount reaches NT\$300 million or more. However, this shall not apply to trading of <b>domestic</b> government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of</li> </ol>	<p>Article 22</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets, based on the nature of the event, shall publicly announce and report the relevant information on the FSC's designated website according to the format and content required by FSC within two days from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>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. However, 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.</li> <li>2. Merger, demerger, acquisition, or transfer of</li> </ol>	<p>Amendments are made in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC.</p>

Revised clause	Clause in force	Explanation
<p>shares.</p> <p>3. Loss from derivatives trading reaching the limit on aggregate loss or loss on individual contract stipulated in Sub-item 2, Item 5, Subparagraph 1, Article 17 of the Procedures.</p> <p>4. Acquisition or disposal of <b><u>equipment or right-of-use assets thereof</u></b> for business use, in which the trading counterparty is not a related party, and the transaction amount reaches NT\$1 billion or above.</p> <p>5. Acquisition of real property by 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, in which <b><u>the trading counterparty is not a related party, and</u></b> the Company expects to invest NT\$500 million or more.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in Mainland China reaches NT\$300 million or more; however, this shall not apply to the following circumstances:</p> <p>(1)Trading of <b><u>domestic</u></b> government bonds.</p> <p>(2)Trading of bonds under repurchase/resale agreements, or subscription or redemption of money</p>	<p>shares.</p> <p>3. Loss from derivatives trading reaching the limit on aggregate loss or loss on individual contract stipulated in Sub-item 2, Item 5, Subparagraph 1, Article 17 of the Procedures.</p> <p>4. Acquisition or disposal of <b><u>assets which are equipment</u></b> for business use, in which the trading counterparty is not a related party, and the transaction amount reaches NT\$1 billion or above.</p> <p>5. Acquisition of real property by 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, in which the Company expects to invest NT\$500 million or more.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in Mainland China reaches NT\$300 million or more; however, this shall not apply to the following circumstances:</p> <p>(1)Trading of government bonds.</p> <p>(2)Trading of bonds under repurchase/resale agreements, or subscription or redemption of money</p>	

Revised clause	Clause in force	Explanation
<p>market funds issued by domestic securities investment trust enterprises.</p> <p>(Omitted)</p>	<p>market funds issued by domestic securities investment trust enterprises.</p> <p>(Omitted)</p>	
<p>Article 25</p> <p>Information required to be reported in accordance with <b>the preceding Chapter</b> on acquisition and disposal of assets by any subsidiary that is not itself a domestic public company shall be reported by the Company.</p>	<p>Article 25</p> <p>Information required to be reported in accordance with <b>Chapter III</b> on acquisition and disposal of assets by any subsidiary that is not itself a domestic public company shall be reported by the Company.</p>	<p>Amendments are made in compliance with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by FSC.</p>

#### **4. Proposal:**

##### **Amendments to the Procedures for Loaning of Funds**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) The amendment is made in compliance with the amendments to "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by Financial Supervisory Commission (FSC).
- (2) The amendment is made to Subparagraph 2, Paragraph 1 of Article 2.
- (3) A comparison table of draft clauses and the clauses in force is attached.

#### **Resolution:**

## Attachment 7

### Comparison Table for Draft Amendments to the Procedures for Loaning of Funds of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 2</p> <p>Terms in the Procedures are defined as follows:</p> <ol style="list-style-type: none"> <li>"Announce and report": Refers to the process of entering data to the information reporting website designated by the FSC.</li> <li>"Date of occurrence": Refers to the date of contract signing, date of payment, date of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the <b>loaning of funds</b>, whichever date is earlier.</li> <li>"Subsidiary": Shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</li> <li>"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.</li> <li>"All Audit Committee members": Refers to the actual number of persons currently serving in the Audit Committee.</li> <li>"All Directors": Refers to the actual number of persons currently serving as directors.</li> </ol>	<p>Article 2</p> <p>Terms in the Procedures are defined as follows:</p> <ol style="list-style-type: none"> <li>"Announce and report": Refers to the process of entering data to the information reporting website designated by the FSC.</li> <li>"Date of occurrence": Refers to the date of contract signing, date of payment, date of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the <b>transaction</b>, whichever date is earlier.</li> <li>"Subsidiary": Shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</li> <li>"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.</li> <li>"All Audit Committee members": Refers to the actual number of persons currently serving in the Audit Committee.</li> <li>"All Directors": Refers to the actual number of persons currently serving as directors.</li> </ol>	<p>The amendment is made in compliance with "Regulation Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies" issued by FSC.</p>

## **5. Proposal:**

### **Amendments to the Procedures for Endorsements and Guarantees**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) The amendment is made in compliance with the amendment to "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by Financial Supervisory Commission (FSC).
- (2) The amendment is made to Subparagraph 2, Paragraph 1 of Article 2-1.
- (3) A comparison table of draft clauses and the clauses in force is attached.

#### **Resolution:**

## Attachment 8

### Comparison Table for Draft Amendments to the Procedures for Endorsements and Guarantees of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 2-1</p> <p>Other terms in the Procedures are defined as follows:</p> <ol style="list-style-type: none"> <li>"Announce and report": Refers to the process of entering data to the information reporting website designated by the FSC.</li> <li>"Date of occurrence": Refers to the date of contract signing, date of payment, date of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of <b><u>the endorsement and guarantee</u></b>, whichever date is earlier.</li> <li>"Subsidiary": Shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</li> <li>"Net worth of the Company": Refers to the latest balance sheet equity attributable to owners of the Company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</li> <li>"All Audit Committee members": Refers to the actual number of persons currently serving in the Audit Committee.</li> <li>"All Directors": Refers to the actual number of persons currently serving as directors.</li> </ol>	<p>Article 2-1</p> <p>Other terms in the Procedures are defined as follows:</p> <ol style="list-style-type: none"> <li>"Announce and report": Refers to the process of entering data to the information reporting website designated by the FSC.</li> <li>"Date of occurrence": Refers to the date of contract signing, date of payment, date of Boards of Directors resolutions, or other date that can confirm the counterparty and monetary amount of the <b><u>transaction</u></b>, whichever date is earlier.</li> <li>"Subsidiary": Shall be as determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</li> <li>"Net worth of the Company": Refers to the latest balance sheet equity attributable to owners of the Company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.</li> <li>"All Audit Committee members": Refers to the actual number of persons currently serving in the Audit Committee.</li> <li>"All Directors": Refers to the actual number of persons currently serving as directors.</li> </ol>	<p>The amendment is made in compliance with "Regulation Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies" issued by FSC.</p>

## **6. Proposal:**

### **Amendments to the Rules Governing Procedures for Shareholders' Meeting**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) Amendments are made to Article 2, Article 2-1, Article 7, and Article 15, and the details are explained as follows:
  - A. The wordings in Paragraph 4, 6, and 7 of Article 2 are amended in compliance with the amendments to Article 172 and Article 172-1 of the Company Act.
  - B. The wordings in Article 2-1 are amended in compliance with the requirement set forth by Taiwan Stock Exchange that “Public companies with certain qualification shall announce and report the English version of meeting agenda handbooks and supplemental materials for the Shareholders’ Meetings, annual reports, and annual financial reports.”
  - C. The wording in Paragraph 1 of Article 7 is amended referring to the Indicator 1.3 of Corporate Governance Evaluation that "If a majority of the Directors and the convener of a company’s Audit Committee, in case there is one, attended the Annual General Meeting, one additional point will be added to the total score."
- (2) A comparison table of draft clauses and the clauses in force is attached.

#### **Resolution:**



## Attachment 9

### Comparison Table for Draft Amendments to the Rules Governing Procedures for Shareholders' Meeting of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 2</p> <p>Unless relevant laws and regulations provide otherwise, the Company's Meeting shall be convened by the Board of Directors.</p> <p>Reasons for convening the Regular Meeting or Extraordinary Meeting shall be specified in the notice and announcement given to the shareholders at least thirty days or fifteen days prior to the Meeting date. The notice may be given by means of electronic communication if the Company obtains prior consent by the recipients. The announcement for shareholders who own less than 1,000 shares of nominal stocks may be made as referred to the next paragraph of this Article.</p> <p>Thirty days before the Company convenes a Regular Meeting or fifteen days before an Extraordinary 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 Meeting agenda, and upload them to the Market Observation Post System.</p> <p>Where there are proposals relating to election or dismissal of directors, amendments to the Articles, <b><u>reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares,</u></b> dissolution, merger or spin-off of the Company, or relating to Paragraph 1, Article 185 of the Company Act, Article 43-6 of the</p>	<p>Article 2</p> <p>Unless relevant laws and regulations provide otherwise, the Company's Meeting shall be convened by the Board of Directors.</p> <p>Reasons for convening the Regular Meeting or Extraordinary Meeting shall be specified in the notice and announcement given to the shareholders at least thirty days or fifteen days prior to the Meeting date. The notice may be given by means of electronic communication if the Company obtains prior consent by the recipients. The announcement for shareholders who own less than 1,000 shares of nominal stocks may be made as referred to the next paragraph of this Article.</p> <p>Thirty days before the Company convenes a Regular Meeting or fifteen days before an Extraordinary 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 Meeting agenda, and upload them to the Market Observation Post System.</p> <p>Where there are proposals relating to election or dismissal 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, <b><u>Article 26-1 and</u></b> 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, these proposals shall be enumerated in the notice of the reasons for convening the Meeting and</p>	<p>The wordings in Paragraph 4, 6, and 7 of the Article are amended in compliance with the amendments to Article 172 and Article 172-1 of the Company Act.</p>

Revised clause	Clause in force	Explanation
<p>Securities Exchange Act, Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, these proposals shall be enumerated in the notice of the reasons for convening the Meeting and extraordinary motions for such proposals shall be prohibited. <b><u>The essential contents of the above proposals may be posted on the website designated by the competent authority in charge of securities affairs or the Company, and such website shall be indicated in the above notice.</u></b></p> <p>Shareholders holding one percent or more of the total number of outstanding shares may propose in writing to the Company a proposal for discussion at a Regular Meeting, provided only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. Proposals that are under the circumstances as specified in Paragraph 4, Article 172-1 of the Company Act may not be included in the agenda by the Board of Directors.</p> <p>Prior to the date on which share transfer registration is suspended before convening the Regular Meeting, the Company shall give a public notice announcing the place and the period for shareholders to submit proposals <b><u>in writing or by way of electronic transmission.</u></b> The period for accepting such proposals shall be no less than ten days.</p> <p>The number of words of a proposal to be submitted by a shareholder shall be limited to no more than three hundred. The shareholder who has submitted a proposal shall attend, in person or by proxy, the Meeting where his/her proposal is to be discussed and shall take part in the discussion of such</p>	<p>extraordinary motions for such proposals shall be prohibited.</p> <p>Shareholders holding one percent or more of the total number of outstanding shares may propose in writing to the Company a proposal for discussion at a Regular Meeting, provided only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. Proposals that are under the circumstances as specified in Paragraph 4, Article 172-1 of the Company Act may not be included in the agenda by the Board of Directors.</p> <p>Prior to the date on which share transfer registration is suspended before convening the Regular Meeting, the Company shall give a public notice announcing the place and the period for shareholders to submit proposals. The period for accepting such proposals shall be no less than ten days.</p> <p>The number of words of a proposal to be submitted by a shareholder shall be limited to no more than three hundred, <b><u>and any proposal containing more than three hundred words shall not be included in the agenda of the Regular Meeting.</u></b> The shareholder who has submitted a proposal shall</p>	

Revised clause	Clause in force	Explanation
<p>proposal.</p> <p>The Company shall, prior to preparing and delivering the Meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the Meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the Meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the Meeting to be convened.</p>	<p>attend, in person or by proxy, the Meeting where his/her proposal is to be discussed and shall take part in the discussion of such proposal.</p> <p>The Company shall, prior to preparing and delivering the Meeting notice, inform, by a notice, all the proposal submitting shareholders of the proposal screening results, and shall list in the Meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the Meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the Meeting to be convened.</p>	
<p>Article 2-1</p> <p>The Company shall prepare the agenda handbook for the Meeting in compliance with the rules by the competent authorities.</p> <p>Twenty-one days before the Company is to convene a Regular Meeting, or 15 days before an Extraordinary Meeting, it shall prepare an electronic file of the <b><u>annual report, annual financial statements, the Meeting notice</u></b>, the Meeting agenda handbook and the supplemental materials <b><u>in both Chinese and English</u></b>, and upload it to the Market Observation Post System. Fifteen days before the Company is to convene a Meeting, it shall prepare the Meeting agenda handbook and supplemental materials and make them available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the Company and the professional stock registrar and transfer agent designated by the Company, and distributed on-site at the Meeting.</p>	<p>Article 2-1</p> <p>The Company shall prepare the agenda handbook for the Meeting in compliance with the rules by the competent authorities.</p> <p>Twenty-one days before the Company is to convene a Regular Meeting, or 15 days before an Extraordinary Meeting, it shall prepare an electronic file of the Meeting agenda handbook and the supplemental materials, and upload it to the Market Observation Post System. Fifteen days before the Company is to convene a Meeting, it shall prepare the Meeting agenda handbook and supplemental materials and make them available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the Company and the professional stock registrar and transfer agent designated by the Company, and distributed on-site at the Meeting.</p>	<p>The wordings in this Article are amended in compliance with the requirement set forth by Taiwan Stock Exchange that “Public companies with certain qualification shall announce and report the English version of meeting agenda handbooks and supplemental materials for the Shareholders’ Meetings, annual reports, and annual financial reports.”</p>

Revised clause	Clause in force	Explanation
<p>Article 7</p> <p>Meetings 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, <b><u>the convener of the Audit Committee</u></b>, and at least one representative from each Board Committees. The attendance shall be recorded in minutes of the Meeting.</p> <p>The Company may designate retained attorneys, accountants or relevant personnel as nonvoting attendees at Meetings.</p>	<p>Article 7</p> <p>Meetings 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 the Meeting.</p> <p>The Company may designate retained attorneys, accountants or relevant personnel as nonvoting attendees at Meetings.</p>	<p>The wording in Paragraph 1 of this Article is amended referring to the Indicator 1.3 of Corporate Governance Evaluation that "If a majority of the Directors and the convener of a company's Audit Committee, in case there is one, attended the Annual General Meeting, one additional point will be added to the total score."</p>
<p>Article 15</p> <p>Each share in a shareholder's possession shall have one voting right, except for shares having restricted/ no voting rights as regulated in Subparagraph 3, <b><u>Paragraph 1</u></b>, Article 157 and Paragraph 2, Article 179 of the Company Act, and other related laws and regulations.</p> <p>For the purposes of resolutions by the Meeting, the number of shares owned by shareholders bearing no voting rights shall be excluded from the calculation of the total number of shares outstanding.</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 behalf of other shareholders. Therefore, the number of such shares not permitted to exercise voting rights is not counted in the number of votes of shareholders present at the Meeting.</p> <p>With the exception of trust enterprises or stock affairs agency institutions approved by the competent securities authority, the number of voting rights</p>	<p>Article 15</p> <p>Each share in a shareholder's possession shall have one voting right, except for shares having restricted/ no voting rights as regulated in Subparagraph 3, Article 157 and Paragraph 2, Article 179 of the Company Act, and other related laws and regulations.</p> <p>For the purposes of resolutions by the Meeting, the number of shares owned by shareholders bearing no voting rights shall be excluded from the calculation of the total number of shares outstanding.</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 behalf of other shareholders. Therefore, the number of such shares not permitted to exercise voting rights is not counted in the number of votes of shareholders present at the Meeting.</p> <p>With the exception of trust enterprises or stock affairs agency institutions approved by the competent securities</p>	<p>Provisions are divided into Articles, Paragraphs, Subparagraphs, and Items in compliance with Paragraph 1, Article 8 of the Standard Act for the Law and Rules. However, when there are several subparagraphs but only one paragraph in an Article, the word "Paragraph" is usually omitted and the statement will become Subparagraph ○, Article ○. There was only one paragraph in Article 157 of the Company Act before its amendment on Aug 1, 2018, so Paragraph 1 of this Article cited Article 157 of the Company Act by following the aforesaid explanation and specified the statement to be "Subparagraph 3, Article 157". Since the Company Act added Paragraph 2 &amp; 3 in Article 157 in the</p>

Revised clause	Clause in force	Explanation
<p>represented by any one person commissioned by two or more shareholders must not exceed three percent of the voting rights for total outstanding shares; when exceeded, the voting rights in excess of the limit will not be counted, but they will still be counted among the number of votes of shareholders present at the Meeting.</p>	<p>authority, the number of voting rights represented by any one person commissioned by two or more shareholders must not exceed three percent of the voting rights for total outstanding shares; when exceeded, the voting rights in excess of the limit will not be counted, but they will still be counted among the number of votes of shareholders present at the Meeting.</p>	<p>amendment on Aug 1, 2018, the wording is amended in compliance with the aforesaid amendment.</p>

## **7. Proposal:**

### **Amendments to the Rules Governing the Election of Directors**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) The wordings in Paragraph 1 of Article 2 are amended in compliance with the amendments to Article 192-1 of the Company Act.
- (2) A comparison table of draft clauses and the clauses in force is attached.

#### **Resolution:**

## Attachment 10

### Comparison Table for Draft Amendments to the Rules Governing the Election of Directors of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 2</p> <p>The Company adopts the candidate nomination system for election of Directors, <b><u>carefully</u></b> reviews the qualifications, education background and work experience and the existence of any other matters set forth in Article 30 of the Company Act with respect to director candidates, <b><u>and acts in accordance with Article 192-1 of the Company Act.</u></b> Independent Directors and Non-independent Directors shall be nominated and listed separately, and shall be elected by shareholders from the respective candidate list.</p> <p>(Omitted)</p>	<p>Article 2</p> <p>The Company adopts the candidate nomination system for election of Directors <b><u>in compliance with Article 192-1 of the Company Act. In order to</u></b> review the qualifications, education background, working experience, and the existence of any other matters set forth in Article 30 of the Company Act with respect to director candidates, the Company may not arbitrarily add requirements for documentation of other qualifications, <b><u>and shall provide shareholders with the results of review for their reference, so as to elect qualified Directors.</u></b> Independent Directors and Non-independent Directors shall be nominated and listed separately, and shall be elected by shareholders from the respective candidate list.</p> <p>(Omitted)</p>	<p>Amendments to Paragraph 1 are made in compliance with the amendments to Paragraph 4, Article 192-1 of the Company Act announced on Aug 1, 2018, which simplifies the procedures for shareholders' nomination. Whether the candidate shall be included in the final roster of director candidates shall be determined according to Paragraph 5 of the same Article, and the Board of Directors or other conveners are no longer asked to assess the nominees.</p>

## 8. Proposal:

### Election of 11 Directors (including 3 Independent Directors) of the 17th Board of Directors

Proposed by the Board of Directors

#### Explanatory Note:

- (4) The term of the 11 Directors (including 3 Independent Directors) of the 16th Board of Directors will expire on June 22, 2019. It is planned to elect all of the 11 Directors (including 3 Independent Directors) of the 17th Board of Directors, serving a term of three years from June 19, 2019 to June 18, 2022.
- (5) The candidate nomination system is adopted in the election of the 17th Board of Directors. Shareholders shall elect the Directors from the list of the nominated candidates as follows.

Candidates for Directors of the 17th Board of Directors			
Shareholder Account Number/ ID Number	Shareholder's Name & Number of Shares Held	Representatives of Juristic Persons	Education & Experience of Representatives
Y00001	Ministry of Economic Affairs; 3,154,709,357 shares	Chao-Tung Wong	1. Ph.D. in Resource Engineering, National Cheng Kung University 2. Chairman, China Steel Corporation
Y00001	Ministry of Economic Affairs; 3,154,709,357 shares	Wen-Sheng Tseng	1. Bachelor of Civil Engineering, National Taiwan University 2. Deputy Minister of the Ministry of Economic Affairs
Y00001	Ministry of Economic Affairs; 3,154,709,357 shares	Fong-Sheng Wu	1. Master of Sociology, National Taiwan University 2. Vice Chairperson, State-Owned Enterprise Commission, Ministry of Economic Affairs 3. Acting Chairman, Tang Eng Iron Works Co., Ltd.



V01357	Chiun Yu Investment Corporation; 1,623,289 shares	Horng-Nan Lin	1.MBA in International Management, Thunderbird School of Global Management, U.S.A. 2.President, China Steel Corporation
V02376	Ever Wealthy International Corporation; 4,226,265 shares	Shyi-Chin Wang	1.Ph.D. in Materials Science, National Sun Yat-sen University 2.Executive Vice President, China Steel Corporation
V05147	Hung Kao Investment Corporation; 1,003,980 shares	Cheng-I Weng	1.Ph.D. in Mechanical Engineering, University of Rochester, U.S.A. 2.Adjunct Chair Professor, Department of Mechanical Engineering, Kun Shan University
V01360	Gau Ruei Investment Corporation; 1,493,318 shares	Yueh-Kun Yang	1.Master of Business Management, National Sun Yat-sen University 2. Vice President of Finance Division, China Steel Corporation
X00012	Labor Union of China Steel Corporation, Kaohsiung City; 7,221,487 shares	Chun-Sheng Chen	1.National Taitung Vocational Senior High School 2.President, Labor Union of China Steel Corporation, Kaohsiung City

**Candidates for Independent Directors of the 17th Board of Directors**

Shareholder Account Number/ ID Number	Candidate's Name & Number of Shares Held	Education & Experience of Candidates
S1010*****	Shyue-Bin Chang; 0 shares	1.Ph.D. in Mechanical and Aerospace Engineering, Cornell University, U.S.A. 2.Chair Professor and Vice President, Kao Yuan University
R1027*****	Min-Hsiung Hon; 0 shares	1.Ph.D. in Materials Science and Engineering, North Carolina State University, U.S.A. 2.Emeritus Professor, National Cheng Kung University
T23199	Lan-Feng Kao; 4,216 shares	1.Ph.D. in Accounting, National Cheng Kung University 2.Professor, Department of Finance, National University of Kaohsiung

**Election Result:**

## 9. Proposal:

**To release the prohibition on Mr. Chao-Tung Wong, when elected as the Director of the 17th Board of Directors, from holding the position of Director of China Ecotek Corporation and Chung-Hung Steel Corporation**

**Proposed by the Board of Directors**

### Explanatory Note:

- (1) The agenda is proposed in compliance with Paragraph 1, 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	Concurrent Post	Business Relationship with CSC
China Ecotek Corporation	Director	Engineering of environmental protection and steel construction
Chung-Hung Steel Corporation	Director	Manufacturing of steel products

- (3) Although the Company is related to China Ecotek Corporation and Chung-Hung Steel Corporation in part of their 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 monitoring the execution of business strategies.

### Resolution:

## **10.Proposal:**

**To release the prohibition on Mr. Fong-Sheng Wu, when elected as the Director of the 17th Board of Directors, from holding the position of Chairman of Tang Eng Iron Works Co., Ltd.**

**Proposed by the Board of Directors**

## **Explanatory Note:**

- (1) The agenda is proposed in compliance with Paragraph 1, 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. Fong-Sheng Wu is holding the following position:

Invested Company	Concurrent Post	Business Relationship with CSC
Tang Eng Iron Works Co., Ltd.	Chairman	Iron and steel rolling, drawing, and extruding

- (3) Although the Company is related to Tang Eng Iron Works Co., Ltd. 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. Fong-Sheng Wu's serving as the chairman of Tang Eng Iron Works Co., Ltd. by participating in important operating decisions and monitoring the execution of business strategies.

## **Resolution:**

## **11.Proposal:**

**To release the prohibition on Mr. Horng-Nan Lin, when elected as the Director of the 17th Board of Directors, from holding the position of Director of China Ecotek Corporation, Formosa Ha Tinh (Cayman) Limited and Formosa Ha Tinh Steel Corporation.**

**Proposed by the Board of Directors**

## **Explanatory Note:**

- (1) The agenda is proposed in compliance with Paragraph 1, 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. Horng-Nan Lin is holding the following positions:

Invested Company	Concurrent Post	Business Relationship with CSC
China Ecotek Corporation	Director	Engineering of environmental protection and steel construction
Formosa Ha Tinh (Cayman) Limited	Director	The holding company of Formosa Ha Tinh Steel Corporation, an integrated steel mill
Formosa Ha Tinh Steel Corporation	Director	Integrated steel mill

- (3) Although the Company is related to the aforesaid three companies in part of their 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. Horng-Nan Lin's serving in the board of these three companies by participating in important operating decisions and monitoring the execution of business strategies.

## **Resolution:**

## **12.Proposal:**

**To release the prohibition on Mr. Shyi-Chin Wang, when elected as the Director of the 17th Board of Directors, from holding the position of Director of Changzhou China Steel Precision Materials Co., Ltd., Formosa Ha Tinh (Cayman) Limited, Formosa Ha Tinh Steel Corporation and Taiwan High Speed Rail Corporation.**

**Proposed by the Board of Directors**

## **Explanatory Note:**

- (1) The agenda is proposed in compliance with Paragraph 1, 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	Concurrent Post	Business Relationship with CSC
Changzhou China Steel Precision Materials Co., Ltd.	Director	Iron and steel rolling, drawing, and extruding
Formosa Ha Tinh (Cayman) Limited	Director	The holding company of Formosa Ha Tinh Steel Corporation, an integrated steel mill
Formosa Ha Tinh Steel Corporation	Director	Integrated steel mill
Taiwan High Speed Rail Corporation	Director	Machinery installation

- (3) Although the Company is related to the aforesaid four companies in part of their 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 four companies by participating in important operating decisions and monitoring the execution of business strategies.

## **Resolution:**

### **13.Proposal:**

**To release the prohibition on Mr. Yueh-Kun Yang, when elected as the Director of the 17th Board of Directors, from holding the position of Director of C.S.Aluminium Corporation.**

**Proposed by the Board of Directors**

### **Explanatory Note:**

- (1) The agenda is proposed in compliance with Paragraph 1, 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. Yueh-Kun Yang is holding the following position:

Invested Company	Concurrent Post	Business Relationship with CSC
C.S.Aluminium Corporation	Director	Metal heat treating and metal surface treating

- (3) Although the Company is related to C.S.Aluminium 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. Yueh-Kun Yang's serving in the board of C.S.Aluminium Corporation by participating in important operating decisions and monitoring the execution of business strategies.

### **Resolution:**

# Extraordinary Motions

# Rules and Regulations

1.

## China Steel Corporation Rules Governing Procedures for Shareholders' Meeting

The Rules are agreed and signed on 1975, firstly amended on 1982, secondly amended on 1984, thirdly amended on 1997, fourthly amended on 2004, fifthly amended on 2006, sixthly amended on 2008, seventhly amended on 2011, eighthly amended on 2012, ninthly amended on 2015, tenthly amended on 2016.

Article 1 Shareholders' Meeting of the Company (the "Meeting"), except as otherwise stipulated by law or the Articles of Incorporation, shall be conducted in accordance with these Rules.

Article 2 Unless relevant laws and regulations provide otherwise, the Company's Meeting shall be convened by the Board of Directors.

Reasons for convening the Regular Meeting or Extraordinary Meeting shall be specified in the notice and announcement given to the shareholders at least thirty days or fifteen days prior to the Meeting date. The notice may be given by means of electronic communication if the Company obtains prior consent by the recipients. The announcement for shareholders who own less than 1,000 shares of nominal stocks may be made as referred to the next paragraph of this Article.

Thirty days before the Company convenes a Regular Meeting or fifteen days before an Extraordinary 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 Meeting agenda, and upload them to the Market Observation Post System.

Where there are proposals relating to election or dismissal 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, these proposals shall be enumerated in the notice of the reasons for convening the Meeting and extraordinary motions for such proposals shall be prohibited.

Shareholders holding one percent or more of the total number of outstanding shares may propose in writing to the Company a proposal for discussion at a Regular Meeting, provided only one matter shall be allowed in each single proposal, and in case a proposal contains more than one matter, such proposal shall not be included in the agenda. Proposals that are under the circumstances as specified in Paragraph 4, Article 172-1 of the Company Act may not be included in the agenda by the Board of Directors.

Prior to the date on which share transfer registration is suspended before convening the Regular Meeting, the Company shall give a public notice announcing the place and the period for shareholders to submit proposals. The period for accepting such proposals shall be no less than ten days.

The number of words of a proposal to be submitted by a shareholder shall be limited to no more than three hundred, and any proposal containing more than three hundred words shall not be included in the agenda of the Regular Meeting. The shareholder who has submitted a proposal shall attend, in person or by proxy, the Meeting where his/her proposal is to be discussed and shall take part in the discussion of such proposal.

The Company shall, prior to preparing and delivering the Meeting notice, inform, by a notice,



all the proposal submitting shareholders of the proposal screening results, and shall list in the Meeting notice the proposals conforming to the requirements set out in this Article. With regard to the proposals submitted by shareholders but not included in the agenda of the Meeting, the cause of exclusion of such proposals and explanation shall be made by the Board of Directors at the Meeting to be convened.

Article 2-1 The Company shall prepare the agenda handbook for the Meeting in compliance with the rules by the competent authorities.

Twenty-one days before the Company is to convene a Regular Meeting, or 15 days before an Extraordinary Meeting, it shall prepare an electronic file of the Meeting agenda handbook and the supplemental materials, and upload it to the Market Observation Post System. Fifteen days before the Company is to convene a Meeting, it shall prepare the Meeting agenda handbook and supplemental materials and make them available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the Company and the professional stock registrar and transfer agent designated by the Company, and distributed on-site at the Meeting.

Article 3 A shareholder may appoint a proxy to attend a Meeting in his/her behalf by executing a proxy form printed and issued by the Company stating therein the scope of power authorized to the proxy.

A shareholder may only execute one proxy form and appoint one proxy only, and shall serve such written proxy form on the Company no later than five days prior to the date of the Meeting. When two or more written proxy forms are received from one shareholder, the first one received by the Company shall prevail; unless an explicit statement to rescind the previous written proxy form is made in the proxy form which comes later.

After the service of the proxy form on the Company, in case the shareholder issuing the said proxy form intends to attend the Meeting in person or to exercise his/her voting rights in writing or by way of electronic transmission, a proxy rescission notice shall be filed with the Company two days prior to the date of the Meeting. Otherwise, the voting rights exercised by the authorized proxy at the Meeting shall prevail.

Article 3-1 The Company shall state in the Meeting notice that a shareholder who does not attend the Meeting nor authorize a proxy to attend the Meeting may exercise his/her voting rights in writing or by way of electronic transmission. A shareholder who exercises voting rights at a Meeting in writing or by way of electronic transmission shall be deemed to have attended the said Meeting in person, but shall be deemed to have waived his/her voting rights with respect to any extraordinary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said Meeting.

A shareholder who intends to exercise voting rights in writing or by way of electronic transmission as in the preceding paragraph shall serve a declaration of intent on the Company two days prior to the date of the Meeting, whereas if two or more declarations of the same intention are served on the Company, the first declaration of such intention received shall prevail; unless an explicit statement to rescind the previous declaration is made in the declaration which comes later.

In case a shareholder who has exercised voting rights in writing or by way of electronic transmission intends to attend the Meeting in person, he/she shall, two days prior to the date of the Meeting and in the same manner previously used in exercising his/her voting rights, serve a separate declaration of intent to rescind previous declaration of intent made in exercising the voting rights under the preceding paragraph. In the absence of a timely rescission of the previous declaration of intent, the voting rights exercised in writing or by way of electronic

transmission shall prevail. In case a shareholder has exercised voting rights in writing or by way of electronic transmission, and has also authorized a proxy to attend the Meeting, then the voting rights exercised by the authorized proxy for the said shareholder shall prevail.

Article 4 The Meeting shall be convened at the location of the Company or at any place that facilitates shareholder attendance and is suitable for the convening of a Meeting. Starting times of Meetings shall not be earlier than nine o'clock in the morning or later than three o'clock in the afternoon.

Article 5 The Company shall specify the timeframe and location for shareholders' attendance registration, and other important notes.

The aforementioned timeframe for shareholders' attendance registration shall be at least thirty minutes before the time scheduled to start the Meeting. The Company shall set clear sign and assign sufficient numbers of suitable personnel to handle attendance registrations at the location.

Shareholders themselves or the proxies designated by the shareholders (hereinafter, "shareholders") shall be admitted to attend Meetings based on the attendance badge, the attendance sign-in card, and other evidentiary documents. No arbitrary requirements shall be imposed on shareholders to provide additional evidentiary documents beyond those showing eligibility to attend. Solicitors soliciting proxy forms shall also carry proof of identification and have such proof ready for checking.

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.

For government and corporate shareholders, the number of representatives present at a Meeting is not limited to one person. When a juristic person is commissioned to attend a Meeting, it may only appoint one representative to attend.

Article 6 If the Board of Directors convenes a Meeting, the position of the Chairman of the Meeting is filled by the Chairman of the Board. If the Chairman of the Board takes leave or is unable to exercise functional responsibilities with cause, the Chairman of the Board shall appoint one Director to act as agent. In cases where the Chairman of the Board has not appointed an agent, the Directors will nominate one person from among themselves to act on his/her behalf.

In the case that a Director is appointed to act as the aforementioned Chairman of the Meeting, the Director shall be the one who has held that position for six months or more and who understands the financial and business conditions of the Company. The same provision shall apply mutatis mutandis to the case that the Chairman of the Meeting is acted by the representative of a Juristic Director.

If the Meeting is convened by a person with convening authority other than the Chairman of the Board, the position of the Chairman of the Meeting is filled by the said authorized convener. If there are two or more authorized conveners, they shall nominate one person from among themselves to fill the position.

Article 7 Meetings 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 the Meeting.

The Company may designate retained attorneys, accountants or relevant personnel as

nonvoting attendees at Meetings.

Article 8 The Company, beginning from the time it accepts shareholder attendance registrations, shall make an uninterrupted audio and video recording of the registration procedure, the proceedings of the Meeting, and the voting and vote counting procedures.

The recorded materials of the preceding paragraph shall be retained for at least one year. If, however, a shareholder files a lawsuit pursuant to Article 189 of the Company Act, the recording shall be retained until the conclusion of the litigation.

Article 9 The calculation basis for attendance at the Meeting shall be shares. Number of shares of shareholders present at the meeting shall be calculated based on the sign-in cards submitted. Should the voting rights at the Meeting be exercised in writing or by way of electronic transmission as in Paragraph 1, Article 3-1, the number of votes thereof shall be included.

During the course of Meetings, the number of votes of shareholders present at the meeting shall be continuously projected on a screen located on the rostrum. If the total number increases, the number should be updated real-time.

Article 10 When the Meeting time arrives, the Chairman of the Meeting shall immediately announce the start of the Meeting, except when a quorum of shareholders representing more than half of the outstanding shares is not present, in which case the Chairman of the Meeting shall announce a postponement of the Meeting. The number of postponements is limited to two, and the total time of the postponements must not exceed one hour. If, after two postponements, there is still not a quorum of shareholders representing more than half of the number of outstanding shares present, with the exception of instances handled in accordance with Paragraph 2, the Chairman of the Meeting shall announce failure to convene the Meeting due to the lack of a quorum.

If, after the two postponements in the preceding paragraph, there is still an insufficient quorum, but shareholders representing one-third or more of outstanding shares are present, the Meeting may be stipulated as a tentative resolution in accordance with Paragraph 1, Article 175 of the Company Act; all shareholders shall be notified of the tentative resolution and another Meeting shall be reconvened within one month. However, special resolution matters stipulated by the Company Act and other regulations or Articles are not applicable in this case.

Prior to the conclusion of the current Meeting, if the number of shares represented by the shareholders present reaches a majority of outstanding shares, the Chairman of the Meeting may resubmit tentative resolutions already made for a vote by the shareholders in accordance with the provisions of Article 174 of the Company Act.

Article 11 For Meetings convened by the Board of Directors, the Meeting agenda shall be set by the Board of Directors. Meetings shall proceed according to the arranged agenda, which must not be changed without a resolution of the Meeting.

For Meetings convened by authorized conveners other than the Board of Directors, the provisions of the preceding paragraph shall apply *mutatis mutandis*.

Prior to the conclusion of proceedings for the arranged agendas in the preceding two paragraphs (including extraordinary motions), without a resolution, the Chairman of the Meeting must not declare the Meeting adjourned; in the event that the Chairman of the Meeting declares the Meeting adjourned in violation of these rules, the other members of the Board of Directors shall quickly assist shareholders present to follow legal procedures to elect someone to serve as Chairman of the Meeting by a majority vote of the number of votes of shareholders present at the Meeting, in order to continue with the Meeting.

When procedures conclude, after the Chairman of the Meeting has declared the Meeting

adjourned in accordance with these rules, shareholders must not elect another Chairman of the Meeting to hold a Meeting at the same site or another site.

Article 12 The Chairman of the Meeting shall strictly enforce these rules from a position of impartiality and detachment to enable the Meeting to proceed smoothly.

Shareholders present are obligated to adhere to these rules, to take the floor politely, and to maintain order in the Meeting venue.

Article 13 Prior to taking the floor, shareholders present must complete a speech note stating the key points to be expressed and the account number and name of the shareholder. The sequence of speakers will be arranged by the Chairman of the Meeting.

Shareholders present that only submit speech notes but do not speak shall be deemed as not having spoken. In the event that the content expressed does not match that of the speech note, the content expressed shall prevail.

Without the consent of the Chairman of the Meeting, each shareholder may speak no more than two times on the same agenda item, and each time may not exceed five minutes. If shareholders' speeches violate provisions or exceed the scope of the agenda item, the Chairman of the Meeting may restrain shareholders from speaking.

When shareholders present take the floor, the other shareholders must not speak to interrupt them unless they have solicited and received the consent of the Chairman of the Meeting and the speaking shareholder; the Chairman of the Meeting shall restrain violators.

In the event that corporate shareholders have designated two or more representatives to attend the Meeting, only one person may speak on the same agenda item.

After the shareholders present have spoken, the Chairman of the Meeting may reply personally or designate the relevant personnel to reply.

Article 14 When the agenda items and the amended and substitute items thereof or extraordinary motions have been well discussed, the Chairman of the Meeting may end the discussion and put them to a vote if he/she deems it appropriate.

Article 15 Each share in a shareholder's possession shall have one voting right, except for shares having restricted/no voting rights as regulated in Subparagraph 3, Article 157 and Paragraph 2, Article 179 of the Company Act, and other related laws and regulations.

For the purposes of resolutions by the Meeting, the number of shares owned by shareholders bearing no voting rights shall be excluded from the calculation of the total number of shares outstanding.

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 behalf of other shareholders. Therefore, the number of such shares not permitted to exercise voting rights is not counted in the number of votes of shareholders present at the Meeting.

With the exception of trust enterprises or stock affairs agency institutions approved by the competent securities authority, the number of voting rights represented by any one person commissioned by two or more shareholders must not exceed three percent of the voting rights for total outstanding shares; when exceeded, the voting rights in excess of the limit will not be counted, but they will still be counted among the number of votes of shareholders present at the Meeting.

Article 15-1 Except for the exercise of voting rights in writing or by way of electronic transmission as regulated in Paragraph 1 of Article 3-1, the means of voting will be determined by the Chairman of the Meeting at one of the following methods:

- (1) Ballot voting
- (2) Voting by means of electronic transmission, such as key in by barcode and keyboard.

Article 16 Unless otherwise stipulated in the Company Act, other regulations, and the Articles of Incorporation, resolutions shall be adopted by a majority of the number of votes of shareholders present at the Meeting.

When proposals are putting to the vote, the Chairman of the Meeting or the one who is designated by the Chairman of the Meeting shall announce the number of votes of shareholders present at the Meeting and arrange for shareholders to vote on each separate proposal in the Meeting agenda. Following conclusion of the meeting, the Company shall enter the voting results on the same day, namely the numbers of votes cast for and against and the number of abstentions, through the Market Observation Post System.

Article 17 If amended proposals or substitute proposals exist for the same proposal, the Chairman of the Meeting will determine the sequence of voting together with the original proposal. If one of these proposals has already passed, the other proposals shall be deemed rejected, therefore unnecessary to put them to a vote.

Article 18 Before voting, three ballot examiners appointed by the Chairman of the Meeting and several ballot counters shall be ready to perform their related duties. The ballot examiners shall be the Company's shareholders.

Ballot counting for proposals or election shall proceed publicly in the meeting venue. On counting ballots, the results shall be reported, including the number of votes, and recorded on site.

Article 19 Where there is an election of Directors, elections shall be handled in accordance with Rules Governing the Election of Directors formulated separately by the Company.

Article 20 Resolutions adopted at a Meeting shall be recorded in the minutes of the Meeting, which shall be affixed with the signature or seal of the Chairman of the Meeting and distributed to all shareholders within twenty days after the close of the Meeting.

The minutes of the Meeting as required in the preceding paragraph may be prepared by means of electronic transmission; the minutes may be distributed by means of a public notice via Market Observation Post System.

The minutes of the Meeting shall record the date and venue of the Meeting, the name of the Chairman, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the Meeting. The minutes shall be kept permanently throughout the life of the Company and fully disclosed on the Company's official website.

The method of adopting resolutions in the preceding paragraph where the shareholders' opinions are solicited and the proposal are unanimously agreed, the minutes of the Meeting 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 Meeting, the minutes of the Meeting shall record the method and result of the voting. With respect to the election of Directors, the minutes of the Meeting shall record the method of voting adopted and the total number of votes for the Directors who were elected.

Article 21 The Company shall, on the date of the Meeting, draw up a statistics table of the number of shares obtained by solicitors and the number of shares represented by proxy, in accordance with the required format, and display it prominently in the Meeting venue.

Article 22 If matters resolved by the Meetings include material information as stipulated by law or the regulations of the Taiwan Stock Exchange Corporation, the Company shall enter the contents into the Market Observation Post System within the required time limit.

Article 23 Meeting affairs personnel shall wear identification badges or armbands.

The Chairman of the Meeting may direct the sergeants at arms or security guards to assist in maintaining order in the Meeting venue. When assisting in maintaining on-site order, the sergeants at arms or security guards shall wear armbands or badges with the words "Sergeant at Arms".

If the Meeting venue is equipped with amplification equipment, and shareholders use their own amplification equipment rather than the equipment provided by the Company, the Chairman of the Meeting may stop them.

In the event that shareholders violate these rules by failing to take corrective action as instructed by the Chairman of the Meeting, thereby obstructing the proceedings, or exhibit other conduct that is obstructive to Meeting venue order, the Chairman of the Meeting may direct the sergeant at arms or security guards to ask those failing to comply with the Chairman's efforts to stop such conduct to leave the Meeting venue.

Article 24 While the Meeting is in progress, the Chairman of the Meeting may announce at his/her own discretion a recess time; should force majeure events occur, the Chairman of the Meeting may exercise his/her judgment to temporarily suspend the Meeting, and to announce the time at which the Meeting will continue.

In the event that use of the Meeting venue cannot be continued before the agenda (including extraordinary motions) is concluded, the Meeting may resolve to find another venue to continue the Meeting.

The Meeting may resolve to postpone or continue the Meeting within five days, in accordance with the provisions of Article 182 of the Company Act.

Article 25 These Rules shall be implemented upon approval by a Shareholders' Meeting; the same shall apply when amendments are made hereto.

## 2.

### **China Steel Corporation Rules Governing the Election of Directors**

tenthly amended on June 23, 2016

Article 1 Except where prescribed laws and regulations or the Articles of Incorporation of China Steel Corporation (herein referred to as “the Company”), the election of Directors shall in all cases be pursuant to the rules stipulated herein.

Article 1-1 The election of the Company’s Directors shall be considered the overall composition of the Board of Directors. The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company’s business operations, operating dynamics, and development needs. It is advised that the policy include, without being limited to, the following two general standards:

- (1) Basic requirements and values: Gender, age, nationality, and culture.
- (2) Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, technology), professional skills, and industry experience.

Board members shall commonly possess the knowledge, skills, general capacity and disposition required to perform their duties. The Board as a whole shall encompass the following abilities:

- (1) Judgment of business operations;
- (2) Accounting and financial analysis;
- (3) Operational management;
- (4) Crisis handling;
- (5) Industrial knowledge;
- (6) International market outlook;
- (7) Leadership skills; and
- (8) Decision making.

More than half of the Company’s Directors shall be persons who have neither a spousal relationship nor a relationship within the second degree of relationship with any other Director.

Article 2 The Company adopts the candidate nomination system for election of Directors in compliance with Article 192-1 of the Company Act. In order to review the qualifications, education background, working experience, and the existence of any other matters set forth in Article 30 of the Company Act with respect to director candidates, the Company may not arbitrarily add requirements for documentation of other qualifications, and shall provide shareholders with the results of review for their reference, so as to elect qualified Directors. Independent Directors and Non-independent Directors shall be nominated and listed separately, and shall be elected by shareholders from the respective candidate list.

In case of special regulation(s) stipulated in Article 5 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies regarding the nomination of Independent Directors shall be applied.

The qualification of the Company’s Independent Directors shall be pursuant to Articles 2, 3, and 4 of the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies.

The election of the Company’s Independent and Non-independent Directors shall be held together, but the voting shares of ballots for respective winners shall be separately calculated in accordance with the respective seats.

When the number of Directors falls below that prescribed in the Articles of Incorporation due to the dismissal of a Director for any reason, a by-election shall be held to fill the vacancy at the next Shareholders' Meeting. When the number of Directors falls short by one third of the total number prescribed in the Articles of Incorporation, an extraordinary Shareholders' Meeting shall be convened within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of Independent Directors falls below that required under the proviso of paragraph 1, Article 14-2 of the Securities and Exchange Act, a by-election shall be held at the next Shareholders' Meeting to fill the vacancy. When all independent directors are dismissed, an extraordinary Shareholders' Meeting shall be convened within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

Article 3 The Company's preferred shareholders do not have the voting rights for Directors.

Article 4 The cumulative voting method shall be used for election of the Directors of the Company. Each common share will have voting rights in number equal to the Directors to be elected, and may be cast for a single candidate or split among multiple candidates.

Article 5 The Board of Directors shall prepare the same number of ballots as the number of Directors to be elected, print out the attendance card numbers, specifies the number of voting rights, and then distribute to each common shareholder who attends the Shareholders' Meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.

For common shareholders who exercise their voting rights by electronic transmission, no printed ballots are furnished.

Article 6 The candidates of independent Directors, non-independent Directors who acquire the cast ballots standing for more voting shares shall be elected sequentially according to the positions available. When two or more candidates receive the same number of votes, thus exceeding the specified number of positions available, they shall draw lots to determine the winner. The Chairman of Shareholders' Meeting (herein referred to as "the Chairman") shall draw lots on behalf of such candidate(s) absent.

Article 7 Before the commencement of election, three ballot examiners appointed by the Chairman and several ballot counters shall be ready to perform their related duties. The ballot examiners shall be the Company's shareholders.

Article 8 The duties of ballot examiners are as follows:

- (1) To examine the ballot boxes before the commencement of casting votes
- (2) To seal the ballot boxes when the voting is finished, and unseal the ballot boxes subsequently to take out the ballots for the ballot counters' counting before the immediate commencement of ballot counting
- (3) To inspect or confirm the invalid ballots
- (4) To check the numbers of ballots and voting shares counted by the ballot counters
- (5) To assist Chairman to maintain the order of ballot casting and counting.

The Board of Directors shall prepare the ballot boxes mentioned in Subparagraph 1 of the preceding Paragraph.

Article 9 The voter shall fill the following data in the "candidate" column on ballots according to the candidate list of Independent Directors or Non-independent Directors and casts his/her ballots into the ballot boxes:



- (1) The candidate's full name and shareholder's number if the candidate is a natural person shareholder; or the candidate's full name and ID number if the candidate is a natural person and non-shareholder.
- (2) The candidate's full name and shareholder's number if the candidate is a juristic person or government shareholder.
- (3) The name and shareholder's number of the juristic person or government shareholder and the full name of the representative if the candidate is a representative of the juristic person or government shareholder. The respective full name of representatives shall be added to fill in if there are several representatives for the same juristic person or government shareholder.

Article 10 The ballot is invalid under any of the following circumstances:

- (1) Who fails to submit the attendance registration card to complete the registration procedure.
- (2) The ballot is not prepared by the Board of Directors.
- (3) Two or more candidates' names are filled in.
- (4) Other words or marks are written in addition to the candidate's full name and shareholder's number or ID number.
- (5) The ballot is teared into incomplete one.
- (6) The ballot is contaminated to make the filled candidate(s) hard to distinguish;
- (7) The ballot is totally blank.
- (8) The handwriting is blurred and hard to identify or the handwriting is altered, but correction, addition or deletion of a slip of the pen does not apply.
- (9) The filled candidate is a shareholder, but his/her name or shareholder's number is different from that shown in the shareholders list.
- (10) The filled candidate is a natural person and non-shareholder, but his/her name is different from that shown in his/her certificate;
- (11) The filled candidate is the representative of a juristic person or government shareholder, but the name and shareholder's number of the juristic person or government shareholder are different from that shown in the shareholders list.
- (12) The filled candidate's name is the same as that of other shareholder, but his/her shareholder's number or ID number is not filled for identification.
- (13) The name filled for Independent Director or Non-independent Director is not in the list of nominated candidates for Independent Directors or Non-independent Directors.

Article 11 The ballots shall be calculated on the spot immediately after the end of the poll. When a ballot's validity is suspected, its validity shall be decided by the ballot examiners. If there is still a controversy over such a ballot, its validity shall be decided by all ballot examiners' votes. When the number of "for" and "against" votes by all ballot examiners is equal, such a ballot shall be deemed invalid.

Article 12 After finishing the voting calculation, the ballot examiners shall verify the total number of valid and invalid ballots and fill each number and respective number of voting rights in the documentary record. The documentary record shall be passed on to the Chairman to announce the list of Directors elected on the spot.

Article 13 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 the Company for safekeeping. All ballots shall be kept for at least one year. However, if a lawsuit regarding election of Directors has been filed by any shareholder in accordance with Article 189 of the Company Act, the ballots shall be kept until the legal proceedings of the foregoing lawsuit

have been concluded.

Article 14 The Board of Directors shall issue the respective notices for Directors elected.

Article 15 The Rule, as well as any amendments to it, shall enter into force after it has been adopted by the Shareholders' Meeting.

### 3.

## CHINA STEEL CORPORATION ARTICLES OF INCORPORATION

### CHAPTER ONE GENERAL PROVISIONS

Article 1 This company is organized and established under the provisions of "Company Limited by Shares" of the R.O.C Company Act, and is named CHINA STEEL CORPORATION (hereinafter referred to as "the Company").

Article 2 The scope of the business engaged in by the Company is as follows:

1. CA01010 Iron and steel refining;
2. CA01030 Steel casting;
3. CA01020 Iron and steel rolls over extends and crowding;
4. CA01050 Iron and steel Rolling, drawing, and extruding;
5. CA02080 Metal forging industry;
6. CA03010 Metal Heat treating;
7. CA04010 Metal Surface treating;
8. E103101 Environmental protection construction ;
9. E602011 Refrigeration and air conditioning engineering;
10. CB01010 Machinery and Equipment Manufacturing;
11. CC01010 Electric Power Supply, Electric Transmission and Power Distribution Machinery Manufacturing;
12. E604010 Machinery Installation Construction;
13. ZZ99999 Any other businesses that are not prohibited or restricted by laws, except for businesses requiring special approvals.

Article 2-1 The Company may endorse and guarantee for business needs according to its operation procedure of endorsement and guaranty.

Article 2-2 The Company's total investment in other companies as one of their limited liability shareholders shall not exceed one hundred and eighty percent of the Company's paid-in capital, and that among such investments, those made in non-steel-related businesses shall not exceed twenty percent of the Company's paid-in capital.

Article 3 The Company is located in Kaohsiung, Taiwan, Republic of China, and may establish branch offices at proper places in domestic area or overseas.

Article 4 Unless otherwise stipulated by the competent authority in charge of securities affairs, any announcement of the Company shall be made in the prominent section of vernacular daily newspaper issued at where the Company is located.

### CHAPTER TWO SHARES

Article 5 The total capital of the Company is one hundred and seventy billion New Taiwan Dollars (NT\$170,000,000,000), which is divided into seventeen billion shares (17,000,000,000), at a par value of ten New Taiwan Dollars (NT\$10) per share. The shares shall be issued in installments. Preferred shares may be issued within the number of aforementioned shares.

Article 6 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 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.

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, and a common share bonus shall be distributed at no more than 14% of the par value. 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.

When necessary, the Company may, upon a resolution by a shareholders' meeting, set aside special reserved earnings surplus or retained earnings first after distribution of dividends for preferred shares. In case of no earnings in a given year or in the event that the earnings are insufficient to cover the distribution of dividends for preferred shares, the outstanding dividends for distributable preferred shares shall accrue and be made up firstly when there are earnings in any subsequent year.

When distributing the annual earnings, the Company may first consider the financial status and other operational factors of the Company, and may allocate partial or all of the reserves in accordance with laws and regulations.

The Company's business life cycle is in the stage of steady growth. Pursuant to the distribution of the dividends and shareholders' bonuses provided in the preceding paragraph, cash distributed shall be no less than 75% and shares distributed no more than 25%.

The priority and proportions for distributing the remaining company properties for preferred shares shall be the same as those for common shares.

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.

Preferred shares issued by the Company may be redeemable.

Shareholders of preferred shares may request a conversion of preferred shares into common shares.

**Article 7** Except for shares not physically printed, shares of the Company shall be numbered and more than three members of the Board of Directors shall affix their names or seals thereto. Shares shall then be issued upon certification by competent authorities or issuance registration authorities approved thereby.

For shares of the Company not physically printed, the central securities depository business agencies shall be contacted to record them.

**Article 8** Except for shares of the Company not physically printed, all shares shall be nominal stocks. The true names of shareholders shall be indicated on the shares. Where the government or a juristic person is a shareholder, the addresses and true names of the government, the juristic person, or the representative thereof shall be recorded on the shareholder roster of the Company. In the event that a share shall be jointly owned by two or more shareholders, one of the persons shall be elected as a representative.

**Article 9** Anything in relation to transfer/assignment, loss or destruction of share certificates shall be handled in accordance with the Company Act and the Criteria for Handling Stock Affairs of Public Company promulgated by the Authority concerned.

Article 10 The Company may charge the necessary fees and costs for replacement or re-issue of share certificates due to detachment, stain/damage, loss or destruction, or conversion of preferred shares into common shares.

Article 11 The shareholder of the Company shall submit specimens of signature or registered seal (chop) to the Company for the purpose of transferring/assigning share certificates and exercising shareholder's right specified in Part 3, Chapter 5 of the Company Act.

Article 12 In case the registered seal (chop) as recorded in the Company is lost, destroyed or replaced by another seal style for other reasons, the Shareholder shall take a new seal for replacing the original one in accordance with the Criteria for Handling Stock Affairs of Public Company promulgated by the Authority concerned.

Article 13 The register of share transfer shall not be made within sixty (60) days prior to a shareholders' regular meeting or within thirty (30) days prior to a shareholders' extraordinary meeting or within five (5) days prior to the date fixed for allocating dividends, bonuses or other benefits.

### **CHAPTER THREE      SHAREHOLDERS' MEETING**

Article 14 The Company shall hold the following two types of shareholders' meetings:

1. A regular shareholders' meeting.
2. An extraordinary shareholders' meeting.

A regular shareholders' meeting shall be convened by the Board of Directors in accordance with law within six months after the end of each fiscal year, and an extraordinary shareholders' meeting shall be held in accordance with law when necessary.

Article 15 The procedure for convening shareholders' meeting is in accordance with the Company Act, Securities and Exchange Law, and other regulations concerned.

Article 16 Unless otherwise provided by the Company Act and other laws or this Articles of Incorporation, a shareholders' meeting shall only be held when shareholders representing a majority of total number of outstanding shares are present. A resolution at such a meeting shall be adopted by a majority vote of shareholders present, who represent more than one-half of the total number of voting shares.

Article 17 In the event that the shareholders present at a shareholders' meeting fall short of representing the required number of shares in the preceding paragraph, provided, however, that where shareholders representing more than one-third of the total number of outstanding shares are present, upon consent of shareholders representing more than one-half of the voting shares present, a tentative resolution may be adopted. This tentative resolution may be sent to the shareholders in writing at the latest addresses of the shareholders on the shareholders' directory. Another shareholders' meeting shall be convened within one month. In the event that at the reconvened shareholders' meeting, shareholders representing more than one-third of the total number of outstanding shares are again present, upon consent of shareholders representing more than half of the voting shares present, an official resolution may be adopted.

The tentative resolution in the preceding paragraph shall not apply to any special item for resolution as provided in the Company Act and other laws or this Articles of Incorporation.

Article 18 Each shareholder of the Company shall have one vote per share, unless otherwise the vote is subject to restrictions or the voting power does not exist pursuant to item 3 of Article 157, Paragraph 2 of Article 179 of the Company Act and any other related laws and regulations.

Article 19 In case a shareholder is unable to attend the shareholders' meeting, he may delegate an agent to attend and to exercise all rights at the meeting for him by submitting a letter of consignor signed or sealed by the shareholder himself. A proxy needs not to be a shareholder of the

Company.

Article 20 Chairman of the Board shall preside at the shareholders' meeting. When Chairman of the Board is on leave or absent, he may designate a Director to act on his behalf, and if no proxy is designated, one Director shall be elected from among the Directors to preside the meeting. When a shareholders' meeting is convened by any person who is not a member of Board of Directors but has the convening right, he/she shall act as the chairman of that meeting; provided, however, that if there are two or more persons having the convening right, the chairman of the meeting shall be elected from among themselves.

Article 21 The resolution of the shareholders' meeting shall be recorded in the minutes, and such minutes which are kept in the record of the Company shall be signed by the chairman of the meeting and shall be sent, together with attendance list and letter of consignor, to the Board of Directors.

## **CHAPTER FOUR DIRECTORS**

Article 22 The Company shall have nine to fifteen Directors, who shall be nominated as candidates and elected by shareholders from a list of candidates.

When Directors are elected at a shareholders' meeting, the number of votes exercisable per share shall be the same as the number of Directors to be elected. Such votes may be cast collectively to elect one person or allocated to elect several persons, and the person(s) who receive(s) ballots representing a plurality of votes shall be elected as Directors.

The number of Independent Directors among the number of Directors to be elected in each term in accordance with the paragraph 1 of this article shall be no less than three and no less than one-fifth of the number of persons to be elected

The professional qualifications, restriction on the number of shares held and simultaneous positions served, the determination of independence, the methods of nomination, and other matters to be observed by the Independent Directors shall be governed by applicable provisions of the securities-related laws.

Independent Directors and non-Independent Directors shall be separately nominated and elected together, and the number of Directors elected shall be calculated separately.

Article 23 Directors shall be elected for a term of three years and may be reappointed upon reelection.

Article 24 The Board of Directors shall elect its Chairman of the Board from among the Directors by a majority of the Directors in a meeting attended by over two-third of all Directors. The Chairman of the Board shall externally represent the Company to handle all related business.

Article 25 Except for the first meeting of a newly elected Board of Directors, which shall be convened by the Director who has won votes representing the largest number of the voting power at a shareholders' meeting, meetings of the Board of Directors shall be convened by the Chairman of the Board of Directors.

Meetings of the Board of Directors shall be convened once every quarter. However, the frequency of convening the meetings may increase when necessary.

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.

The notice set forth in the preceding paragraph may be effected by means of writing or electronic transmission. In the event of an emergency, such a meeting may be notified by any other appropriate means. Any member of the Board of Directors may declare a waiver of the notice in writing.

Article 26 The Chairman of the Board shall preside at all meetings of the Board of Directors. In case of his absence, Chairman of the Board may designate a Director to act on his behalf; if no Director is designated, the Directors may designate one from among themselves.

Article 27 Unless otherwise provided by the Company Act and other laws, a meeting of the Board of Directors shall only be held when a majority of incumbent Directors present and a resolution shall be adopted upon consents by a majority of the Directors present.

Article 28 Unless otherwise provided by securities-related laws, a Director may authorize another Director to attend a meeting of the Board of Directors by a letter of consignor, and to exercise his right to vote with respect to all matters submitted to the meeting, provided, however, each Director may not act as proxy for more than one other director.

Article 29 The Board of Directors shall perform its duties in compliance with the statutes, the Article of Incorporation, and the resolution of the shareholders' meeting.

Article 30 The powers of the Board of Directors are listed as follows:

1. To increase or decrease capital;
2. To approve the Company's organization rules;
3. To establish or abolish the branch offices;
4. To review and approve the annual directives and operational budgets;
5. To review and approve the annual Business Report and Financial Reports;
6. To review and approve the project-type capital expenditure budget;
7. To appropriate the earnings or make up the loss;
8. To approve the borrowing money from domestic or foreign loans of which the amount and term are over the delegated power of the Board of Directors;
9. To approve the offering, issuance or private placement of any equity-type securities as well as the issuance of non equity-type corporate bonds;
10. To adopt or amend the handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, and endorsements or guarantees for others, and the internal control system as well as to approve other important by-laws;
11. To approve the primary rights and obligation of important agreements;
12. To approve the appointment or discharge of Vice President and higher position, and financial, accounting and internal audit officers;
13. To approve the standards of salary for employees;
14. To approve investments and other equity interests;
15. To approve endorsement and guaranty within the Company's operation procedure of endorsement and guaranty;
16. To approve loaning of funds to other parties within the Company's procedures for loaning of funds to other parties; and
17. To review and approve the authorities which are empowered by other statutes

Article 30-1 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.

The provisions regarding the power of supervisors in the Securities and Exchange Act, the Company Act, and other laws and regulations 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.

Article 30-2 (Has been deleted)

Article 31 (Has been deleted)

Article 32 (Has been deleted)

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 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.

The retirement provisions referred to in the "Labor Standards Act" shall apply mutatis mutandis to Chairman of the Board in calculating the severance or retirement payment, and are not restricted by age, or tenure of the Chairman himself.

Article 32-2 In the event that any Director is engaged in any act in competition with the Company, such a Director shall report to the shareholders' meeting in advance and obtain shareholders' approval in accordance with the provisions of Article 209 of the Company Act.

Article 32-3 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 .

## **CHAPTER FIVE      MANAGERIAL PERSONNEL AND EMPLOYEES**

Article 33 The Company shall have one President, one Executive Vice President, and several Vice Presidents.

The appointment, discharge and remuneration of managerial personnel as enumerated in the preceding paragraph shall be pursuant to the Article 29 of the Company Act.

The Directors may concurrently act as managerial personnel as enumerated in the first paragraph of this Article.

Article 34 President manages the execution of the Company's all businesses in accordance with the resolutions of the Board of Directors, as well as has the right of signature for the Company. Executive Vice President and Vice Presidents have their respective rights of signature for the Company within the scope of the Company's rules or written authorization approved by President.

Article 35 Assistant Vice Presidents and the same ranking personnel, and the first echelon supervisors shall be appointed by the Chairman of the Board under the proposal of President. The other employees shall be appointed or employed by President. If such appointment shall be approved by the Board of Directors as provided by law, it shall be pursuant to the law.

Article 36 Unless otherwise provided by laws, ordinances, or employment contracts, the discharge or employment of employees shall be handled in accordance with the Personnel Administration Rules or other relevant work regulations of the Company.



## **CHAPTER SIX FINANCIAL REPORTS**

Article 37 The fiscal year for the Company shall be from January 1 to December 31 of 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 be submitted by the Board of Directors to the regular shareholders' meeting for acceptance:

1. The business report;
2. The financial statements; and
3. The surplus earning distribution or loss off-setting proposals.

Article 38 (Has been deleted)

## **CHAPTER SEVEN SUPPLEMENTARY PROVISIONS**

Article 39 Any person made a party to any action, suit or proceeding by reason of the fact that he, his testator or intestate, is or was a Director, official or employee of the Company, or any corporation which he services as such position at the request of the Company, shall be indemnified by the Company against any loss, liability or other reasonable expenses, including attorney's fees, actually and necessarily incurred by him in connection with the defense of such action, suit or filing appeal. However, such a Director, official or employee is personally liable for negligence or misconduct in the performance of his duties. Such right of indemnification shall not be deemed exclusive of any other rights which such a Director, official or employee may be entitled to.

Article 40 (Has been deleted)

Article 41 In regard to any matters not provided in this Articles of Incorporation, they shall be in pursuance of Company Act and other related laws or regulations.

Article 42 This Articles of Incorporation are agreed and signed on Nov. 2, 1971, firstly amended on Dec. 28, 1973, secondly amended on Jun. 25, 1974, thirdly amended on Oct. 5, 1974, fourthly amended on Jun. 28, 1975, fifthly amended on Jun. 6, 1976, sixthly amended on Jun. 25, 1977, seventhly amended on Oct. 14, 1978, eighthly amended on Oct. 20, 1979, ninthly amended on Sep. 20, 1980, tenthly amended on Sep. 26, 1981, eleventh amended on Nov. 20, 1982, twelfth amended on Sep. 22, 1984, thirteenth amended on Feb. 16, 1985, fourteenth amended on Nov. 23, 1985, fifteenth amended on Dec. 20, 1986, sixteenth amended on Sep. 17, 1988, seventeenth amended on Sep. 27, 1989, eighteenth amended on Sep. 27, 1990, nineteenth amended on Sep. 26, 1991, twentieth amended on Sep. 25, 1992, twenty-firstly amended on Sep. 24, 1993, twenty-secondly amended on Sep. 22, 1994, twenty-thirdly amended on May 26, 1995, twenty-fourthly amended on Oct. 20, 1995, twenty-fifthly amended on Nov. 6, 1996, twenty-sixthly amended on Dec. 30, 1997, twenty-seventhly amended on Apr. 30, 1999, twenty-eighthly amended on Jun. 8, 2000, twenty-ninthly amended on May 31, 2001, thirtieth amended on Jun. 20, 2002, thirty-firstly amended on Jun. 18, 2003, thirty-secondly amended on Jun. 17, 2004, thirty-thirdly amended on Jun. 14, 2005, thirty-fourthly amended on Jun. 15, 2006, thirty-fifthly amended on Jun. 21, 2007, thirty-sixthly amended on Jun. 19, 2008, thirty-seventhly amended on Jun. 19, 2009, thirty-eighthly amended on June 23, 2010, thirty-ninthly amended on June 15, 2011 and fortieth amended on June 15, 2012, and forty-firstly amended on June 19th, 2013, forty-secondly amended on June 18th, 2014, forty-thirdly amended on June 23rd, 2015, forty-fourthly amended on June 23rd, 2016 and forty-fifthly amended on June 21st, 2018.

## List of Shareholding by Current Directors

(As of the start date of suspension of share registration, April 21, 2019)

Title	Name		Number of Shares Held (Common shares)	Percentage Held (%)
Chairman	Chao-Tung Wong	The representative of Ministry of Economic Affairs	3,154,709,357	20.00
Director	Wen-Sheng Tseng			
Director	Fong-Sheng Wu			
Director	Hong-Nan Lin	The representative of Chiun Yu Investment Corporation	1,623,289	0.01
Director	Shyi-Chin Wang	The representative of Ever Wealthy International Corporation	4,226,265	0.03
Director	Cheng-I Weng	The representative of Hung Kao Investment Corporation	1,003,980	0.01
Director	Yueh-Kun Yang	The representative of Gau Ruei Investment Corporation	1,493,318	0.01
Director	Chun-Sheng Chen	The representative of Labor Union of China Steel Corporation, Kaohsiung City	7,221,487	0.05
Independent Director	Shyue-Bin Chang		0	0
Independent Director	Min-Hsiung Hon		0	0
Independent Director	Lan-Feng Kao		4,216	0
Total number of shares held by all Directors			3,170,281,912	20.11
Required minimum number of shares held by all Directors			160,000,000	

Note: The Company has issued 15,734,860,997 common shares and 38,267,999 preferred shares, with a total of 15,773,128,996 shares.