

Stock Code: 2002



CHINASTEEL

China Steel Corporation

**2020 Annual General Meeting
Meeting Handbook**

June 19, 2020

CSC Chung Cheng Hall (Auditorium)

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

Table of Contents

	Page
I. Meeting Procedures	2
II. Meeting Agenda	3
1. Report Items	5
2. Proposals for Ratification	20
3. Proposals for Discussion	54
4. Other Proposals	60
5. Extraordinary Motions	63
III. Rules and Regulations	
1. Rules Governing Procedures for Shareholders' Meeting ..	64
2. Articles of Incorporation	71
IV. List of Shareholding by Current Directors	79

China Steel Corporation
2020 Annual General Meeting
Meeting Procedures

1. Call the 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 for Ratification
9. Proposals for Discussion
10. Other Proposals
11. Extraordinary Motions
12. Meeting Adjourned

China Steel Corporation 2020 Annual General Meeting Meeting Agenda

Time: 9:00 a.m., June 19, 2020 (Friday)

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 2019.
- (2) Report on Audit Committee's audit report of 2019.
- (3) Report on the distribution of remuneration for employees and directors of 2019.
- (4) Report on amendments to the Corporate Governance Best-Practice Principles.

3. Proposals for Ratification

- (1) Adoption of the 2019 Business Report and Financial Statements.
- (2) Adoption of the proposal for distribution of 2019 profits.

4. Proposals for Discussion

- (1) Amendments to the Procedures for Acquisition or Disposal of Assets.
- (2) Amendments to the Procedures for Loaning of Funds.

5. Other Proposals

- (1) Proposal to release the prohibition on Chairman, Mr. Chao-Tung Wong, from holding the position of Director of Taiwan High Speed Rail Corporation.
- (2) Proposal to release the prohibition on Director, Mr. Shyi-Chin Wang, from holding the position of Director of China Ecotek Corporation.
- (3) Proposal to release the prohibition on Director, Mr. Chien-Chih Hwang, from holding the position of Director of China Steel Structure Co., Ltd., CSBC Corporation, Taiwan, Formosa Ha Tinh (Cayman) Limited, and Formosa Ha Tinh Steel Corporation.

6. Extraordinary Motions

7. Meeting Adjourned

Report Items

1. Report on the Operations of 2019 by President Mr. Shyi-Chin Wang.

2. Report on Audit Committee's audit report of 2019.

(Please refer to Page 27 in this handbook)

3. Report on the distribution of remuneration for employees and directors of 2019

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) The term "profit" is defined as the earnings before taxes and remunerations for employees and directors according to Letter No. Economics-Commerce-10402436190 dated January 4, 2016 issued by the Ministry of Economic Affairs, R. O. C.
- (4) The amount of remuneration for employees of 2019 calculated based on 8% of profit after taxes was NT\$622,978,554, which was equivalent to 5.839% of the amount of earnings before taxes and remunerations for employees and directors, thereby complying with Article 6 of the Articles of Incorporation; whereas the amount of remuneration for directors of 2019 calculated based on 0.15% of

profit after taxes was NT\$11,680,848, which was equivalent to 0.109% of the amount of earnings before taxes and remunerations 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) The Company newly established the Rules Governing the Performance Evaluation of the Board of Directors and revised the Procedures for Handling Material Internal Information and Guidelines for Establishment of Spokesperson as well as Deputy Spokespersons. Amendments to the Corporate Governance Best-Practice Principles are made in compliance with the requirements specified in Letter No. Taiwan-Stock-Governance-1090002299 issued by Taiwan Stock Exchange (TWSE), the above mentioned regulations of the Company, and for practical needs.
- (2) Amendments are made to Article 3, Article 3-1, Article 11, Article 15, Article 20, Article 22, Article 23, Article 24, Article 26, Article 27, Article 29, Article 37, Article 39, Article 42, Article 43, Article 48, Article 49, Article 51 and Article 53, and Article 52 is added.
- (3) A comparison table of revised clauses and the clauses in force is attached.

Attachment 1

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

Revised clause	Clause in force	Explanation
<p>Title</p> <p><u>Corporate Governance Best-Practice Principles</u></p>	<p>Title</p> <p>Governance Best-Practice Principles</p>	<p>To avoid doubts, the Chinese title is revised from "Governance Best-Practice Principles" to "Corporate Governance Best-Practice Principles".</p>
<p>Article 3 (Establishment of Internal Control System)</p> <p>(Paragraph 1 is omitted.)</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. <u>The Audit Committee shall pay attention to and oversee the aforementioned assessment and report.</u> Directors shall regularly <u>communicate</u> with <u>Chief Auditor</u> about reviews of internal control system deficiencies. The improvements shall be implemented and followed up, and <u>the implementation of internal audit</u> shall be <u>reported</u> to the Board of Directors. The Company is advised to establish channels and mechanisms of communication among its Independent Directors, Audit Committee, and Chief Auditor <u>and to disclose the relevant information on the corporate website and the annual report.</u> 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</p>	<p>Article 3 (Establishment of Internal Control System)</p> <p>(Paragraph 1 is omitted.)</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 <u>hold discussions</u> with <u>internal auditors</u> about reviews of internal control system deficiencies. <u>A record of the discussions shall be kept,</u> the improvements shall be implemented and followed up, and <u>a report</u> shall be <u>submitted</u> to the Board of Directors. The Company is advised to establish channels and mechanisms of communication among its Independent Directors, Audit Committee, and Chief Auditor; <u>while the convener of the Audit Committee shall report their communication with the Independent Directors and Chief Auditor at the Shareholders' Meeting.</u> 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</p>	<p>The regulation that the Audit Committee shall pay attention to and oversee the self-assessment of each division and reports prepared by the internal audit department is added in compliance with Article 3 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies." In addition, part of the wording in this paragraph is amended for practical needs.</p>

Revised clause	Clause in force	Explanation
<p>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>(Omitted)</p>	<p>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>(Omitted)</p>	
<p>Article 3-1 (Personnel in charge of corporate governance affairs)</p> <p>The Company shall appoint a Company Secretary as the most senior officer to be in charge of corporate governance affairs <u>in compliance with regulations stipulated by the competent authority or Taiwan Stock Exchange (TWSE)</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, <u>legal compliance, internal audit</u>, financial affairs, stock affairs, or corporate governance affairs.</p> <p>(Omitted)</p>	<p>Article 3-1 (Personnel in charge of corporate governance affairs)</p> <p>The Company shall appoint a Company Secretary as the most senior officer to be in charge of corporate governance affairs, 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.</p> <p>(Omitted)</p>	<p>The regulation in Paragraph 1 of this Article is amended in compliance with Article 3-1 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 11 (Shareholders shall be entitled to profit distributions of the Company's profits.)</p> <p>Shareholders shall be entitled to profit distributions of the Company's profits. In order to protect shareholders' investment interests, the Shareholders' Meeting may examine statements prepared by the Board of Directors <u>and reports submitted by the Audit Committee</u> 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</p>	<p>Article 11 (Shareholders shall be entitled to profit distributions of the Company's profits.)</p> <p>Shareholders shall be entitled to profit distributions of the Company's profits. In order to protect shareholders' 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>The regulation that the Shareholders' Meeting may examine reports submitted by the Audit Committee is added in compliance with Paragraph 1, Article 11 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>

Revised clause	Clause in force	Explanation
<p>abovementioned examination.</p> <p>(Omitted)</p>	<p>(Omitted)</p>	
<p>Article 15 (A managerial officer may not serve as a managerial officer in the affiliated companies.)</p> <p><u>Unless otherwise provided by laws and regulations, members in the management team of the Company shall not serve in the management team of the affiliated companies.</u></p> <p>A Director who engages in any activity for himself or on behalf of another person that is within the scope of the Company's business shall explain the major content of such actions to the Shareholders' Meeting and obtain its approval.</p>	<p>Article 15 (A managerial officer may not serve as a managerial officer in the affiliated companies.)</p> <p>A Director who engages in any activity for himself or on behalf of another person that is within the scope of the Company's business shall explain the major content of such actions to the Shareholders' Meeting and obtain its approval.</p>	<p>The amendment is made in compliance with Paragraph 1, Article 15 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 20 (Abilities required for the Board of Directors)</p> <p>The Board of Directors of the Company shall direct company strategies, supervise the management team, and be responsible to the Company and <u>shareholders</u>. The various procedures and arrangements of its corporate governance system shall ensure that the Board of Directors exercises its authority in compliance with laws, regulations stipulated in Articles of Incorporation, or the resolutions of the Shareholders' Meeting.</p> <p>(Omitted)</p>	<p>Article 20 (Abilities required for the Board of Directors)</p> <p>The Board of Directors of the Company shall direct company strategies, supervise the management team, and be responsible to the Company and <u>Shareholders' Meeting</u>. The various procedures and arrangements of its corporate governance system shall ensure that the Board of Directors exercises its authority in compliance with laws, regulations stipulated in Articles of Incorporation, or the resolutions of the Shareholders' Meeting.</p> <p>(Omitted)</p>	<p>The amendment is made in compliance with Paragraph 1, Article 20 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 22 (The adoption of the candidate nomination system to elect Directors shall be stipulated in the Articles of Incorporation)</p> <p><u>Pursuant to the laws and regulations established by the competent authority,</u> the Company specifies in the Articles of Incorporation that it adopts the candidate nomination system <u>for elections of Directors,</u> carefully reviews</p>	<p>Article 22 (The adoption of the candidate nomination system to elect Directors shall be stipulated in the Articles of Incorporation)</p> <p>Pursuant to the <u>Company Act,</u> the Company specifies in the Articles of Incorporation that it adopts the candidate nomination system <u>to elect Directors,</u> carefully reviews the <u>qualifications, education and experience</u></p>	<p>The amendment is made in compliance with the amendment to Article 22 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>

Revised clause	Clause in force	Explanation
<p>the qualifications as well as the existence of any other matters set forth in Article 30 of the Company Act, and acts in accordance with Article 192-1 of the Company Act.</p>	<p><u>of a nominated candidate</u> as well as the existence of any other matters set forth in Article 30 of the Company Act, and acts in accordance with Article 192-1 of the Company Act</p>	
<p>Article 23 (The Board of Directors of the Company shall draw clear distinctions between the authorization and responsibilities of the functional committee, Chairman and President) (Paragraph 1 is omitted.)</p> <p>It is inappropriate for the Chairman to also serve as the President.</p>	<p>Article 23 (The Board of Directors of the Company shall draw clear distinctions between the authorization and responsibilities of the functional committee, Chairman and President) (Paragraph 1 is omitted.)</p> <p>It is inappropriate for the Chairman to also serve as the President. <u>If the Chairman and the President are the same person, 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.</u></p>	<p>The second sentence of Paragraph 2 of this Article is deleted in compliance with the amendment to Article 23 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 24 (The Company <u>shall</u> appoint Independent Directors in accordance with the Articles of Incorporation)</p> <p>The Company <u>shall</u> 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 be observed and, in addition, an Independent Director is not advised to serve concurrently as a director (including independent director) or <u>supervisor</u> in more than five 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>Article 24 (The Company <u>may</u> appoint Independent Directors in accordance with the Articles of Incorporation)</p> <p>The Company <u>may</u> 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 be observed and, in addition, an Independent Director is not advised to serve concurrently as a Director (including Independent Director) in more than five 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>The title and Paragraph 1 of this Article are amended in compliance with Article 24 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies." In addition, the regulation that an Independent Director is not advised to serve concurrently as a supervisor in more than five TWSE/TPEX listed companies is added.</p>

Revised clause	Clause in force	Explanation
<p>Article 26 (Remuneration of Independent Directors)</p> <p>(Paragraph 1 is omitted.)</p> <p>The Company shall stipulate remuneration of Directors in accordance with applicable laws and regulations. <u>The remuneration of Directors shall fully reflect the personal performance and the long-term operating performance of the Company, and shall also take the overall operational risks of the Company into consideration.</u> 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 (Remuneration of Independent Directors)</p> <p>(Paragraph 1 is omitted.)</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>The amendment is made in compliance with Paragraph 2, Article 26 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 27 (<u>Establishment</u> of functional committees)</p> <p>For the purpose of developing supervisory functions and strengthening management mechanisms, the Company may set up the audit, remuneration, nomination, risk management or any other functional committees in consideration of the Company's scale, type of businesses and <u>the number of its Board members</u>. The Company may also set up the environmental protection, corporate social responsibility, or other committees based on concepts of corporate social responsibility and sustainable management. Such committees shall be stipulated in the Articles of Incorporation.</p> <p>(Omitted)</p>	<p>Article 27 (Functional committees)</p> <p>For the purpose of developing supervisory functions and strengthening management mechanisms, the Company may set up the audit, remuneration, nomination, risk management or any other functional committees in consideration of the Company's scale, type of businesses and <u>the size of its Board members and the number of Independent Directors</u>. The Company may also set up the environmental protection, corporate social responsibility, or other committees based on concepts of corporate social responsibility and sustainable management. Such committees shall be stipulated in the Articles of Incorporation.</p> <p>(Omitted)</p>	<p>The amendment is made in compliance with Paragraph 1, Article 27 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 29 (Establishment of Remuneration Committee)</p> <p>The Company shall establish a Remuneration Committee, and a majority of the Committee <u>shall</u> be</p>	<p>Article 29 (Establishment of Remuneration Committee)</p> <p>The Company shall establish a Remuneration Committee, and a majority of the Committee <u>is advised to</u></p>	<p>The amendment is made in compliance with Paragraph 1, Article 12 of the "Taiwan Stock Exchange</p>

Revised clause	Clause in force	Explanation
<p>comprised of Independent Directors. Professional qualifications of the committee members, exercise of 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>be comprised of Independent Directors. Professional qualifications of the committee members, exercise of 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>Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers," which states that a majority of the Remuneration Committee shall be comprised of Independent Directors.</p>
<p>Article 37 (Matters that shall be submitted to the Board of Directors for deliberation)</p> <p>The Company shall submit the following matters to the Board of Directors for deliberation:</p> <ol style="list-style-type: none"> 1. The Company's business plan. 2. Annual financial reports. 3. Formulation of or amendments to the internal control system, and evaluation of the effectiveness of the internal control system. 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. 5. Offering, issuance or private placement of any equity based securities. 6. <u>The performance evaluation and the remuneration standard of the management team.</u> 7. <u>The structure and system of Directors' remuneration.</u> 	<p>Article 37 (Matters that shall be submitted to the Board of Directors for deliberation)</p> <p>The Company shall submit the following matters to the Board of Directors for deliberation:</p> <ol style="list-style-type: none"> 1. The Company's business plan. 2. Annual financial reports. 3. Formulation of or amendments to the internal control system, and evaluation of the effectiveness of the internal control system. 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. 5. Offering, issuance or private placement of any equity based securities. 	<p>The regulation that the performance evaluation and the remuneration standard of the management team as well as the structure and system of Directors' remuneration shall be submitted to the Board of Directors for deliberation is added in compliance with Paragraph 1, Article 35 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>

Revised clause	Clause in force	Explanation
<p>8. Appointment or discharge of a finance manager, accounting manager or Chief Auditor.</p> <p>9. 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.</p> <p>10. 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 approved by resolution at a Board Meeting, or any significant matter required by the competent authority.</p> <p>(Omitted)</p>	<p>6. Appointment or discharge of a finance manager, accounting manager or Chief Auditor.</p> <p>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.</p> <p>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 approved by resolution at a Board Meeting, or any significant matter required by the competent authority.</p> <p>(Omitted)</p>	
<p>Article 39 (The members of the Board of Directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator.)</p> <p>(Paragraph 1 is omitted.)</p> <p><u>Matters on the performance evaluation of the Board of Directors are implemented in compliance with the Rules Governing the Performance Evaluation of the Board of Directors of the Company.</u></p>	<p>Article 39 (The members of the Board of Directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator.)</p> <p>(Paragraph 1 is omitted.)</p>	<p>The paragraph is added in compliance with the "Rules Governing the Performance Evaluation of the Board of Directors" established by the Company.</p>
<p>Article 42 (The Board members participate in training courses.)</p> <p>The Board members are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Directions for the Implementation of Continuing Education for Directors and Supervisors of <u>TWSE Listed and TPEX Listed</u></p>	<p>Article 42 (The Board members participate in training courses.)</p> <p>The Board members are advised to participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Directions for the Implementation of Continuing Education for Directors of <u>the Company</u>, which cover subjects relating</p>	<p>The Board members of the Company are advised to participate in certain training courses subject to "Directions for the Implementation of Continuing Education for Directors and Supervisors of</p>

Revised clause	Clause in force	Explanation
<p><u>Companies</u>, which cover subjects relating to corporate governance upon becoming Directors and throughout their terms of occupancy. They shall also ensure that company employees at all levels will enhance their professionalism and knowledge of laws.</p>	<p>to corporate governance upon becoming directors and throughout their terms of occupancy. They shall also ensure that company employees at all levels will enhance their professionalism and knowledge of laws.</p>	<p>TWSE Listed and TPEX Listed Companies."</p>
<p>Article 43 (The Company shall maintain communication with stakeholders and safeguard their rights and interests)</p> <p>The Company shall maintain communication channels with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the Company, respect and safeguard their legal rights and interests, and <u>shall</u> designate a stakeholders section on the corporate website.</p>	<p>Article 43 (The Company shall maintain communication with stakeholders and safeguard their rights and interests)</p> <p>The Company shall maintain communication channels with its banks, other creditors, employees, consumers, suppliers, community, or other stakeholders of the Company, respect and safeguard their legal rights and interests, and <u>is advised to</u> designate a stakeholders section on the corporate website.</p>	<p>The amendment is made in compliance with Paragraph 1, Article 51 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 48 (Appointment of the Spokesperson)</p> <p>(Paragraph 1 and 2 are omitted.)</p> <p>In order to implement the spokesperson system, the Company has established the "<u>Procedures for Handling Material Internal Information and Guidelines for Establishment of Spokesperson as well as Deputy Spokespersons</u>" 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>(Omitted)</p>	<p>Article 48 (Appointment of the Spokesperson)</p> <p>(Paragraph 1 and 2 are omitted.)</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>(Omitted)</p>	<p>The original "Guidelines for Establishment of Spokesperson and Deputy Spokespersons" of the Company was merged with the "Procedures for Handling Material Internal Information", and the title was amended to "Procedures for Handling Material Internal Information and Guidelines for Establishment of Spokesperson as well as Deputy Spokespersons." As a result, the title of the Guideline about spokespersons mentioned in this Article is amended</p>

Revised clause	Clause in force	Explanation
<p>Article 49 (Set up the corporate governance website.)</p> <p>The Company <u>shall</u> utilize the convenience of the Internet and set up a website containing the information regarding the Company's finance, business, and corporate governance for shareholders' and stakeholders' reference. It is also advised to furnish the financial, corporate governance, or other relevant information in English.</p> <p>(Omitted)</p>	<p>Article 49 (Set up the corporate governance website.)</p> <p>The Company <u>is advised to</u> utilize the convenience of the Internet and set up a website containing the information regarding the Company's finance, business, and corporate governance for shareholders' and stakeholders' reference. It is also advised to furnish the financial, corporate governance, or other relevant information in English.</p> <p>(Omitted)</p>	<p>accordingly.</p> <p>The amendment is made in compliance with Paragraph 1, Article 57 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article 51 (Disclosure of corporate governance information)</p> <p>The Company shall disclose and update from time to time the following information regarding corporate governance in the fiscal year in accordance with laws and regulations stipulated by Taiwan Stock Exchange (TWSE):</p> <ol style="list-style-type: none"> 1. Corporate governance framework and rules. 2. Ownership structure as well as the rights and interests of shareholders (specific and explicit dividend policy included). 3. Structure, professionalism and independence of the Board of Directors. 4. Responsibility of the Board of Directors and the management team. 5. Composition, duties and independence of the Audit Committee. 6. Composition, duties and operating status of the Remuneration Committee and other functional committees. 7. <u>The remuneration paid to the</u> 	<p>Article 51 (Disclosure of corporate governance information)</p> <p>The Company shall disclose and update from time to time the following information regarding corporate governance in the fiscal year in accordance with laws and regulations stipulated by Taiwan Stock Exchange (TWSE):</p> <ol style="list-style-type: none"> 1. Corporate governance framework and rules. 2. Ownership structure as well as the rights and interests of shareholders (specific and explicit dividend policy included). 3. Structure, professionalism and independence of the Board of Directors. 4. Responsibility of the Board of Directors and the management team. 5. Composition, duties and independence of the Audit Committee. 6. Composition, duties and operating status of the Remuneration Committee and other functional committees. 	<p>The amendment is made in compliance with Paragraph 1, Article 59 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p> <p>The regulation on disclosing the remuneration paid to the Directors, President, and Vice Presidents in the last two fiscal years, the analysis of the percentage of total remuneration to net profit after tax, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operating performance and future risk is added. Under special</p>

Revised clause	Clause in force	Explanation
<p><u>Directors, President, and Vice Presidents in the last two fiscal years, the analysis of the percentage of total remuneration to net profit after tax in the standalone financial reports, the policy, standard and package of remuneration payment, the procedure for determination of remuneration and the connection with the operating performance and future risk. Under special individual circumstances, remuneration of individual Directors shall be disclosed.</u></p> <p>8. Continuing education status of Directors.</p> <p>9. The rights, relationships, avenues for complaint, issues concerned, and appropriate response mechanism regarding stakeholders.</p> <p>10. Details of the events subject to information disclosure required by laws and regulations.</p> <p>11. The enforcement of corporate governance, differences between the corporate governance principles established by the Company and the Principles, and the reason for the differences.</p> <p>12. Other information regarding corporate governance.</p> <p>(Omitted)</p>	<p>7. Continuing education status of Directors.</p> <p>8. The rights, relationships avenues for complaint, issues concerned, and appropriate response mechanism regarding stakeholders.</p> <p>9. Details of the events subject to information disclosure required by laws and regulations.</p> <p>10. The enforcement of corporate governance, differences between the corporate governance principles established by the Company and the Principles, and the reason for the differences.</p> <p>11. Other information regarding corporate governance.</p> <p>(Omitted)</p>	<p>individual circumstances, remuneration of individual Directors shall be disclosed.</p>
<p><u>Article 52 (Monitor the domestic and international developments)</u></p> <p><u>The Company shall at all times monitor domestic and international developments in corporate governance as a basis for review and improvement of the Company's own corporate governance mechanisms, so as to enhance their effectiveness.</u></p>	<p>(Newly added)</p>	<p>The amendment is made in compliance with Article 60 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p>
<p>Article <u>53</u> (Establishment and</p>	<p>Article <u>52</u> (Establishment and</p>	<p>1. Article 53 is</p>

Revised clause	Clause in force	Explanation
<p>amendment of the Principles)</p> <p>The Principles shall be enforced after the approval of the Board of Directors. The same shall apply to any amendment to the Principles.</p>	<p>amendment of the Principles)</p> <p>The Principles shall be enforced after the approval of the Board of Directors, <u>and be reported to the Shareholders' Meeting</u>. The same shall apply to any amendment to the Principles.</p>	<p>moved from the original Article 52.</p> <p>2. The regulation on reporting to the Shareholders' Meeting, which is not required by law, is deleted.</p>

Proposals for Ratification

1. Proposal:

Adoption of the 2019 Business Report and Financial Statements

Proposed by the Board of Directors

Explanatory Note:

Please refer to Attachment 2 and 3 for the 2019 Business Report and the financial statements for the year ended December 31st, 2019.

Resolution:

Attachment 2

China Steel Corporation 2019 Business Report

I. Operating Directives

Industrial safety and environmental protection to achieve zero disaster

Quality improvement and cost reduction to achieve high performance

Intelligent production and sales to create a market niche

Passing down of culture to stabilize business operation

II. Implementation of Operating Directives

(I) Industrial safety and environmental protection to achieve zero disaster

A. Promoting the advancement of industrial safety: The Company raises safety awareness among safety and hygiene supervisors for subcontractors, promotes effectiveness audit, promotes exchanges on industrial safety within the Group, and implements medium- and long-term plans on road traffic safety inspections in the factory, with the purpose of realizing zero major occupational disaster.

B. The Company continues to improve on pollution emissions and cooperate with the government's emission reduction policies during the autumn and winter seasons.

(II) Quality improvement and cost reduction to achieve high performance

The Company continues to promote "cost reduction activities," and combine internal and external R&D resources in an open innovation way to accelerate the development of highly competitive products, low-cost manufacturing processes, and value-added application technologies, with a view to creating competitive advantage through product differentiation by increasing the price-performance ratio of products.

(III) Intelligent production and sales to create a market niche

The Company has launched 40 company-level smart solutions, currently 12 of

which have had their models completed and are entering the stage of implementing the construction of application systems, with a view to improving production and sales efficiency and customer satisfaction. In 2019, the percentage of high-grade orders was 48.6%, and the target achievement rate was 103%.

(IV) Passing down of culture to stabilize business operation

The Company passes down good corporate culture, promotes its discipline standards, and raise safety awareness so that all employees share common values and build consensus among themselves. The Company has organized many relevant courses, with the number of participants exceeding 2,000 people, and appoints supervisors to advocate in the factory (department) meetings.

III. Business Results

(I) Production

The Company's production volume of steel products (excluding secondary and salvage products) was 8.74 million metric tons in 2019, a decrease of 500 thousand metric tons or approximately 5% from 9.24 million metric tons in 2018.

(II) Sales

The Company's sales volume of steel products was 10.29 million metric tons in 2019, a decrease of 950 thousand metric tons or approximately 8% from 11.24 million metric tons in 2018.

IV. Profit Comparison with Last Year

(I) Operating revenues

The Company's operating revenues in 2019 was NT\$207,297,533 thousand, a decrease of NT\$28,105,618 thousand from NT\$235,403,151 thousand in 2018.

This was mainly due to the decrease in the average selling price of steel products and the decrease in sales volume.

(II) Gross profit

The Company's gross profit in 2019 was NT\$12,706,144 thousand, a decrease of NT\$12,266,064 thousand from NT\$24,972,208 thousand in 2018. This was mainly due to the decrease in the average selling price of steel products and the increase in the average cost of goods sold.

(III) Profit from operations

The Company's profit from operations in 2019 was NT\$4,586,901 thousand, a decrease of NT\$11,729,730 thousand from NT\$16,316,631 thousand in 2018. This was mainly due to the decrease in gross profit.

(IV) Net non-operating income and expenses

The Company's net non-operating income in 2019 was NT\$5,448,207 thousand, a decrease of NT\$4,632,552 thousand from NT\$10,080,759 thousand in 2018. This was mainly due to the decrease in share of profit of subsidiaries and associates.

(V) Income tax expense

The Company's income tax expense in 2019 was NT\$1,225,553 thousand, a decrease of NT\$717,685 thousand from NT\$1,943,238 thousand in 2018. This was mainly due to the decrease in net profit before income tax.

(VI) In summary, the Company's net profit in 2019 was NT\$8,809,555 thousand, a decrease of NT\$15,644,597 thousand from NT\$24,454,152 thousand in 2018.

V. Research and Development

The Company completed a total of 37 new product R&D projects in 2019, 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 8th with 195 patent applications and 7th with 183 patent certificates according to the 2019 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.

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 2019, the Company has accomplished outstanding R&D results; major R&D outcomes are listed as follows:

(I) Core technology for the electric vehicle industry

With the global wave of energy saving and carbon reduction, the development of electric vehicles has become a noticeable trend. There is also a growing demand for electrical sheets for drive motors with lower iron loss, higher magnetic flux, and higher strength. By establishing key technologies, the Company has developed a variety of thin electrical sheets for drive motors in electric vehicles, successfully leading the use of such products by major electric vehicle manufacturers and the formulation of industrial specifications, while making the Company the main supplier of these manufacturers in North America. Apart from promoting the application of these products among well-known electric vehicle manufacturers, other major European, American, and Japanese automobile manufacturers are also currently in discussions with the Company on the supply of electrical sheets for electric vehicles, and are

expected to introduce the Company's high-efficiency electrical sheets.

(II) Development of steel for national defense

In line with the steel demand resulting from the government's indigenous national defense policy, the Company has developed products such as plates for military ships and armored fighting vehicles. The newly developed plates for military ships, including products such as air-cooled and water-cooled thin and thick plates, have obtained certification and are mass-produced. As regards plate for armored fighting vehicles, ultra-thin bullet-resistant plates have been developed and passed testing, thereby achieving domestic production of steel for armored fighting vehicle. In addition to the development of new products, the Company promotes industrial upgrading by collaborating with upstream and downstream sectors to jointly localize the production of materials for national defense.

(III) Intelligent production technology

The Company's vision of intelligent production and sales is to use new digital technologies such as cloud, big data, and artificial intelligence (AI) to build intelligent systems in comprehensive business areas, and to drive innovation in systems, processes, organizations, and operating models, with a view to improving the operational efficiency. 2019 was defined as the "Inaugural Year of China Steel's AI", whose main goal is to "expand employee participation and build a foundation for the proliferation of intelligent manufacturing," and has been launched and promoted based on 3T, i.e. technology, talent, and team. The Company continues to build a hybrid cloud intelligent platform, train over 400 experts in the field and 40 AI seed talents, and undertake the design of 40 intelligent solutions, in order to develop the best practices for specialization and plan implementation in the AI team. The major achievements are as follows:

A. Intelligent control system for hot-dip galvanized coating: The Company

incorporates AI to identify correlations of complex equations from a data-driven approach, and uses cyber-physical technology to develop virtual sensors for the thickness of galvanized coating and active electromagnetic vibration suppression devices, thereby addressing the problem of over coating on vertical and horizontal galvanized coatings and achieving the goal of reducing over coating by 7%.

- B. Optimization of boiler fuel scheduling at No. 2 Power Plant: The Company applies process simulation technology and optimization algorithm to develop optimal scheduling guidance technology for multi-fuel and multi-unit equipment, and provides optimal operational recommendations for the combined operation of each unit equipment under load changing conditions, in order to address the problem of incompatibility between manual scheduling and complex systems.

Attachment 3

China Steel Corporation Audit Committee's Audit Report

The Board of Directors has prepared the Company's 2019 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:

2020 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 23, 2020

China Steel Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 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, 2019 and 2018, 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, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. 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, 2019 are stated as follows:

Inventory Valuation

As of December 31, 2019, inventories of the Corporation and its subsidiaries amounted to NT\$99,651,852 thousand, of which the inventories from steel industry amounted to NT\$88,045,333 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 11 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, 2019, the Corporation's investment in Formosa Ha Tinh (Cayman) Limited (FHC) amounted to NT\$23,324,222 thousand, representing 3% 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 transaction, 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 reasonableness of key inputs, including the comparable transaction, market multiplier, discount for lack of marketability and control premium.

Other Matter

We have also audited the standalone financial statements of China Steel Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unmodified opinion and an unmodified opinion with emphasis of matter and other matter paragraphs, 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, 2019 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 Jui-Hsuan Hsu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

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, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 17,029,797	3	\$ 18,287,242	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,927,715	1	2,594,485	-
Financial assets at fair value through other comprehensive income - current (Notes 4, 5 and 8)	3,958,587	1	2,969,038	1
Financial assets for hedging - current (Note 9)	1,970,043	-	2,484,391	-
Contract assets - current (Notes 4 and 24)	9,984,279	1	11,536,389	2
Notes receivable (Notes 4 and 10)	1,246,805	-	1,853,631	-
Notes receivable - related parties (Notes 4, 10 and 30)	225,179	-	488,680	-
Accounts receivable, net (Notes 4 and 10)	11,013,257	2	15,270,077	2
Accounts receivable - related parties (Notes 4, 10 and 30)	396,542	-	789,032	-
Other receivables (Note 30)	1,626,652	-	2,198,312	-
Current tax assets	395,179	-	171,737	-
Inventories (Notes 4, 5 and 11)	99,651,852	15	101,084,885	15
Non-current assets held for sale (Note 4)	-	-	839,218	-
Other financial assets - current (Notes 13 and 31)	8,864,968	1	9,353,900	2
Other current assets	4,338,520	1	4,386,727	1
Total current assets	164,629,375	25	174,307,744	26
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	996,547	-	1,879,072	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	55,854,165	8	56,780,774	9
Financial assets at amortized cost - noncurrent (Note 4)	3,875	-	17,580	-
Financial assets for hedging - noncurrent (Note 9)	461	-	109,643	-
Investments accounted for using equity method (Notes 4 and 12)	14,367,890	2	14,767,074	2
Property, plant and equipment (Notes 4, 14 and 31)	390,063,303	59	398,733,684	59
Right-of-use assets (Notes 4 and 15)	14,394,336	2	-	-
Investment properties (Notes 4, 16 and 31)	9,750,647	2	9,570,503	2
Intangible assets (Note 4)	1,677,536	-	1,850,508	-
Deferred tax assets (Notes 4 and 26)	8,897,359	1	8,332,662	1
Refundable deposits	526,351	-	582,235	-
Other financial assets - noncurrent (Notes 13 and 31)	2,330,359	-	2,290,486	-
Other noncurrent assets	3,139,777	1	5,304,631	1
Total noncurrent assets	502,002,606	75	500,218,852	74
TOTAL	\$ 666,631,981	100	\$ 674,526,596	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft (Notes 17 and 31)	\$ 40,057,395	6	\$ 42,010,006	6
Short-term bills payable (Note 17)	39,035,932	6	22,412,046	3
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	10,879	-	-	-
Financial liabilities for hedging - current (Note 9)	220,578	-	4,405,228	1
Contract liabilities - current (Notes 4 and 24)	6,203,958	1	7,555,264	1
Notes payable	1,648,218	-	1,786,843	-
Accounts payable (Note 19)	14,627,805	2	19,354,016	3
Accounts payable - related parties (Notes 19 and 30)	70,726	-	66,171	-
Other payables (Notes 20 and 30)	23,066,651	4	25,625,388	4
Current tax liabilities (Note 26)	1,242,745	-	4,854,183	1
Provisions - current (Notes 4 and 21)	3,858,959	1	7,276,429	1
Lease liabilities - current (Notes 4 and 15)	951,653	-	-	-
Current portion of bonds payable (Note 18)	15,549,642	2	12,899,340	2
Current portion of long-term bank borrowings (Notes 17 and 31)	2,536,181	1	2,974,653	1
Refund liabilities - current	1,739,701	-	2,868,815	-
Other current liabilities	1,455,285	-	1,250,323	-
Total current liabilities	152,276,308	23	155,338,705	23
NONCURRENT LIABILITIES				
Financial liabilities for hedging - noncurrent (Note 9)	4,636,085	1	4,350,730	1
Bonds payable (Note 18)	83,399,883	13	98,933,304	15
Long-term bank borrowings (Notes 17 and 31)	42,993,841	6	27,494,745	4
Long-term bills payable (Note 17)	14,094,893	2	21,319,494	3
Provisions - noncurrent (Notes 4 and 21)	1,036,460	-	862,059	-
Deferred tax liabilities (Notes 4 and 26)	14,078,731	2	12,708,119	2
Lease liabilities - noncurrent (Notes 4 and 15)	11,394,449	2	-	-
Net defined benefit liabilities (Notes 4 and 22)	9,398,363	1	9,361,721	1
Other noncurrent liabilities	1,108,458	-	1,360,001	-
Total noncurrent liabilities	182,141,163	27	176,390,173	26
Total liabilities	334,417,471	50	331,728,878	49
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23)				
Share capital				
Ordinary shares	157,348,610	23	157,348,610	23
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	23	157,731,290	23
Capital surplus	38,877,269	6	38,545,884	6
Retained earnings				
Legal reserve	65,674,189	10	63,228,774	9
Special reserve	27,803,906	4	27,649,488	4
Unappropriated earnings	21,998,036	3	31,804,134	5
Total retained earnings	115,476,131	17	122,682,396	18
Other equity	(861,959)	-	2,595,167	-
Treasury shares	(8,664,198)	(1)	(8,646,700)	(1)
Total equity attributable to owners of the Corporation	302,558,533	45	312,908,037	46
NON-CONTROLLING INTERESTS	29,655,977	5	29,889,681	5
Total equity	332,214,510	50	342,797,718	51
TOTAL	\$ 666,631,981	100	\$ 674,526,596	100

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 24, 30 and 35)	\$ 366,240,735	100	\$ 400,665,057	100
OPERATING COSTS (Notes 11, 30 and 35)	<u>338,412,847</u>	<u>92</u>	<u>351,826,655</u>	<u>88</u>
GROSS PROFIT	<u>27,827,888</u>	<u>8</u>	<u>48,838,402</u>	<u>12</u>
OPERATING EXPENSES				
Selling and marketing expenses	6,122,845	2	5,979,883	1
General and administrative expenses	6,906,724	2	7,059,548	2
Research and development expenses	2,165,619	-	2,180,058	1
Expected credit loss	<u>54,470</u>	<u>-</u>	<u>39,902</u>	<u>-</u>
Total operating expenses	<u>15,249,658</u>	<u>4</u>	<u>15,259,391</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>12,578,230</u>	<u>4</u>	<u>33,579,011</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 25 and 30)	2,264,299	1	1,786,804	1
Other gains and losses (Notes 25 and 30)	493,084	-	(303,078)	-
Finance costs (Note 25)	(3,143,383)	(1)	(3,327,227)	(1)
Share of the profit of associates	<u>609,325</u>	<u>-</u>	<u>186,235</u>	<u>-</u>
Total non-operating income and expenses	<u>223,325</u>	<u>-</u>	<u>(1,657,266)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	12,801,555	4	31,921,745	8
INCOME TAX (Notes 4 and 26)	<u>2,471,097</u>	<u>1</u>	<u>4,035,136</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>10,330,458</u>	<u>3</u>	<u>27,886,609</u>	<u>7</u>
OTHER COMPREHENSIVE INCOME (Notes 4, 22, 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(306,884)	-	(1,170,383)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(471,772)	-	(914,883)	-
Gains and losses on hedging instruments	(314,008)	-	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			
	2019		2018	
	Amount	%	Amount	%
Share of the other comprehensive income (loss) of associates	\$ 15,142	-	\$ (7,139)	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	(1,491,818)	(1)	132,088	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(1,095,938)	-	(242,424)	-
Gains and losses on hedging instruments	(3,417)	-	(202,003)	-
Share of the other comprehensive income (loss) of associates	55,640	-	746,686	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	<u>23,248</u>	<u>-</u>	<u>(867)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(3,589,807)</u>	<u>(1)</u>	<u>(1,218,335)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 6,740,651</u>	<u>2</u>	<u>\$ 26,668,274</u>	<u>7</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 8,809,555	2	\$ 24,454,152	6
Non-controlling interests	<u>1,520,903</u>	<u>1</u>	<u>3,432,457</u>	<u>1</u>
	<u>\$ 10,330,458</u>	<u>3</u>	<u>\$ 27,886,609</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 5,125,045	1	\$ 23,004,013	6
Non-controlling interests	<u>1,615,606</u>	<u>1</u>	<u>3,664,261</u>	<u>1</u>
	<u>\$ 6,740,651</u>	<u>2</u>	<u>\$ 26,668,274</u>	<u>7</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 0.57</u>		<u>\$ 1.58</u>	
Diluted	<u>\$ 0.57</u>		<u>\$ 1.57</u>	

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

(Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation						Other Equity					Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity		
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized 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	Treasury Shares
	Ordinary Shares	Preference Shares		Legal Reserve	Special Reserve	Unappropriated Earnings										
BALANCE AT JANUARY 1, 2018	\$ 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	-	-	-	-	-	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 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)	-	(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
Appropriation of 2018 earnings (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	2,445,415	-	(2,445,415)	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	154,480	(154,480)	-	-	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$1.0 per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	-	-	(15,734,861)	-	(15,734,861)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(62)	62	-	-	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	-	8,809,555	-	-	-	-	-	-	-	8,809,555	1,520,903	10,330,458
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(242,632)	(919,212)	-	(2,271,323)	-	(251,343)	(3,441,878)	-	(3,684,510)	94,703	(3,589,807)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	-	8,566,923	(919,212)	-	(2,271,323)	-	(251,343)	(3,441,878)	-	5,125,045	1,615,606	6,740,651
Acquisition of the Corporation's shares held by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(17,498)	(17,498)	-	(17,498)
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	320,031	-	-	-	-	-	-	-	-	-	-	320,031	-	320,031
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,849,310)	(1,849,310)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	15,248	-	-	(15,248)	-	-	(15,248)	-	-	-	-
Adjustment of other equity	-	-	11,354	-	-	-	-	-	-	-	-	-	-	11,354	-	11,354
BALANCE AT DECEMBER 31, 2019	\$ 157,348,610	\$ 382,680	\$ 38,877,269	\$ 65,674,189	\$ 27,803,906	\$ 21,998,036	\$ (6,838,836)	\$ -	\$ 2,124,342	\$ -	\$ 3,852,535	\$ (861,959)	\$ (8,664,198)	\$ 302,558,533	\$ 29,655,977	\$ 332,214,510

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 12,801,555	\$ 31,921,745
Adjustments for:		
Depreciation expense	35,146,724	34,160,855
Amortization expense	261,276	280,302
Expected credit loss	54,470	39,902
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(165,317)	51,554
Finance costs	3,143,383	3,327,227
Interest income	(417,940)	(369,947)
Dividend income	(902,375)	(618,920)
Share of the profit of associates	(610,361)	(215,944)
Loss on disposal of property, plant and equipment	199,687	190,813
Gain on disposal of investments	(47,318)	(73,151)
Impairment loss recognized on financial assets	1,668	-
Impairment loss (gain) recognized on nonfinancial assets	(100,366)	1,830,853
Write-down of inventories	2,935,121	1,057,104
Recognition (reversal) of provisions	(3,174,339)	2,021,082
Others	12,879	(112,655)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(281,296)	1,418,486
Financial assets for hedging	341,064	921,936
Contract assets	1,579,958	(689,452)
Notes receivable	606,826	(55,693)
Notes receivable - related parties	263,501	(179,093)
Accounts receivable	4,260,614	(2,274,704)
Accounts receivable - related parties	392,490	(433,955)
Other receivables	552,883	(468,152)
Inventories	(1,488,812)	(14,061,608)
Other current assets	907,205	635,478
Financial liabilities for hedging	(31,643)	8,866
Contract liabilities	(1,351,306)	420,039
Notes payable	(138,625)	598,689
Accounts payable	(4,726,211)	6,092,531
Accounts payable - related parties	4,555	28,794
Other payables	(1,821,727)	3,107,888
Provisions	(103,442)	(19,117)
Other current liabilities	216,505	(493,947)
Net defined benefit liabilities	(270,242)	(130,442)
Refund liabilities	(1,129,114)	1,286,615
Cash generated from operations	<u>46,921,930</u>	<u>69,203,979</u>
Income taxes paid	<u>(6,968,632)</u>	<u>(4,099,781)</u>
Net cash generated from operating activities	<u>39,953,298</u>	<u>65,104,198</u>

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$ (2,264,871)	\$ (1,587,302)
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,390,274	517,094
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	20,291	129,326
Acquisition of financial assets at amortized cost	(3,885)	(13,912)
Proceeds from disposal of financial assets at amortized cost	7,865	118,514
Acquisition of financial assets at fair value through profit or loss	(979,415)	(1,814,988)
Proceeds from disposal of financial assets as at fair value through profit or loss	961,622	3,064,280
Acquisition of financial assets for hedging	-	(1,203,457)
Acquisition of financial liabilities for hedging	349,389	3,642,472
Derecognition of financial liabilities for hedging	(4,239,103)	(18,409,436)
Acquisition of investments accounted for using equity method	(142,107)	(243,120)
Proceeds from disposal of investments accounted for using equity method	19,752	221,066
Net cash outflow on acquisition of subsidiaries	-	(1,138,500)
Disposal of subsidiaries	33,863	-
Proceeds from the capital reduction on investments accounted for using equity method	25,402	-
Acquisition of property, plant and equipment	(27,054,867)	(18,704,664)
Proceeds from disposal of property, plant and equipment	68,865	56,720
Decrease in refundable deposits	14,258	115,611
Acquisition of intangible assets	(30,816)	(37,087)
Acquisition of right-of-use assets	(153,347)	-
Acquisition of investment properties	-	(158,305)
Proceeds from disposal of investment properties	-	63,878
Decrease (increase) in other financial assets	449,059	(203,123)
Decrease (increase) in other noncurrent assets	(114,786)	43,172
Interest received	423,241	355,006
Dividends received from associates	748,176	429,253
Dividends received from others	<u>900,867</u>	<u>618,956</u>
Net cash used in investing activities	<u>(29,570,273)</u>	<u>(34,138,546)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	299,333,748	255,310,817
Repayments of short-term borrowings	(301,080,902)	(251,441,059)
Proceeds from short-term bills payable	132,280,150	222,871,015
Repayments of short-term bills payable	(115,656,264)	(225,094,551)
Issuance of bonds payable	-	28,000,000
Repayments of bonds payable	(12,900,000)	(11,200,000)
		(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2019	2018
Proceeds from long-term bank borrowings	\$ 62,922,900	\$ 51,061,021
Repayments of long-term bank borrowings	(47,679,030)	(73,637,400)
Proceeds from long-term bills payable	7,193,184	2,600,267
Repayments of long-term bills payable	(14,417,785)	(8,893,932)
Repayment of principal of lease liabilities	(917,995)	-
Increase in other noncurrent liabilities	39,115	86,637
Dividends paid to owners of the Corporation	(15,779,153)	(13,892,306)
Acquisition of the Corporation's shares held by subsidiaries	(17,498)	(195,434)
Disposal of the Corporation's shares held by subsidiaries	-	1,334
Interest paid	(3,477,560)	(3,567,240)
Decrease in non-controlling interests	<u>(1,849,310)</u>	<u>(1,622,280)</u>
Net cash used in financing activities	<u>(12,006,400)</u>	<u>(29,613,111)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>1,131,582</u>	<u>1,286,762</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(491,793)	2,639,303
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>12,522,832</u>	<u>9,883,529</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 12,031,039</u>	<u>\$ 12,522,832</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, 2019 and 2018:		
Cash and cash equivalents in the consolidated balance sheets	\$ 17,029,797	\$ 18,287,242
Bank overdraft	<u>(4,998,758)</u>	<u>(5,764,410)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 12,031,039</u>	<u>\$ 12,522,832</u>

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

(Concluded)

China Steel Corporation

**Standalone Financial Statements for the
Years Ended December 31, 2019 and 2018 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, 2019 and 2018, 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, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2019 and 2018, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2019. 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, 2019 are stated as follows:

Inventory Valuation

As of December 31, 2019, inventories of the Corporation amounted to NT\$55,940,988 thousand, representing 12% 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 11 to the Corporation's standalone 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, 2019, the Corporation's investment in Formosa Ha Tinh (Cayman) Limited (FHC) amounted to NT\$23,324,222 thousand, representing 5% 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 transaction, 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 transaction, market multiplier, discount for lack of marketability and control premium.

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, 2019 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 Jui-Hsuan Hsu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2020

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, 2019		December 31, 2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,659,190	1	\$ 7,619,772	2
Financial assets at fair value through profit or loss-current (Notes 4 and 7)	826,071	-	-	-
Financial assets at fair value through other comprehensive income - current (Notes 4 and 8)	-	-	112,155	-
Financial assets for hedging - current (Notes 9 and 28)	686,940	-	811,156	-
Contract assets - current (Notes 4 and 23)	37,687	-	204,993	-
Notes receivable (Notes 4 and 10)	424,724	-	686,507	-
Notes receivable - related parties (Notes 4, 10 and 29)	187,424	-	428,768	-
Accounts receivable, net (Notes 4 and 10)	2,017,984	1	2,872,455	1
Accounts receivable - related parties (Notes 4, 10 and 29)	1,010,906	-	1,893,989	1
Other receivables	1,032,050	-	1,356,235	-
Other receivables - loans to related parties (Note 29)	9,270,000	2	10,794,160	2
Inventories (Notes 4, 5 and 11)	55,940,988	12	50,931,887	11
Noncurrent assets held for sale (Notes 4 and 16)	-	-	594,606	-
Other financial assets - current (Notes 13 and 30)	5,950,006	2	6,070,843	1
Other current assets	755,316	-	934,428	-
Total current assets	82,799,286	18	85,311,954	18
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	825,824	-	1,651,808	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	40,960,721	9	46,868,501	10
Financial assets for hedging - noncurrent (Notes 9 and 28)	145	-	767	-
Investments accounted for using equity method (Notes 4 and 12)	181,884,058	39	180,223,533	38
Property, plant and equipment (Notes 4, 14 and 29)	146,141,153	31	155,897,997	32
Right-of-use assets (Notes 4 and 15)	1,409,621	-	-	-
Investment properties (Notes 4 and 16)	7,441,922	2	6,532,164	1
Intangible assets	24,890	-	34,847	-
Deferred tax assets (Notes 4 and 25)	4,485,947	1	4,500,087	1
Refundable deposits	105,619	-	60,519	-
Other financial assets - noncurrent (Note 13)	2	-	-	-
Total noncurrent assets	383,279,902	82	395,770,223	82
TOTAL	\$ 466,079,188	100	\$ 481,082,177	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft (Notes 17, 29 and 30)	\$ 20,143,975	4	\$ 17,328,763	4
Short-term bills payable (Note 17)	13,990,638	3	-	-
Financial liabilities for hedging - current (Notes 9 and 28)	20,396	-	4,192,300	1
Contract liabilities - current (Notes 4 and 23)	1,101,096	-	1,788,593	-
Accounts payable	4,966,533	1	7,205,398	1
Accounts payable - related parties (Note 29)	1,446,124	-	2,277,200	-
Other payables (Notes 19 and 29)	13,963,546	3	18,238,258	4
Current tax liabilities (Note 25)	462,797	-	2,857,677	1
Provisions - current (Notes 4 and 20)	2,511,033	1	4,933,753	1
Lease liabilities - current (Notes 4 and 15)	328,823	-	-	-
Current portion of bonds payable (Note 18)	6,599,642	2	5,649,340	1
Refund liabilities - current	2,054,213	1	3,040,059	1
Other current liabilities	826,293	-	500,564	-
Total current liabilities	68,415,109	15	68,011,905	14
NONCURRENT LIABILITIES				
Financial liabilities for hedging - noncurrent (Notes 9 and 28)	4,635,224	1	4,350,730	1
Bonds payable (Note 18)	65,713,769	14	72,304,214	15
Long-term bank borrowings (Note 17)	4,000,000	1	-	-
Long-term bills payable (Note 17)	1,998,687	-	5,897,729	1
Deferred tax liabilities (Notes 4 and 25)	10,673,748	2	10,722,181	2
Lease liabilities - noncurrent (Notes 4 and 15)	1,084,022	-	-	-
Net defined benefit liabilities (Notes 4 and 21)	7,000,096	2	6,887,381	2
Total noncurrent liabilities	95,105,546	20	100,162,235	21
Total liabilities	163,520,655	35	168,174,140	35
EQUITY (Notes 4 and 22)				
Share capital				
Ordinary shares	157,348,610	34	157,348,610	33
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	34	157,731,290	33
Capital surplus	38,877,269	8	38,545,884	8
Retained earnings				
Legal reserve	65,674,189	14	63,228,774	13
Special reserve	27,803,906	6	27,649,488	6
Unappropriated earnings	21,998,036	5	31,804,134	6
Total retained earnings	115,476,131	25	122,682,396	25
Other equity	(861,959)	-	2,595,167	1
Treasury shares	(8,664,198)	(2)	(8,646,700)	(2)
Total equity	302,558,533	65	312,908,037	65
TOTAL	\$ 466,079,188	100	\$ 481,082,177	100

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

CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 23 and 29)	\$ 207,297,533	100	\$ 235,403,151	100
OPERATING COSTS (Notes 11 and 29)	<u>194,591,389</u>	<u>94</u>	<u>210,430,943</u>	<u>89</u>
GROSS PROFIT	12,706,144	6	24,972,208	11
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>138,254</u>	<u>-</u>	<u>(63,751)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>12,844,398</u>	<u>6</u>	<u>24,908,457</u>	<u>11</u>
OPERATING EXPENSES				
Selling and marketing expenses	2,904,573	1	3,093,162	1
General and administrative expenses	3,451,922	2	3,715,086	2
Research and development expenses	<u>1,901,002</u>	<u>1</u>	<u>1,783,578</u>	<u>1</u>
Total operating expenses	<u>8,257,497</u>	<u>4</u>	<u>8,591,826</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>4,586,901</u>	<u>2</u>	<u>16,316,631</u>	<u>7</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 24 and 29)	1,981,301	1	1,587,435	1
Other gains and losses (Notes 24 and 29)	(11,675)	-	(61,193)	-
Finance costs (Notes 24 and 29)	(1,336,991)	-	(1,652,214)	(1)
Share of profit of subsidiaries and associates	<u>4,815,572</u>	<u>2</u>	<u>10,206,731</u>	<u>5</u>
Total non-operating income and expenses	<u>5,448,207</u>	<u>3</u>	<u>10,080,759</u>	<u>5</u>
PROFIT BEFORE INCOME TAX	10,035,108	5	26,397,390	12
INCOME TAX EXPENSE (Notes 4 and 25)	<u>1,225,553</u>	<u>1</u>	<u>1,943,238</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>8,809,555</u>	<u>4</u>	<u>24,454,152</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 22 and 25)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(172,267)	-	(757,319)	-

(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			
	2019		2018	
	Amount	%	Amount	%
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	\$ (5,888,537)	(3)	\$ (1,154,367)	(1)
Gains and losses on hedging instruments	(70,861)	-	(117,906)	-
Share of the other comprehensive income of subsidiaries and associates	3,319,480	2	432,420	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	50,304	-	158,592	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(733,134)	(1)	92,177	-
Gains and losses on hedging instruments	(3,417)	-	(207,788)	-
Share of the other comprehensive income of subsidiaries and associates	<u>(186,078)</u>	<u>-</u>	<u>104,052</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(3,684,510)</u>	<u>(2)</u>	<u>(1,450,139)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,125,045</u>	<u>2</u>	<u>\$ 23,004,013</u>	<u>10</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 0.57</u>		<u>\$ 1.58</u>	
Diluted	<u>\$ 0.57</u>		<u>\$ 1.57</u>	

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

(Concluded)

CHINA STEEL CORPORATION

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

	Share Capital		Capital Surplus	Retained Earnings			Other Equity						Treasury Shares	Total Equity
	Ordinary Shares	Preference Shares		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, 2018	\$ 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	-	-	-	-	-	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 22)														
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
Appropriation of 2018 earnings (Note 22)														
Legal reserve	-	-	-	2,445,415	-	(2,445,415)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	154,480	(154,480)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$1.0 per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	-	-	(15,734,861)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(62)	62	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2019	-	-	-	-	-	8,809,555	-	-	-	-	-	-	-	8,809,555
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(242,632)	(919,212)	-	(2,271,323)	-	(251,343)	(3,441,878)	-	(3,684,510)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	8,566,923	(919,212)	-	(2,271,323)	-	(251,343)	(3,441,878)	-	5,125,045
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(17,498)	(17,498)
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	320,031	-	-	-	-	-	-	-	-	-	-	320,031
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	15,248	-	-	(15,248)	-	-	(15,248)	-	-
Adjustment from changes in equity of subsidiaries and associates	-	-	11,354	-	-	-	-	-	-	-	-	-	-	11,354
BALANCE AT DECEMBER 31, 2019	\$ 157,348,610	\$ 382,680	\$ 38,877,269	\$ 65,674,189	\$ 27,803,906	\$ 21,998,036	\$ (6,838,836)	\$ -	\$ 2,124,342	\$ -	\$ 3,852,535	\$ (861,959)	\$ (8,664,198)	\$ 302,558,533

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

CHINA STEEL CORPORATION

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

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 10,035,108	\$ 26,397,390
Adjustments for:		
Depreciation expense	17,429,485	17,609,689
Amortization expense	9,957	9,963
Net gain on financial assets at fair value through profit or loss	(14,534)	(3,802)
Finance costs	1,336,991	1,652,214
Interest income	(194,172)	(197,865)
Dividend income	(536,241)	(363,401)
Share of profit of subsidiaries and associates	(4,815,572)	(10,206,731)
Loss on disposal of property, plant and equipment	7,148	51,676
Write-down of inventories	1,623,585	42,812
Unrealized (realized) gain on the transactions with subsidiaries and associates	(138,254)	63,751
Recognition (reversal) of provisions	(2,422,720)	1,783,317
Others	(168,035)	(154,575)
Changes in operating assets and liabilities		
Financial assets for hedging	63,422	118,500
Contract assets	189,967	(137,438)
Notes receivable	261,783	(4,606)
Notes receivable - related parties	241,344	(205,695)
Accounts receivable	854,471	(625,824)
Accounts receivable - related parties	883,083	632,138
Other receivables	318,714	(543,113)
Inventories	(6,646,390)	(2,790,464)
Other current assets	179,112	955,387
Contract liabilities	(627,061)	(814,399)
Accounts payable	(2,238,865)	3,059,942
Accounts payable - related parties	(831,076)	463,342
Other payables	(3,831,023)	3,277,721
Other current liabilities	325,729	46,449
Net defined benefit liabilities	(59,552)	81,088
Refund liabilities	(985,846)	1,215,587
Cash generated from operations	10,250,558	41,413,053
Income taxes paid	(3,604,422)	(2,369,887)
Net cash generated from operating activities	<u>6,646,136</u>	<u>39,043,166</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
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	131,399	16

(Continued)

CHINA STEEL CORPORATION

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

	For the Year Ended December 31	
	2019	2018
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	\$ -	\$ 107,527
Acquisition of financial liabilities for hedging	349,389	3,642,472
Derecognition of financial liabilities for hedging	(4,239,103)	(18,406,432)
Acquisition of subsidiaries	-	(26,000)
Proceeds from the capital reduction on investments accounted for using equity method	-	550,000
Proceeds from disposal of noncurrent assets held for sale	561,918	-
Acquisition of property, plant and equipment	(8,531,907)	(10,914,218)
Decrease (increase) in refundable deposits	(45,100)	39,573
Decrease (increase) in other receivables - loans to related parties	1,524,160	(3,437,210)
Decrease in other financial assets	120,835	198,391
Interest received	199,643	190,042
Dividends received from subsidiaries and associates	8,947,369	5,859,772
Dividends received from others	536,241	363,401
Proceeds from liquidation of subsidiaries	<u>18,665</u>	<u>-</u>
Net cash used in investing activities	<u>(426,491)</u>	<u>(21,847,666)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	68,199,596	21,006,626
Repayments of short-term borrowings	(65,017,674)	(17,508,172)
Proceeds from short-term bills payable	28,490,638	80,103,247
Repayments of short-term bills payable	(14,500,000)	(86,400,000)
Issuance of bonds payable	-	18,000,000
Repayments of bonds payable	(5,650,000)	(7,700,000)
Issuance of long-term bank borrowings	8,000,000	-
Repayments of long-term bank borrowings	(4,000,000)	(7,598,710)
Proceeds from long-term bills payable	1,998,687	-
Repayments of long-term bills payable	(5,897,729)	-
Repayments of principal of lease liabilities	(337,794)	-
Dividends paid	(15,779,153)	(13,892,306)
Acquisition of subsidiaries	(2,899,200)	(800,000)
Interest paid	(1,529,216)	(1,797,782)
Proceeds from the capital reduction on subsidiaries	<u>108,328</u>	<u>979,916</u>
Net cash used in financing activities	<u>(8,813,517)</u>	<u>(15,607,181)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,593,872)	1,588,319
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,417,541</u>	<u>829,222</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ (176,331)</u>	<u>\$ 2,417,541</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>2019</u>	<u>2018</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, 2019 and 2018:		
Cash and cash equivalents in the standalone balance sheets	\$ 4,659,190	\$ 7,619,772
Bank overdraft	<u>(4,835,521)</u>	<u>(5,202,231)</u>
Cash and cash equivalents in the standalone statements of cash flows	<u>\$ (176,331)</u>	<u>\$ 2,417,541</u>

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

(Concluded)

2. Proposal:

Adoption of the Proposal for Distribution of 2019 Profits

Proposed by the Board of Directors

Explanatory Note:

- (1) The Company's earnings distribution of 2019, as shown in the attached table, is proposed in accordance with the provisions in Article 6 of the Articles of Incorporation of the Company:
- (2) The proposed dividend appropriation for preferred shares totaled NT\$1.4 per share in cash. The proposed dividend appropriation for common shares totaled NT\$0.5 per share in cash.
- (3) Upon approval of this earnings appropriation plan by resolution of 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:

Attachment 4

China Steel Corporation		
2019 Earnings Distribution Table		Unit: NT\$
Undistributed earnings at the beginning of the period		13,415,802,251.64
After-tax earnings of 2019	8,809,554,649.59	
Disposal of investments in equity instruments at fair value through other comprehensive income	7,848,858.00	
Reverse of special reserve: disposal of fixed assets	61,556.00	
Actuarial gains (losses) from defined benefit pension plans (included in retained earnings)	(137,813,237.00)	
Effects resulting from changes in long-term equity investment	(97,418,405.00)	
Amount to be included in undistributed earnings by adding up after-tax earnings of 2019 and other items (A)		8,582,233,421.59
Deduct: Legal reserve = (A) *10%		(858,223,342.00)
Deduct: Provision of special reserve (Note 1)		(110,524,184.00)
Subtotal of distributable earnings		21,029,288,147.23
Distribution of preferred dividends - 38,267,999 preferred shares at NT\$1.4 per share (NT\$1.4 in cash)	53,575,199.00	
Distribution of ordinary dividends - 15,734,860,997 common shares at NT\$0.5 per share (NT\$0.5 in cash)	7,867,430,499.00	
Subtotal of distributable items		(7,921,005,698.00)
Undistributed earnings at the end of the period		13,108,282,449.23
Note 1: As required by applicable law, the difference between the lower market price and the book value of the Company's shares holding by subsidiaries was recognized as special reserves in proportion of shareholding.		

Proposals for Discussion

1. Proposal:

Amendments to the Procedures for Acquisition or Disposal of Assets

Proposed by the Board of Directors

Explanatory Note:

- (1) The amendment to Subparagraph 2, Paragraph 1, Article 7 of the Procedures for Acquisition or Disposal of Assets of the Company is made in compliance with the amendments to the Company Act in 2018, which relaxed the limit amount of investments of non-public companies, and in consideration of practical needs for the adjustment of corporate structure and capital restructuring.
- (2) The amendment to Item 4, Subparagraph 2, Paragraph 1, Article 17 of the Procedures for Acquisition or Disposal of Assets of the Company is made to specify the timing of periodic evaluations of derivatives trading referring to current implementation.
- (3) A comparison table of draft clauses and the clauses in force is attached.

Resolution:

Attachment 5

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

Revised clause	Clause in force	Explanation
<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 right-of-use assets thereof 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>2. The total amount of investment for each subsidiary whose primary business is not investment, transportation or trading, shall not exceed 100% of the subsidiary's paid-in capital; the total amount invested in other securities shall not exceed 40% of the subsidiary's paid-in capital, and investments in individual securities shall not exceed 40% of the subsidiary's paid-in capital. The total amount of investment for each subsidiary whose primary business is investment, transportation or trading, shall not exceed <u>300% of the subsidiary's paid-in capital.</u></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 right-of-use assets thereof 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>2. The total amount of investment for each subsidiary whose primary business is not investment, transportation or trading, shall not exceed 100% of the subsidiary's paid-in capital; the total amount invested in other securities shall not exceed 40% of the subsidiary's paid-in capital, and investments in individual securities shall not exceed 40% of the subsidiary's paid-in capital. The total amount of investment for each subsidiary whose primary business is investment, transportation or trading, shall not exceed <u>250% of the subsidiary's paid-in capital, the total amount invested in other securities shall not exceed 100% of the subsidiary's paid-in capital, and investments in individual securities shall not exceed, either.</u></p>	<p>The amendment is made in compliance with the amendments to the Company Act in 2018, which relaxed the limit amount of investments of non-public companies, and in consideration of practical needs for the adjustment of corporate structure and capital restructuring.</p>

Revised clause	Clause in force	Explanation
(Omitted)	(Omitted)	
<p>Article 17</p> <p>The Company shall take the following principles and strategies for risk management and auditing matters when engaging in derivatives trading: (Omitted)</p> <p>2. Risk management measures: (Omitted)</p> <p>(4) Periodic evaluations and abnormal situation management:</p> <p>A. Hedge trades engaged for business purposes must be evaluated at least twice per month. Evaluation reports must be submitted to the Vice President of the Finance Division.</p> <p>B. The Vice President of the Finance Division must perform periodic evaluations of the performance of derivatives trading <u>at the end of June and December in each year</u> in order to ascertain whether they fit in with operational strategies, whether the risks are within the permitted range, whether current risk management procedures are appropriate, and whether they are being performed according to regulations. The results of the periodic evaluations must be recorded in the most recent business reports of the Finance Division for the Board of Directors.</p> <p>(Omitted)</p>	<p>Article 17</p> <p>The Company shall take the following principles and strategies for risk management and auditing matters when engaging in derivatives trading: (Omitted)</p> <p>2. Risk management measures: (Omitted)</p> <p>(4) Periodic evaluations and abnormal situation management:</p> <p>A. Hedge trades engaged for business purposes must be evaluated at least twice per month. Evaluation reports must be submitted to the Vice President of the Finance Division.</p> <p>B. The Vice President of the Finance Division must perform periodic evaluations of the performance of derivatives trading in order to ascertain whether they fit in with operational strategies, whether the risks are within the permitted range, whether current risk management procedures are appropriate, and whether they are being performed according to regulations. The results of the periodic evaluations must be recorded in the most recent business reports of the Finance Division for the Board of Directors.</p> <p>(Omitted)</p>	<p>The amendment is made referring to current implementation and the suggestion from the audit of finance cycle as well as financial and accounting affairs.</p>

2. Proposal:

Amendments to the Procedures for Loaning of Funds

Proposed by the Board of Directors

Explanatory Note:

- (1) Amendments are made to Article 1, Article 11 and Article 16 of Procedures for Loaning of Funds in compliance with Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies issued by the Financial Supervisory Commission (FSC). The reasons for amendments are briefly listed as follows:
 - A. Article 1: The abbreviation of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies is amended for the contextual coherence of the Procedures.
 - B. Article 11: Specify the scope and deadline of announcements about loaning of funds to others.
 - C. Article 16: Delete the transitional provisions during the start-up phase of the Audit Committee.
- (2) A comparison table of draft clauses and the clauses in force is attached.

Resolution:

Attachment 6

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

Revised clause	Clause in force	Explanation
<p>Article 1</p> <p>The Procedures for Loaning of Funds (hereinafter "the Procedures") of China Steel Corporation (hereinafter "the Company") are adopted in accordance with the provisions of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (hereinafter "the <u>FSC Regulations</u>") regulated by the Financial Supervisory Commission (hereinafter "the FSC"). The Company shall comply with the Procedures when extending loans to others, and for any matter not set forth in the Procedures, relevant laws and the <u>FSC Regulations</u> shall prevail.</p>	<p>Article 1</p> <p>The Procedures for Loaning of Funds (hereinafter "the Procedures") of China Steel Corporation (hereinafter "the Company") are adopted in accordance with the provisions of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (hereinafter "the <u>Regulations</u>") regulated by the Financial Supervisory Commission (hereinafter "the FSC"). The Company shall comply with the Procedures when extending loans to others, and for any matter not set forth in the Procedures, relevant laws and the <u>regulations promulgated by the FSC</u> shall prevail.</p>	<p>The abbreviation of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" is amended for the contextual coherence of the Procedures.</p>
<p>Article 11</p> <p>The Company shall announce and report the <u>Company's and its subsidiaries' loan balances of the previous month in the format prescribed by the FSC by the 10th day of each month.</u></p> <p><u>If the loan balances reach one of the levels stipulated in Paragraph 1, Article 22 of the FSC Regulations, the Company shall announce and report such event in the format prescribed by the FSC within two days commencing immediately from the date of occurrence.</u></p> <p><u>The Company shall announce and report on behalf of any of its subsidiary that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to the FSC Regulations.</u></p>	<p>Article 11</p> <p>The Company shall announce and report the loan balances <u>in accordance with the provisions by the FSC.</u></p>	<p>Specify the scope and deadline of announcements about loaning of funds to others in compliance with "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by the FSC.</p>
<p>Article 16</p> <p>The Procedures, after passage by the meeting of the Board of Directors, shall be submitted to the Shareholders' Meeting for approval. Provided that any</p>	<p>Article 16</p> <p>The Procedures, after passage by the meeting of the Board of Directors, shall be submitted to the Shareholders' Meeting for approval. Provided that any</p>	<p>Delete the transitional provisions during the start-up phase of the Audit</p>

Revised clause	Clause in force	Explanation
<p>Director expresses dissent which is contained in the minutes or a written statement, the dissenting opinion shall be submitted to the Audit Committee and Shareholders' Meeting for discussion. The same shall apply to any amendment to the Procedures.</p>	<p>Director expresses dissent which is contained in the minutes or a written statement, the dissenting opinion shall be submitted to the Audit Committee and Shareholders' Meeting for discussion. The same shall apply to any amendment to the Procedures.</p> <p><u>Starting from the 16th term of the Board of Directors of the Company, the amendments to the Procedures shall first be approved by one-half or more of all Audit Committee members before submission to the Board of Directors for a resolution. If approval of one-half or more of all Audit Committee members is not obtained, the aforementioned amendments may be implemented if approved by two-thirds or more of all Directors, and the resolution of the Audit Committee shall be recorded in the minutes of the meeting of the Board of Directors.</u></p>	<p>Committee.</p>

Other Proposals

1. Proposal:

To release the prohibition on Chairman, Mr. Chao-Tung Wong, from holding the position of Director of 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. Chao-Tung Wong is holding the following positions:

Invested Company	Concurrent Post	Business Relationship with CSC
Taiwan High Speed Rail Corporation	Director	Machinery installation

- (3) Although the Company is related to Taiwan High Speed Rail 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. Chao-Tung Wong's serving in the board of the aforesaid company by participating in important operating decisions and monitoring the execution of business strategies.

Resolution:

2. Proposal:

To release the prohibition on Director, Mr. Shyi-Chin Wang, from holding the position of Director of China Ecotek 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
China Ecotek Corporation	Director	Engineering of environmental protection; Steel construction

- (3) Although the Company is related to China Ecotek 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. Shyi-Chin Wang's serving in the board of the aforesaid company by participating in important operating decisions and monitoring the execution of business strategies.

Resolution:

3. Proposal:

To release the prohibition on Director, Mr. Chien-Chih Hwang, from holding the position of Director of China Steel Structure Co., Ltd., CSBC Corporation, Taiwan, 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. Chien-Chih Hwang is holding the following positions:

Invested Company	Concurrent Post	Business Relationship with CSC
China Steel Structure Co., Ltd.	Director	Iron and steel rolling, drawing, and extruding; Machinery and equipment manufacturing
CSBC Corporation, Taiwan	Director	Steel casting; Machinery and equipment manufacturing
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	An integrated steel mill

- (3) Although the Company is related to the aforesaid 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. Chien-Chih Hwang's serving in the board of these aforesaid companies 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, eleventhly amended on 2019.

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, 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, dissolution, merger or spin-off of the Company, or relating to Paragraph 1, Article 185 of the Company Act, 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. 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.

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 in writing or by way of electronic transmission. 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. 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 annual report, annual financial statements, the Meeting notice, the Meeting agenda handbook and the supplemental materials in both Chinese and English, 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, the convener of the Audit Committee, 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, Paragraph 1, 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 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, 2020)

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	Shyi-Chin Wang	The representative of Ever Wealthy International Corporation	4,226,265	0.03
Director	Chien-Chih Hwang	The representative of Chiun Yu Investment Corporation	1,623,289	0.01
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.