

Stock Code: 2002



**CHINASTEEL**

**China Steel Corporation**

**2021 Annual General Meeting  
Meeting Handbook**

June 18, 2021  
CSC Auditorium  
No. 1, Chung-Kang Rd., Hsiao Kang Dist., Kaohsiung City, Taiwan

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**China Steel Corporation**  
**2021 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. Extraordinary Motions
11. Meeting Adjourned

# **China Steel Corporation 2021 Annual General Meeting Meeting Agenda**

Time: 9:00 a.m., June 18, 2021 (Friday)

Venue: CSC 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 2020.
- (2) Report on Audit Committee's audit report of 2020.
- (3) Report on the distribution of remuneration for employees and directors of 2020.
- (4) Report on amendments to the Corporate Social Responsibility Code of Practice.
- (5) Report on amendments to the Code of Ethics for Directors.
- (6) Report on amendments to the Rules of Procedure for Board of Directors Meetings.
- (7) Report on the issuance of domestic unsecured corporate bonds in 2020.

## 3. Proposals for Ratification

- (1) Adoption of the 2020 Business Report and Financial Statements.

(2) Adoption of the proposal for distribution of 2020 profits.

4. Proposals for Discussion

(1) Amendments to the Rules Governing the Election of Directors.

(2) Amendments to the Rules Governing Procedures for Shareholders' Meeting.

(3) Amendments to the Procedures for Loaning of Funds.

5. Extraordinary Motions

6. Meeting Adjourned

## **Report Items**

**1. Report on the Operations of 2020 by President Mr. Shyi-Chin Wang.**

**2. Report on Audit Committee's audit report of 2020.**

**(Please refer to Page 26 in this handbook)**

### **3. Report on the distribution of remuneration for employees and directors of 2020**

**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) 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) According to Letter No. Economics-Commerce-10402436190 dated January 4, 2016 issued by the Ministry of Economic Affairs, R. O. C., the term "profit" is defined as the earnings before taxes and remunerations for employees and directors
- (4) The amount of remuneration for employees of 2020 calculated based on 8% of profit after taxes was NT\$82,057,174, which was equivalent to 7.521% 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 2020 calculated based on 0.15% of profit after taxes was

NT\$1,538,572, which was equivalent to 0.141% of the amount of earnings before taxes and remunerations for employees and directors. These amounts are to be fully distributed in cash.



## **4. Amendments to the Corporate Social Responsibility Code of Practice**

**Proposed by the Board of Directors**

### **Explanatory Note:**

- (1) Amendments are made to Article 3, Article 17, Article 21, Article 25, Article 27, and Article 32 of the Corporate Social Responsibility Code of Practice of the Company in compliance with the requirements specified in Letter No. Taiwan-Stock-Governance- 1090002299 issued by Taiwan Stock Exchange (TWSE).
- (2) A comparison table of revised clauses and the clauses in force is attached.

## Attachment 1

### Comparison Table for Amendments to the Corporate Social Responsibility Code of Practice of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 3</p> <p>The Company respects the social ethics, cares about the rights and interests of stakeholders, gives due consideration to the environment, society and corporate governance while pursuing sustainable operations and profits, and includes the aforementioned concept in the corporate management and business operations.</p> <p><u>The Company, in accordance with the materiality principle, conducts risk assessments of environmental, social and corporate governance issues pertaining to company operations and establishes the relevant risk management policy or strategy.</u></p> <p>The Company actively puts into practice its corporate value of "teamwork, entrepreneurial approach, down-to-earthness and pursuit of innovation" and sets up the short, medium and long term sustainability strategies with the vision of "We aspire to be a trustworthy steel company of global distinction that pursues growth, environmental protection, energy saving and value-innovation."</p>	<p>Article 3</p> <p>The Company respects the social ethics, cares about the rights and interests of stakeholders, gives due consideration to the environment, society and corporate governance while pursuing sustainable operations and profits, and includes the aforementioned concept in the corporate management and business operations.</p> <p>The Company actively puts into practice its corporate value of "teamwork, entrepreneurial approach, down-to-earthness and pursuit of innovation" and sets up the short, medium and long term sustainability strategies with the vision of "We aspire to be a trustworthy steel company of global distinction that pursues growth, environmental protection, energy saving and value-innovation."</p>	<p>Paragraph 2, Article 3 of this Code is added in compliance with Paragraph 2, Article 3 of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," and the original Paragraph 2 is moved to Paragraph 3.</p>
<p>Article 17</p> <p><u>The Company devotes to assessing the current and future potential risks and opportunities that may arise from climate change so as to adopt countermeasures on climate related issues.</u></p> <p>The Company adopts standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall</p>	<p>Article 17</p> <p>The Company adopts standards or guidelines generally used in Taiwan and abroad to enforce corporate greenhouse gas inventory and to make disclosures thereof, the scope of which shall</p>	<p>Paragraph 1, Article 17 of this Code is added, the original Paragraph 1 is moved to Paragraph 2 and the original Paragraph 2 is revised and moved to Paragraph 3 in compliance with Paragraph 1 and 3, Article 17 of the "Corporate Social Responsibility Best</p>

Revised clause	Clause in force	Explanation
<p>include the following:</p> <ol style="list-style-type: none"> <li>1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the Company.</li> <li>2. Indirect greenhouse gas emissions: emissions resulting from the usage of externally purchased or acquired electricity, heating, or steam.</li> </ol> <p>The Company monitors the impact of climate change on its operations, <u>compiles statistics on greenhouse gas emissions, volume of water consumption and total weight of waste</u> and establishes company strategies for energy conservation, carbon and greenhouse gas reduction, <u>reduction of water consumption or management of other wastes</u> based upon its operations and the result of the greenhouse gas inventory. Such carbon reduction strategies should include obtaining carbon credits to promote and minimize the impact of its business operations on climate change.</p>	<p>include the following:</p> <ol style="list-style-type: none"> <li>1. Direct greenhouse gas emissions: emissions from operations that are owned or controlled by the Company.</li> <li>2. Indirect greenhouse gas emissions: emissions resulting from the usage of externally purchased or acquired electricity, heating, or steam.</li> </ol> <p>The Company monitors the impact of climate change on its operations, and establishes company strategies for energy conservation and carbon and greenhouse gas reduction based upon its operations and the result of the greenhouse gas inventory. Such carbon reduction strategies should include obtaining carbon credits to promote and minimize the impact of its business operations on climate change.</p>	<p>Practice Principles for TWSE/GTSM Listed Companies."</p>
<p>Article 21</p> <p>The Company creates an environment conducive to the development of its employees' careers, establishes effective training programs to foster career skills, <u>establishes and implements reasonable employee welfare measures (including remuneration, leave and other welfare etc.)</u> and appropriately reflects the business performance or achievements in the employee remuneration, to ensure the recruitment, retention, and motivation of human resources, and to achieve the objective of sustainable operations.</p>	<p>Article 21</p> <p>The Company creates an environment conducive to the development of its employees' careers, establishes effective training programs to foster career skills, and appropriately reflects the business performance or achievements in the employee remuneration, to ensure the recruitment, retention, and motivation of human resources, and to achieve the objective of sustainable operations.</p>	<p>The amendment is made in compliance with Paragraph 2, Article 21 of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies."</p>
<p>Article 25</p> <p>The Company follows the laws and regulations of the government and</p>	<p>Article 25</p> <p>The Company follows the laws and regulations of the government and</p>	<p>The amendment is made in compliance with Article 24 of the</p>

Revised clause	Clause in force	Explanation
<p>relevant standards of its industries to ensure the quality of its products and services, complies with relevant laws, regulations and international standards in <u>customers' health and safety, consumer privacy as well as marketing and labeling of its products and services, prohibits deceiving, misleading, committing fraud or engaging in any other acts which would betray consumers' trust or damage consumers' rights or interests, provides a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, and complies with laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and protecting personal data provided by consumers.</u></p>	<p>relevant standards of its industries to ensure the quality of its products and services, complies with relevant laws, regulations and international standards in marketing and labeling of its products and services, prohibits deceiving, misleading, committing fraud or engaging in any other acts which would betray consumers' trust or damage consumers' rights or interests, provides a clear and effective procedure for accepting consumer complaints to fairly and timely handle consumer complaints, and complies with laws and regulations related to the Personal Information Protection Act for respecting consumers' rights of privacy and protecting personal data provided by consumers.</p>	<p>"Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies."</p>
<p>Article 27</p> <p>The Company assesses the impact caused by its procurement and outsourcing on society as well as the environment of the supply community, <u>including assessing the level of compliance with rules regarding issues such as environmental protection, occupational safety and health or labor rights,</u> and cooperates with its suppliers to jointly implement the corporate social responsibility initiative.</p>	<p>Article 27</p> <p>The Company assesses the impact caused by its procurement and outsourcing on society as well as the environment of the supply community, and cooperates with its suppliers to jointly implement the corporate social responsibility initiative.</p>	<p>The amendment is made in compliance with Article 26 of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies."</p>
<p>Article 32</p> <p>The Code shall be enforced after the approval of the Board of Directors. The same shall apply to any amendment to the Code.</p>	<p>Article 32</p> <p>The Code 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 Code.</p>	<p>The rules about reporting to the Shareholders' Meeting, which is not required in the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," is amended.</p>

## **5. Amendments to the Code of Ethics for Directors**

**Proposed by the Board of Directors**

### **Explanatory Note:**

- (1) The wording "objections or reservations of Independent Directors" is added in Paragraph 3, Article 13 in compliance with the requirement specified in Procedures for exemption of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies."
- (2) The "corporate website" is added in Article 14 as one of the disclosure channels of the Code in compliance with the requirement specified in Method of disclosure of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies."
- (3) A comparison table of revised clauses and the clauses in force is attached.

## Attachment 2

### Comparison Table for Amendments to the Code of Ethics for Directors of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 13</p> <p>If a Director wishes to be exempted from the applicability of Article 5, he/she shall fully disclose, to the Board of Directors, the interest of persons or enterprises listed in Article 5 from each legal act, and the reasons why this is not detrimental to the Company and it conforms to regular business practice, and shall seek approval from the Board of Directors. However, if such an instance falls under the legal acts between a Director and the Company as stipulated in Article 223 of the Company Act, the convener of the Audit Committee shall serve as the representative of the Company.</p> <p>If a Director wishes to be exempted from the applicability of Article 6, he/she shall explain, to the Board of Directors, the specific details of such opportunity and the reasons why there are no conflicts with or no effects on the interests of the Company, and shall seek approval from the Board of Directors.</p> <p>Upon approval by a resolution of the Board of Directors of exemption from applicability as provided in the preceding two paragraphs, the Company shall immediately disclose information including the titles and names of the personnel exempted, the date when the exemption is approved by the Board of Directors, <u>objections or reservations of Independent Directors</u>, the term of exemption from applicability, the reasons for exemption from applicability, and the standard(s) for exemption from applicability on the Market Observation Post System.</p>	<p>Article 13</p> <p>If a Director wishes to be exempted from the applicability of Article 5, he/she shall fully disclose, to the Board of Directors, the interest of persons or enterprises listed in Article 5 from each legal act, and the reasons why this is not detrimental to the Company and it conforms to regular business practice, and shall seek approval from the Board of Directors. However, if such an instance falls under the legal acts between a Director and the Company as stipulated in Article 223 of the Company Act, the convener of the Audit Committee shall serve as the representative of the Company.</p> <p>If a Director wishes to be exempted from the applicability of Article 6, he/she shall explain, to the Board of Directors, the specific details of such opportunity and the reasons why there are no conflicts with or no effects on the interests of the Company, and shall seek approval from the Board of Directors.</p> <p>Upon approval by a resolution of the Board of Directors of exemption from applicability as provided in the preceding two paragraphs, the Company shall immediately disclose information including the titles and names of the personnel exempted, the date when the exemption is approved by the Board of Directors, the term of exemption from applicability, the reasons for exemption from applicability, and the standard(s) for exemption from applicability on the Market Observation Post System.</p>	<p>The wording "objections or reservations of Independent Directors" is added in Paragraph 3 in compliance with the requirement specified in Article 3 (Procedures for exemption) of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies."</p>
<p>Article 14</p>	<p>Article 14</p>	<p>The "corporate</p>

Revised clause	Clause in force	Explanation
<p>The Company shall disclose the Code it has adopted, as well as any amendments to it, <u>on its corporate website</u>, in its annual reports and prospectuses and on the Market Observation Post System.</p>	<p>The Company shall disclose the Code it has adopted, as well as any amendments to it, in its annual reports and prospectuses and on the Market Observation Post System.</p>	<p>"website" is added as one of the disclosure channels of the Code in compliance with the requirement specified in Article 4 (Method of disclosure) of the "Guidelines for the Adoption of Codes of Ethical Conduct for TWSE/GTSM Listed Companies."</p>

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

**Proposed by the Board of Directors**

### **Explanatory Note:**

- (1) Amendments are made to Article 6, Article 9, Article 23, Article 27, and Article 29 of the Rules of Procedure for Board of Directors Meetings of the Company in compliance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies and the amendments to the Company's organization regulations.
- (2) A comparison table of revised clauses and the clauses in force is attached.



### Attachment 3

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

Revised clause	Clause in force	Explanation
<p>Article 6</p> <p>The content of deliberations of the periodic meeting of the Board shall include at least the followings:</p> <p>1. Reporting items:</p> <p>A. Inquiry about the presenting directors any objections against the content of the last meeting minutes of the Board. The chairman of the Board shall so correct or complement if he or she considers there are grounds for objections, provided, however, that the objections shall be noted in the meeting minutes of the Board if they are groundless.</p> <p>B. The execution of the resolution made in the last meeting of the Board:</p> <p>In the event that the execution is significantly varied from the schedule and objective passed in the resolution, relevant division shall make a project report; otherwise the relevant division shall explain in the business operation report of the division. In case the discrepancy between the execution and the resolution is not material, the relevant division shall explain the reason for non-conforming implementation of the scheduled plan, discrepancy details and the remedies to be taken and provide the correction plan accordingly.</p>	<p>Article 6</p> <p>The content of deliberations of the periodic meeting of the Board shall include at least the followings:</p> <p>1. Reporting items:</p> <p>A. Inquiry about the presenting directors any objections against the content of the last meeting minutes of the Board. The chairman of the Board shall so correct or complement if he or she considers there are grounds for objections, provided, however, that the objections shall be noted in the meeting minutes of the Board if they are groundless.</p> <p>B. The execution of the resolution made in the last meeting of the Board:</p> <p>In the event that the execution is significantly varied from the schedule and objective passed in the resolution, relevant division <u>or Wind Power Business Development Committee</u> shall make a project report; otherwise the relevant division <u>or Wind Power Business Development Committee</u> shall explain in the business operation report of the division <u>or Wind Power Business Development Committee</u>. In case the discrepancy between the execution and the resolution is not material, the relevant division shall explain the reason for non-conforming implementation of the scheduled plan, discrepancy details and the remedies to be taken and provide the correction plan accordingly.</p>	<p>The amendment is made in compliance with the amendments to the Company's organization regulations to meet the practical operations.</p>

Revised clause	Clause in force	Explanation
(Omitted)	(Omitted)	
<p>Article 9</p> <p>The top management shall prepare relevant material for directors' reviews and checks whenever the Board is convened. In order to assist directors in understanding the current situation of the Company and making appropriate resolutions, the managements equivalent or above Vice President, Special Assistant to the President, the Chief Auditor, and Advisors and other persons designated by the chairman of the Board with or without compensations shall attend the meeting, report important financial, business and internal auditing affairs and other important matters of the Company and answer the questions brought up by directors.</p> <p>(Omitted)</p>	<p>Article 9</p> <p>The top management shall prepare relevant material for directors' reviews and checks whenever the Board is convened. In order to assist directors in understanding the current situation of the Company and making appropriate resolutions, the managements equivalent or above Vice President, <u>chairman of Wind Power Business Development Committee</u>, Special Assistant to the President, the Chief Auditor, and Advisors and other persons designated by the chairman of the Board with or without compensations shall attend the meeting, report important financial, business and internal auditing affairs and other important matters of the Company and answer the questions brought up by directors.</p> <p>(Omitted)</p>	<p>The amendment is made in compliance with the amendments to the Company's organization regulations to meet the practical operations.</p>
<p>Article 23</p> <p>(Paragraph 1 is omitted)</p> <p><u>Any of the following matters in relation to a resolution passed at a Board meeting shall be stated in the minutes of meetings and the Finance Department shall publish it on the Market Observation Post System within 2 (two) days from the date of Board meeting:</u></p> <ol style="list-style-type: none"> <li>1. <u>Any matter about which an independent director expresses an objection or reservation that has been recorded or stated in writing.</u></li> <li>2. <u>Any matter that has not been passed by the Audit Committee, but has been adopted with the approval of two-thirds or more of all directors.</u></li> </ol> <p>The minutes of meetings shall be fixed with the signature or chop of the chairman and the recording clerk,</p>	<p>Article 23</p> <p>(Paragraph 1 is omitted)</p> <p>The minutes of meetings shall be fixed with the signature or chop of the chairman and the recording clerk,</p>	<p>New Paragraph 2 of this Article is added in compliance with Paragraph 2, Article 17 of Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and the Paragraph 2 of the clause in force is moved to Paragraph 3 in revised clause, where a typo in Chinese is also revised.</p>

Revised clause	Clause in force	Explanation
<p>included in the important files of the Company, and preserved properly and perpetually throughout the existence of the Company.</p> <p>(Omitted)</p>	<p>included in the important files of the Company, and preserved properly and perpetually throughout the existence of the Company.</p> <p>(Omitted)</p>	
<p>Article 27 (Paragraph 1 is omitted)</p> <p>If the resolution of the Board belongs to material information stipulated by laws, regulations, or Taiwan Stock Exchange Corporation regulations, the Finance Department shall input the relevant content of the resolution at the Market Observation Post System within the stipulated time.</p>	<p>Article 27 (Paragraph 1 is omitted)</p> <p>If the resolution of the Board belongs to material information stipulated by laws, regulations, or Taiwan Stock Exchange Corporation regulations, the Finance Department shall input the relevant content of the resolution at the Market Observation Post System within the stipulated time.</p> <p><u>If an independent director has any objection or reservation of the resolution of the Board which has been recorded or stated in writing, the Finance Department shall input the relevant content of the opinion on the Market Observation Post System within 2 days from the date of the Board meeting.</u></p>	<p>The Paragraph 3 of the clause in force is merged to Paragraph 2, Article 23 in revised clause in compliance with Paragraph 2, Article 17 of Regulations Governing Procedure for Board of Directors Meetings of Public Companies.</p>
<p>Article 29</p> <p>The Rules shall be enforced after the approval of the Board of Directors. The same shall apply to any amendment to the Rules.</p>	<p>Article 29</p> <p>The Rules 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 Rules.</p>	<p>The rule about reporting to the Shareholders' Meeting, which is not required in the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, is amended.</p>

## **7. Report on the issuance of domestic unsecured corporate bonds in 2020**

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

- (1) The report is proposed in accordance with Article 246 of the Company Act.
- (2) For the purpose of working capital expansion and repayment of debts, the Company completed the issuance of 1<sup>st</sup> unsecured corporate bond of 2020 worth NT\$5.8 billion on December 28, 2020. The condition for the issuance of corporate bonds is reported as follows:
  - A. Total amount: Divided into Bond A and Bond B. Bond A - NT\$1.6 billion; Bond B - NT\$4.2 billion.
  - B. Issuance period: Bond A - 5 years, from December 28, 2020 to December 28, 2025; Bond B - 7 years, from December 28, 2020 to December 28, 2027.
  - C. Par value: NT\$1 million.
  - D. Issue price: Fully issued at par value.
  - E. Coupon rate: Bond A - Fixed rate at 0.39%; Bond B - Fixed rate at 0.43%.
  - F. Interest payment method: Simple interest will be paid once a year based on the coupon rate from the issue date.
  - G. Principal repayment method: Bond A - 50% of the principal will be paid at the end of the 4<sup>th</sup> and 5<sup>th</sup> years from the issue date, respectively; Bond B - 70% and 30% of the principal will be paid at the end of the 6<sup>th</sup> and 7<sup>th</sup> years from the issue date, respectively.

# **Proposals for Ratification**

## **1. Proposal:**

**Adoption of the 2020 Business Report and Financial Statements**

**Proposed by the Board of Directors**

## **Explanatory Note:**

Please refer to Attachment 4 and 5 for the 2020 Business Report and the financial statements for the year ended December 31st, 2020.

## **Resolution:**

## **Attachment 4**

### **China Steel Corporation 2020 Business Report**

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

- Conducting comprehensive cost reduction and increasing profitability to enhance overall performance
- Offering diversified services to expand the market
- Building smart steel mill to boost efficiency
- Maintaining occupational safety and environmental protection to increase credibility

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

- (I) Conducting comprehensive cost reduction and increasing profitability to enhance overall performance: In 2020, the Company launched the expanded "Cost Reduction Program" by incorporating key issues in a top-down fashion and setting challenging goals. In addition, overseas material yard was made use of for the first time to lower demurrage. The Company had achieved an annual target achievement ratio of 132% in cost reduction.
- (II) Offering diversified services to expand the market: The Company's actual shipments of steel products slightly fell short of its 2020 target, which could be attributed to factors that affected steel price and demand, such as the worsened COVID-19 pandemic and the US-China trade war. In an attempt to increase shipments, marketing strategies would include being close to market price and developing new customers and markets.
- (III) Building smart steel mill to boost efficiency: In 2020, the Company kicked off 40 corporate-level smart solutions, 13 of which had been completed. In 2021, 32 corporate-level smart solutions are planned to be launched. The Company will put sustained efforts in identifying and upgrading equipment and process capabilities, improving production efficiency, and constructing whole-process

smart steel mill to achieve intelligent production and sales.

- (IV) Maintaining occupational safety and environmental protection to increase credibility: The Company promotes the advancement of occupational safety, raises safety awareness among safety and hygiene supervisors for subcontractors, promotes effectiveness audit, promotes exchanges on industrial safety within the Group, and implements a mid-to-long-term plan on road safety inspections in the factory. The goal of zero major occupational accident in 2020 was achieved.

### **III. Business Results**

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

The Company's production volume of steel products (excluding secondary and salvage products) was 8.71 million metric tons in 2020, a decrease of 30 thousand metric tons or approximately 0.3% from 8.74 million metric tons in 2019.

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

The Company's sales volume of steel products was 10.14 million metric tons in 2020, a decrease of 150 thousand metric tons or approximately 1% from 10.29 million metric tons in 2019.

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

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

The Company's operating revenues in 2020 was NT\$183,841,526 thousand, a decrease of NT\$23,456,007 thousand from NT\$207,297,533 thousand in 2019. 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 2020 was NT\$8,226,737 thousand, a decrease of

NT\$4,479,407 thousand from NT\$12,706,144 thousand in 2019, mainly because the decrease in the average selling price of steel products was larger than the decrease in the average cost of goods sold.

(III) Profit from operations

The Company's profit from operations in 2020 was NT\$597,227 thousand, a decrease of NT\$3,989,674 thousand from NT\$4,586,901 thousand in 2019. 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 2020 was NT\$410,149 thousand, a decrease of NT\$5,038,058 thousand from NT\$5,448,207 thousand in 2019. 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 2020 was NT\$121,511 thousand, a decrease of NT\$1,104,042 thousand from NT\$1,225,553 thousand in 2019. This was mainly due to the decrease in net profit before income tax.

(VI) In summary, the Company's net profit in 2020 was NT\$885,865 thousand, a decrease of NT\$7,923,690 thousand from NT\$8,809,555 thousand in 2019.

**V. Research and Development**

The Company completed a total of 34 new product R&D projects in 2020, a fruitful year for the Company in terms of R&D, and continued the efforts towards enhancing competitive advantage through product differentiation. In terms of intellectual property rights, the Company applied for 186 patents in 2020, of which 179 had been granted the certificate. Once again in 2020, the Company was awarded the Silver Medal of National Innovation and Creation Award for the research achievement of "Method for manufacturing



gyromagnetic element".

Based on the operational and developmental cores, “the high value added steel mill” and “development of green energy industry,” the current R&D strategy of the Company is to develop core capabilities, including developing advanced premium steel, establishing excellent manufacturing capability, and introducing AIoT, boosting productivity, and deepening the upgrade of steel-using industry. R&D resources are mainly invested in key research projects, in the hope of cultivating technology and achieving sustainable development. In 2020, the Company has accomplished outstanding R&D results; major R&D outcomes are listed as follows:

- (I) Core technology for the electric vehicle industry
  - A. Development of electrical sheets: Through the establishment of key technologies, the Company has developed thin electrical sheets, such as 30CS2000P and 20CS1200FY, which are characterized by lower iron loss, higher magnetic flux and higher strength for drive motors in electric vehicles. The Company has successfully made such products sourced by major electric vehicle manufacturers and has become a critical supplier of electrical sheets.
  - B. Development of advanced high-strength steel: To meet lightweight and safety requirements, advanced high-strength steel has become the development trend of vehicle structural components. In addition to a variety of dual-phase steel and high hole-expansion steel, CSC spares no efforts to develop steel products with higher strength and ductility, and intends to fill the gap in the industry's supply chain by supplying domestic and overseas automobile brands.
  - C. Development of self-adhesive coating sheets and its processing technology: The Company has successfully developed self-adhesive coating sheets and its processing technology to reduce the iron loss of electric vehicles, improve efficiency, and increase endurance. In addition, the Company has mastered

the core technology of the production of self-adhesive molds and jigs and has been equipped with demonstration equipment, in support of domestic manufacturers to optimize their process equipment and enhance their mass production capacity.

(II) Intelligent manufacturing technology

A. Development of smart metallurgical design technology: In a bid to facilitate the design and simulation of the most suitable metallurgical parameters, the Company applies AI to construct a prediction model for mechanical properties with cross-process production parameters, effectively shortening the time of product development and response to customers' inquiry for available capacity. Besides, it achieved the goals of simplifying steel types and improving the rate of continuous casting.

B. Development of multi-purpose object detection technology through deep learning: With the characteristics of images observed, the Company has developed multi-purpose object detection technology specifically for steel production.

(III) Energy and environmental protection technology

The Company has accomplished the development and application of several energy-saving technologies, introduced the pure oxygen combustion to ladle preheating stations in order to reduce the consumption of sourced natural gas, and completed system design and component production. Besides, the Company has established furnace temperature control system for low capacity utilization periods, effectively reducing fuel consumption of annealing furnaces. What's more, intelligent models for hot stove have been constructed and incorporated into the intelligent blast furnace module.

## Attachment 5

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

The Board of Directors has prepared the Company's 2020 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:

2021 Annual General Shareholders' Meeting

China Steel Corporation

Convener of the Audit Committee:

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

Shyue-Bin Chang

February 26, 2021

## **China Steel Corporation and Subsidiaries**

**Consolidated** Financial Statements for the  
Years Ended December 31, 2020 and 2019 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, 2020 and 2019, 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 (collectively referred to as the consolidated financial statements).

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, 2020 and 2019, and their consolidated financial performance and their 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, 2020. 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, 2020 are stated as follows:

#### Inventory Valuation

As of December 31, 2020, inventories of the Corporation and its subsidiaries amounted to NT\$76,177,207 thousand, of which the inventories from steel industry amounted to NT\$64,758,341 thousand, representing 10% 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.

The 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.

#### Recognition of Revenue from Sale of Goods of Steel Department

The Corporation and its subsidiaries manufacture and sell steel products and engage in mechanical, communications, and electrical engineering. Revenue from sale of goods of steel department represented approximately 80% of the total operating revenue. Because revenue recognition is presumed to be significant risk, it subjects to fluctuation in terms of market demand, and it is also the financial factor that financial report users focused on, revenue recognition is deemed to be a key audit matter. Refer to Notes 4, 24 and 37 to consolidated financial statements for the related accounting policies and disclosures on sales revenue.

The audit procedures we performed included the following:

1. We understood the design and implementation regarding approval of sales order, shipping and cash collecting process of the Corporation's steel department.
2. We evaluated the appropriateness of sales amount and nature by analyzing sales quantities, unit price, sales to major customers and sales of major goods based on two-year comparative information.
3. We tested details on the above-mentioned specific goods and customers on a sample basis, including confirming customer information, testing shipping documents or bill of lading and cash collection to confirm the existence of sales revenue.
4. We obtained subsequent details of the above-mentioned specific customers and tested whether there is any unusual sales returns and allowances on a sample basis to confirm the appropriateness of accounting treatment and presentation.

#### **Other Matter**

We have also audited the standalone financial statements of China Steel Corporation as of and for the years ended December 31, 2020 and 2019 on which we both have issued an unmodified opinion.

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

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

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

Those charged with governance, including the audit committee or supervisors, 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, 2020 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 audits resulting in this independent auditors' report are Jui-Hsuan Hsu and Cheng-Hung Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 26, 2021

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, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 16,140,326	3	\$ 17,029,797	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	4,425,282	1	3,927,715	1
Financial assets at fair value through other comprehensive income - current (Notes 4, 5 and 8)	5,179,109	1	3,958,587	1
Financial assets for hedging - current (Notes 4 and 9)	1,458,618	-	1,970,043	-
Contract assets - current (Notes 4 and 24)	10,158,521	2	9,984,279	1
Notes receivable (Notes 4 and 10)	1,602,893	-	1,246,805	-
Notes receivable - related parties (Notes 4, 10 and 32)	118,989	-	225,179	-
Accounts receivable, net (Notes 4 and 10)	11,480,441	2	11,013,257	2
Accounts receivable - related parties (Notes 4, 10 and 32)	199,624	-	396,542	-
Other receivables (Notes 4 and 32)	1,733,785	-	1,626,652	-
Current tax assets	710,432	-	395,179	-
Inventories (Notes 4, 5 and 11)	76,177,207	12	99,651,852	15
Other financial assets - current (Notes 13 and 33)	8,601,911	1	8,864,968	1
Other current assets	3,350,746	1	4,338,520	1
Total current assets	<u>141,337,884</u>	<u>23</u>	<u>164,629,375</u>	<u>25</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	1,015,359	-	996,547	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	54,879,242	9	55,854,165	8
Financial assets at amortized cost - noncurrent (Note 4)	3,939	-	3,875	-
Financial assets for hedging - noncurrent (Notes 4 and 9)	4,561	-	461	-
Investments accounted for using the equity method (Notes 4 and 12)	13,708,257	2	14,367,890	2
Property, plant and equipment (Notes 4, 14 and 33)	384,332,644	61	390,063,303	59
Right-of-use assets (Notes 3, 4 and 15)	13,720,878	2	14,394,336	2
Investment properties (Notes 4, 16 and 33)	9,718,233	2	9,750,647	2
Intangible assets (Note 4)	1,654,972	-	1,677,536	-
Deferred tax assets (Notes 4 and 26)	8,863,670	1	8,897,359	1
Refundable deposits	683,498	-	526,351	-
Other financial assets - noncurrent (Notes 13 and 33)	3,079,366	-	2,330,359	-
Other noncurrent assets	3,080,194	-	3,139,777	1
Total noncurrent assets	<u>494,744,813</u>	<u>77</u>	<u>502,002,606</u>	<u>75</u>
<b>TOTAL</b>	<u>\$ 636,082,697</u>	<u>100</u>	<u>\$ 666,631,981</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings and bank overdraft (Notes 17 and 33)	\$ 22,510,392	4	\$ 40,057,395	6
Short-term bills payable (Note 17)	32,072,318	5	39,035,932	6
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	736	-	10,879	-
Financial liabilities for hedging - current (Notes 4 and 9)	1,880,889	-	220,578	-
Contract liabilities - current (Notes 4 and 24)	5,564,585	1	6,203,958	1
Notes payable	1,561,308	-	1,648,218	-
Accounts payable (Note 19)	17,138,527	3	14,627,805	2
Accounts payable - related parties (Notes 19 and 32)	37,588	-	70,726	-
Other payables (Notes 20 and 32)	23,055,595	4	23,066,651	4
Current tax liabilities	883,896	-	1,242,745	-
Provisions - current (Notes 4 and 21)	6,501,683	1	3,858,959	1
Lease liabilities - current (Notes 3, 4 and 15)	954,695	-	951,653	-
Current portion of bonds payable (Note 18)	17,399,351	3	15,549,642	2
Current portion of long-term bank borrowings (Notes 17 and 33)	2,215,129	-	2,536,181	1
Refund liabilities - current	2,148,949	-	1,739,701	-
Other current liabilities	1,400,912	-	1,455,285	-
Total current liabilities	<u>135,326,553</u>	<u>21</u>	<u>152,276,308</u>	<u>23</u>
<b>NONCURRENT LIABILITIES</b>				
Financial liabilities for hedging - noncurrent (Notes 4 and 9)	338,608	-	4,636,085	1
Bonds payable (Note 18)	79,800,146	13	83,399,883	13
Long-term bank borrowings (Notes 17 and 33)	42,157,426	7	42,993,841	6
Long-term bills payable (Note 17)	18,673,657	3	14,094,893	2
Provisions - noncurrent (Notes 4 and 21)	1,041,882	-	1,036,460	-
Deferred tax liabilities (Notes 4 and 26)	14,267,718	2	14,078,731	2
Lease liabilities - noncurrent (Notes 3, 4 and 15)	10,966,743	2	11,394,449	2
Net defined benefit liabilities (Note 22)	9,267,896	1	9,398,363	1
Other noncurrent liabilities	1,135,087	-	1,108,458	-
Total noncurrent liabilities	<u>177,649,163</u>	<u>28</u>	<u>182,141,163</u>	<u>27</u>
Total liabilities	<u>312,975,716</u>	<u>49</u>	<u>334,417,471</u>	<u>50</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23)</b>				
Share capital				
Ordinary shares	157,348,610	25	157,348,610	23
Preference shares	382,680	-	382,680	-
Total share capital	<u>157,731,290</u>	<u>25</u>	<u>157,731,290</u>	<u>23</u>
Capital surplus	39,077,456	6	38,877,269	6
Retained earnings				
Legal reserve	66,532,412	10	65,674,189	10
Special reserve	27,912,065	4	27,803,906	4
Unappropriated earnings	13,897,589	2	21,998,036	3
Total retained earnings	<u>108,342,066</u>	<u>16</u>	<u>115,476,131</u>	<u>17</u>
Other equity	(3,187,669)	-	(861,959)	-
Treasury shares	(8,664,198)	-	(8,664,198)	-
Total equity attributable to owners of the Corporation	<u>293,298,945</u>	<u>46</u>	<u>302,558,533</u>	<u>45</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>29,808,036</u>	<u>5</u>	<u>29,655,977</u>	<u>5</u>
Total equity	<u>323,106,981</u>	<u>51</u>	<u>332,214,510</u>	<u>50</u>
<b>TOTAL</b>	<u>\$ 636,082,697</u>	<u>100</u>	<u>\$ 666,631,981</u>	<u>100</u>

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			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24, 32 and 37)	\$ 314,783,301	100	\$ 366,240,735	100
OPERATING COSTS (Notes 11, 25 and 32)	<u>299,665,781</u>	<u>95</u>	<u>338,412,847</u>	<u>92</u>
GROSS PROFIT	<u>15,117,520</u>	<u>5</u>	<u>27,827,888</u>	<u>8</u>
OPERATING EXPENSES				
Selling and marketing expenses	4,441,752	1	6,122,845	1
General and administrative expenses	6,441,564	2	6,906,724	2
Research and development expenses	1,947,816	1	2,165,619	1
Loss (reversal) of expected credit loss	<u>(9,849)</u>	<u>-</u>	<u>54,470</u>	<u>-</u>
Total operating expenses	<u>12,821,283</u>	<u>4</u>	<u>15,249,658</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>2,296,237</u>	<u>1</u>	<u>12,578,230</u>	<u>4</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 25)	302,888	-	417,940	-
Other income (Notes 25 and 32)	2,151,834	1	1,846,359	1
Other gains and losses (Notes 25 and 32)	(105,969)	-	493,084	-
Finance costs (Note 25)	(2,460,078)	(1)	(3,143,383)	(1)
Share of the profit of associates	<u>583,250</u>	<u>-</u>	<u>609,325</u>	<u>-</u>
Total non-operating income and expenses	<u>471,925</u>	<u>-</u>	<u>223,325</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	2,768,162	1	12,801,555	4
INCOME TAX (Notes 4 and 26)	<u>510,329</u>	<u>-</u>	<u>2,471,097</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>2,257,833</u>	<u>1</u>	<u>10,330,458</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (Notes 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(177,312)	-	(306,884)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(1,125,935)	(1)	(471,772)	-
Gains and losses on hedging instruments	(71,637)	-	(314,008)	-

(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			
	2020		2019	
	Amount	%	Amount	%
Share of the other comprehensive income (loss) of associates	\$ (158,505)	-	\$ 15,142	-
Income tax expense relating to items that will not be reclassified subsequently to profit or loss	(293,735)	-	(1,491,818)	(1)
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(358,528)	-	(1,095,938)	-
Gains and losses on hedging instruments	5,115	-	(3,417)	-
Share of the other comprehensive income (loss) of associates	(742,571)	-	55,640	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	<u>29,425</u>	<u>-</u>	<u>23,248</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(2,893,683)</u>	<u>(1)</u>	<u>(3,589,807)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ (635,850)</u>	<u>-</u>	<u>\$ 6,740,651</u>	<u>2</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 885,865	-	\$ 8,809,555	2
Non-controlling interests	<u>1,371,968</u>	<u>1</u>	<u>1,520,903</u>	<u>1</u>
	<u>\$ 2,257,833</u>	<u>1</u>	<u>\$ 10,330,458</u>	<u>3</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ (1,538,770)	(1)	\$ 5,125,045	1
Non-controlling interests	<u>902,920</u>	<u>1</u>	<u>1,615,606</u>	<u>1</u>
	<u>\$ (635,850)</u>	<u>-</u>	<u>\$ 6,740,651</u>	<u>2</u>
<b>EARNINGS PER SHARE (Note 27)</b>				
Basic	<u>\$ 0.05</u>		<u>\$ 0.57</u>	
Diluted	<u>\$ 0.05</u>		<u>\$ 0.57</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					Non-controlling Interests	Total Equity	
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Gains and Losses on Hedging Instruments	Total Other Equity	Treasury Shares			Total Equity Attributable to Owners of the Corporation
	Ordinary Shares	Preference Shares		Legal Reserve	Special Reserve	Unappropriated Earnings								
BALANCE AT JANUARY 1, 2019	\$ 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)	-	-	-	2,445,415	-	(2,445,415)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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
BALANCE AT JANUARY 1, 2020	\$ 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
Appropriation of 2019 earnings (Note 23)	-	-	-	858,223	-	(858,223)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	110,524	(110,524)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.5 per share	-	-	-	-	-	(7,867,430)	-	-	-	-	-	(7,867,430)	-	(7,867,430)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(2,365)	2,365	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	-	885,865	-	-	-	-	-	885,865	1,371,968	2,257,833
Other comprehensive income for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(134,429)	(690,114)	(1,545,421)	(54,671)	(2,290,206)	-	(2,424,635)	(469,048)	(2,893,683)
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	-	751,436	(690,114)	(1,545,421)	(54,671)	(2,290,206)	-	(1,538,770)	902,920	(635,850)
Acquisition of the Corporation's shares held by subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,780)	(1,780)	-	(1,780)
Disposal of the Corporation's shares held by subsidiaries	-	-	271	-	-	-	-	-	-	-	1,780	2,051	-	2,051
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	160,443	-	-	-	-	-	-	-	-	160,443	-	160,443
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(750,861)	(750,861)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	35,504	-	(35,504)	-	(35,504)	-	-	-	-
Adjustment of other equity	-	-	39,473	-	-	-	-	-	-	-	-	39,473	-	39,473
BALANCE AT DECEMBER 31, 2020	\$ 157,348,610	\$ 382,680	\$ 39,077,456	\$ 66,532,412	\$ 27,912,065	\$ 13,897,589	\$ (7,528,950)	\$ 543,417	\$ 3,797,864	\$ (3,187,669)	\$ (8,664,198)	\$ 293,298,945	\$ 29,808,036	\$ 323,106,981

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>	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 2,768,162	\$ 12,801,555
Adjustments for:		
Depreciation expense	33,247,153	35,146,724
Amortization expense	263,724	261,276
Expected credit loss (reversal)	(9,849)	54,470
Net gain on financial assets and liabilities at fair value through profit or loss	(246,293)	(165,317)
Finance costs	2,460,078	3,143,383
Interest income	(302,888)	(417,940)
Dividend income	(1,134,446)	(902,375)
Share of the profit of associates	(584,960)	(610,361)
Loss (gain) on disposal of property, plant and equipment	(799,655)	199,687
Gain on disposal of investments	(434,206)	(47,318)
Impairment loss recognized on financial assets	-	1,668
Write-down (reversal) of inventories	(3,008,823)	2,935,121
Impairment loss recognized on (reversal of) nonfinancial assets	576,317	(100,366)
Recognition (reversal) of provisions	2,693,284	(3,174,339)
Others	(14,192)	12,879
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	354,202	18,976
Financial assets for hedging	428,090	341,064
Contract assets	(174,051)	1,579,958
Notes receivable	(386,081)	606,826
Notes receivable - related parties	106,190	263,501
Accounts receivable	(479,850)	4,260,614
Accounts receivable - related parties	196,918	392,490
Other receivables	(69,760)	552,883
Inventories	26,492,408	(1,488,812)
Other current assets	888,737	907,205
Financial liabilities for hedging	52,678	(31,643)
Contract liabilities	(639,373)	(1,351,306)
Notes payable	(86,910)	(138,625)
Accounts payable	2,517,477	(4,726,211)
Accounts payable - related parties	(33,138)	4,555
Other payables	(195,466)	(1,821,727)
Provisions	(51,228)	(103,442)
Other current liabilities	(54,381)	216,505
Net defined benefit liabilities	(307,692)	(270,242)
Refund liabilities	409,248	(1,129,114)
Cash generated from operations	64,441,424	47,222,202
Income taxes paid	(1,226,065)	(6,968,632)
Net cash generated from operating activities	<u>63,215,359</u>	<u>40,253,570</u>

(Continued)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	\$ (5,611,851)	\$ (2,264,871)
Proceeds from disposal of financial assets at fair value through other comprehensive income	4,535,280	1,390,274
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	8,382	20,291
Acquisition of financial assets at amortized cost	-	(3,885)
Proceeds from disposal of financial assets at amortized cost	-	7,865
Acquisition of financial assets at fair value through profit or loss	(9,376,248)	(9,274,665)
Proceeds from disposal of financial assets at fair value through profit or loss	8,689,326	8,956,600
Acquisition of financial liabilities for hedging	-	349,389
Derecognition of financial liabilities for hedging	(2,682,577)	(4,239,103)
Acquisition of investments accounted for using the equity method	(375,000)	(142,107)
Proceeds from disposal of investments accounted for using the equity method	354,191	19,752
Net cash outflow on acquisition of subsidiaries	(1,099,447)	-
Disposal of subsidiaries	748,920	33,863
Proceeds from the capital reduction on investments accounted for using the equity method	296,526	25,402
Acquisition of property, plant and equipment	(26,815,441)	(27,054,867)
Proceeds from disposal of property, plant and equipment	1,072,657	68,865
Decrease (increase) in refundable deposits	(59,596)	14,258
Acquisition of intangible assets	(188,199)	(30,816)
Acquisition of right-of-use assets	-	(153,347)
Acquisition of investment properties	(10,483)	-
Decrease (increase) in other financial assets	(485,950)	449,059
Increase in other noncurrent assets	(15,503)	(114,786)
Interest received	289,993	423,241
Dividends received from associates	726,219	748,176
Dividends received from others	<u>1,134,062</u>	<u>900,867</u>
Net cash used in investing activities	<u>(28,864,739)</u>	<u>(29,870,545)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	262,134,157	299,333,748
Repayments of short-term borrowings	(279,370,100)	(301,080,902)
Proceeds from short-term bills payable	135,830,659	132,280,150
Repayments of short-term bills payable	(142,794,272)	(115,656,264)
Issuance of bonds payable	13,800,000	-
Repayments of bonds payable	(15,550,000)	(12,900,000)

(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>2020</u>	<u>2019</u>
Proceeds from long-term bank borrowings	\$ 58,466,497	\$ 62,922,900
Repayments of long-term bank borrowings	(59,256,509)	(47,679,030)
Proceeds from long-term bills payable	13,099,578	7,193,184
Repayments of long-term bills payable	(8,520,814)	(14,417,785)
Repayment of principal of lease liabilities	(1,006,431)	(917,995)
Increase in other noncurrent liabilities	26,629	39,115
Dividends paid to owners of the Corporation	(7,915,869)	(15,779,153)
Acquisition of the Corporation's shares held by subsidiaries	-	(17,498)
Interest paid	(2,860,426)	(3,477,560)
Decrease in non-controlling interests	<u>(750,861)</u>	<u>(1,849,310)</u>
Net cash used in financing activities	<u>(34,667,762)</u>	<u>(12,006,400)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>1,092,467</u>	<u>1,131,582</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	775,325	(491,793)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>12,031,039</u>	<u>12,522,832</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 12,806,364</u>	<u>\$ 12,031,039</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, 2020 and 2019:		
Cash and cash equivalents in the consolidated balance sheets	\$ 16,140,326	\$ 17,029,797
Bank overdraft	<u>(3,333,962)</u>	<u>(4,998,758)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 12,806,364</u>	<u>\$ 12,031,039</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, 2020 and 2019 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, 2020 and 2019, 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 (collectively referred to as the standalone financial statements).

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, 2020 and 2019, 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, 2020. 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, 2020 are stated as follows:

#### **Inventory Valuation**

As of December 31, 2020, inventories of the Corporation amounted to NT\$39,537,983 thousand, representing 9% 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.

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.

#### Recognition of Revenue from Sale of Goods of Steel Department

The Corporation manufactures and sells steel products and engages in mechanical, communications, and electrical engineering. Revenue from sale of goods of steel department represented over 90% of the total operating revenue. Because revenue recognition is presumed to be significant risk, it subjects to fluctuation in terms of market demand, and it is also the financial factor that financial report users focused on, revenue recognition is deemed to be a key audit matter. Refer to Notes 4 and 23 to the Corporation's standalone financial statements for the related accounting policies and disclosures on sales revenue.

The audit procedures we performed included the following:

1. We understood the design and implementation regarding approval of sales order, shipping and cash collecting process of the Corporation's steel department.
2. We evaluated the appropriateness of sales amount and nature by analyzing sales quantities, unit price, sales to major customers and sales of major goods based on two-year comparative information.
3. We tested details on the above-mentioned specific goods and customers on a sample basis, including confirming customer information, testing shipping documents or bill of lading and cash collection to confirm the existence of sales revenue.
4. We obtained subsequent details of the above-mentioned specific customers and tested whether there is any unusual sales returns and allowances on a sample basis to confirm the appropriateness of accounting treatment and presentation.

#### **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 or supervisors, 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, 2020 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 audits resulting in this independent auditors' report are Jui-Hsuan Hsu and Cheng-Hung Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

February 26, 2021

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, 2020		December 31, 2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,769,860	-	\$ 4,659,190	1
Financial assets at fair value through profit or loss-current (Notes 4 and 7)	-	-	826,071	-
Financial assets for hedging - current (Notes 4, 9 and 28)	514,119	-	686,940	-
Contract assets - current (Notes 4 and 23)	475,313	-	37,687	-
Notes receivable (Notes 4 and 10)	430,648	-	424,724	-
Notes receivable - related parties (Notes 4, 10 and 29)	111,592	-	187,424	-
Accounts receivable, net (Notes 4 and 10)	2,688,128	1	2,017,984	1
Accounts receivable - related parties (Notes 4, 10 and 29)	2,054,455	1	1,010,906	-
Other receivables	1,203,455	-	1,032,050	-
Other receivables - loans to related parties (Note 29)	5,694,000	1	9,270,000	2
Current tax assets	305,386	-	-	-
Inventories (Notes 4, 5 and 11)	39,537,983	9	55,940,988	12
Other financial assets - current (Notes 13 and 30)	6,027,185	2	5,950,006	2
Other current assets	764,085	-	755,316	-
Total current assets	61,576,209	14	82,799,286	18
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	843,818	-	825,824	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	38,226,656	9	40,960,721	9
Financial assets for hedging - noncurrent (Notes 4, 9 and 28)	1,852	-	145	-
Investments accounted for using the equity method (Notes 4 and 12)	181,301,445	41	181,884,058	39
Property, plant and equipment (Notes 4, 14 and 29)	148,160,443	33	146,141,153	31
Right-of-use assets (Notes 4 and 15)	1,269,862	-	1,409,621	-
Investment properties (Notes 4 and 16)	7,431,253	2	7,441,922	2
Intangible assets	14,934	-	24,890	-
Deferred tax assets (Notes 4 and 25)	3,836,367	1	4,485,947	1
Refundable deposits	245,565	-	105,619	-
Other financial assets - noncurrent (Note 13)	10,003	-	2	-
Total noncurrent assets	381,342,198	86	383,279,902	82
<b>TOTAL</b>	<b>\$ 442,918,407</b>	<b>100</b>	<b>\$ 466,079,188</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings and bank overdraft (Notes 17, 29 and 30)	\$ 10,685,874	2	\$ 20,143,975	4
Short-term bills payable (Note 17)	3,999,092	1	13,990,638	3
Financial liabilities for hedging - current (Notes 4, 9 and 28)	1,660,353	-	20,396	-
Contract liabilities - current (Notes 4 and 23)	1,200,242	-	1,101,096	-
Accounts payable	4,141,140	1	4,966,533	1
Accounts payable - related parties (Note 29)	1,066,985	-	1,446,124	-
Other payables (Notes 19 and 29)	15,730,689	4	13,963,546	3
Current tax liabilities (Note 25)	732	-	462,797	-
Provisions - current (Notes 4 and 20)	4,287,992	1	2,511,033	1
Lease liabilities - current (Notes 4 and 15)	286,135	-	328,823	-
Current portion of bonds payable (Note 18)	10,949,351	3	6,599,642	2
Refund liabilities - current	1,914,682	1	2,054,213	1
Other current liabilities	508,689	-	826,293	-
Total current liabilities	56,431,956	13	68,415,109	15
<b>NONCURRENT LIABILITIES</b>				
Financial liabilities for hedging - noncurrent (Notes 4, 9 and 28)	338,545	-	4,635,224	1
Bonds payable (Note 18)	60,569,113	13	65,713,769	14
Long-term bank borrowings (Note 17)	7,000,000	2	4,000,000	1
Long-term bills payable (Note 17)	6,897,508	2	1,998,687	-
Deferred tax liabilities (Notes 4 and 25)	10,605,707	2	10,673,748	2
Lease liabilities - noncurrent (Notes 4 and 15)	986,584	-	1,084,022	-
Net defined benefit liabilities (Note 21)	6,790,049	2	7,000,096	2
Total noncurrent liabilities	93,187,506	21	95,105,546	20
Total liabilities	149,619,462	34	163,520,655	35
<b>EQUITY (Notes 4 and 22)</b>				
Share capital				
Ordinary shares	157,348,610	36	157,348,610	34
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	36	157,731,290	34
Capital surplus	39,077,456	9	38,877,269	8
Retained earnings				
Legal reserve	66,532,412	15	65,674,189	14
Special reserve	27,912,065	6	27,803,906	6
Unappropriated earnings	13,897,589	3	21,998,036	5
Total retained earnings	108,342,066	24	115,476,131	25
Other equity	(3,187,669)	(1)	(861,959)	(2)
Treasury shares	(8,664,198)	(2)	(8,664,198)	(2)
Total equity	293,298,945	66	302,558,533	65
<b>TOTAL</b>	<b>\$ 442,918,407</b>	<b>100</b>	<b>\$ 466,079,188</b>	<b>100</b>

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			
	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 29)	\$ 183,841,526	100	\$ 207,297,533	100
OPERATING COSTS (Notes 11 and 29)	<u>175,614,789</u>	<u>96</u>	<u>194,591,389</u>	<u>94</u>
GROSS PROFIT	8,226,737	4	12,706,144	6
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>(139,358)</u>	<u>-</u>	<u>138,254</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>8,087,379</u>	<u>4</u>	<u>12,844,398</u>	<u>6</u>
OPERATING EXPENSES				
Selling and marketing expenses	2,613,343	1	2,904,573	1
General and administrative expenses	2,995,856	2	3,451,922	2
Research and development expenses	<u>1,880,953</u>	<u>1</u>	<u>1,901,002</u>	<u>1</u>
Total operating expenses	<u>7,490,152</u>	<u>4</u>	<u>8,257,497</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>597,227</u>	<u>-</u>	<u>4,586,901</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 24 and 29)	102,760	-	194,172	-
Other income (Notes 24 and 29)	1,907,955	1	1,787,129	1
Other gains and losses (Notes 24 and 29)	(21,342)	-	(11,675)	-
Finance costs (Notes 24 and 29)	(1,092,967)	(1)	(1,336,991)	-
Share of profit or loss of subsidiaries and associates	<u>(486,257)</u>	<u>-</u>	<u>4,815,572</u>	<u>2</u>
Total non-operating income and expenses	<u>410,149</u>	<u>-</u>	<u>5,448,207</u>	<u>3</u>
PROFIT BEFORE INCOME TAX	1,007,376	-	10,035,108	5
INCOME TAX EXPENSE (Notes 4 and 25)	<u>121,511</u>	<u>-</u>	<u>1,225,553</u>	<u>1</u>
NET PROFIT FOR THE YEAR	<u>885,865</u>	<u>-</u>	<u>8,809,555</u>	<u>4</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	(56,273)	-	(172,267)	-

(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			
	2020		2019	
	Amount	%	Amount	%
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	\$ (2,734,065)	(2)	\$ (5,888,537)	(3)
Gains and losses on hedging instruments	33,837	-	(70,861)	-
Share of the other comprehensive income of subsidiaries and associates	1,022,991	1	3,319,480	2
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	4,258	-	50,304	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(474,314)	-	(733,134)	(1)
Gains and losses on hedging instruments	(5,269)	-	(3,417)	-
Share of the other comprehensive income of subsidiaries and associates	<u>(215,800)</u>	<u>-</u>	<u>(186,078)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(2,424,635)</u>	<u>(1)</u>	<u>(3,684,510)</u>	<u>(2)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ (1,538,770)</u>	<u>(1)</u>	<u>\$ 5,125,045</u>	<u>2</u>
<b>EARNINGS PER SHARE (Note 26)</b>				
Basic	<u>\$ 0.05</u>		<u>\$ 0.57</u>	
Diluted	<u>\$ 0.05</u>		<u>\$ 0.57</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					
	Ordinary Shares	Preference Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income	Gains and Losses on Hedging Instruments	Total Other Equity	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2019	\$ 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
Appropriation of 2019 earnings (Note 22)												
Legal reserve	-	-	-	858,223	-	(858,223)	-	-	-	-	-	-
Special reserve	-	-	-	-	110,524	(110,524)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.5 per share	-	-	-	-	-	(7,867,430)	-	-	-	-	-	(7,867,430)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(2,365)	2,365	-	-	-	-	-	-
Net profit for the year ended December 31, 2020	-	-	-	-	-	885,865	-	-	-	-	-	885,865
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	-	(134,429)	(690,114)	(1,545,421)	(54,671)	(2,290,206)	-	(2,424,635)
Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	-	751,436	(690,114)	(1,545,421)	(54,671)	(2,290,206)	-	(1,538,770)
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	(1,780)	(1,780)
Disposal of the Corporation's shares held by subsidiaries	-	-	271	-	-	-	-	-	-	-	1,780	2,051
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	160,443	-	-	-	-	-	-	-	-	160,443
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	35,504	-	(35,504)	-	(35,504)	-	-
Adjustment from changes in equity of subsidiaries and associates	-	-	39,473	-	-	-	-	-	-	-	-	39,473
BALANCE AT DECEMBER 31, 2020	\$ 157,348,610	\$ 382,680	\$ 39,077,456	\$ 66,532,412	\$ 27,912,065	\$ 13,897,589	\$ (7,528,950)	\$ 543,417	\$ 3,797,864	\$ (3,187,669)	\$ (8,664,198)	\$ 293,298,945

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>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 1,007,376	\$ 10,035,108
Adjustments for:		
Depreciation expense	15,249,956	17,429,485
Amortization expense	9,956	9,957
Net gain on financial assets at fair value through profit or loss	(117,861)	(14,534)
Finance costs	1,092,967	1,336,991
Interest income	(102,760)	(194,172)
Dividend income	(478,481)	(536,241)
Share of loss (profit) of subsidiaries and associates	486,257	(4,815,572)
Loss on disposal of property, plant and equipment	3,107	7,148
Write-down (reversal) of inventories	(2,394,332)	1,623,585
Unrealized (realized) gain on the transactions with subsidiaries and associates	139,358	(138,254)
Recognition (reversal) of provisions	1,776,959	(2,422,720)
Others	(120,851)	(168,035)
Changes in operating assets and liabilities		
Financial assets for hedging	208,759	63,422
Contract assets	(415,069)	189,967
Notes receivable	(5,924)	261,783
Notes receivable - related parties	75,832	241,344
Accounts receivable	(670,144)	854,471
Accounts receivable - related parties	(1,043,549)	883,083
Other receivables	(174,595)	318,714
Inventories	18,934,316	(6,646,390)
Other current assets	(8,769)	179,112
Contract liabilities	99,146	(627,061)
Accounts payable	(825,393)	(2,238,865)
Accounts payable - related parties	(379,139)	(831,076)
Other payables	579,074	(3,831,023)
Other current liabilities	(317,604)	325,729
Net defined benefit liabilities	(266,320)	(59,552)
Refund liabilities	(139,531)	(985,846)
Cash generated from operations	32,202,741	10,250,558
Income taxes paid	(38,307)	(3,604,422)
Net cash generated from operating activities	<u>32,164,434</u>	<u>6,646,136</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	131,399
Proceeds from disposal of financial assets at fair value through profit of loss	931,520	-
Acquisition of financial liabilities for hedging	-	349,389

(Continued)

# CHINA STEEL CORPORATION

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Derecognition of financial liabilities for hedging	\$ (2,682,577)	\$ (4,239,103)
Proceeds from disposal of noncurrent assets held for sale	-	561,918
Acquisition of property, plant and equipment	(15,729,921)	(8,531,907)
Increase in refundable deposits	(139,946)	(45,100)
Decrease in other receivables - loans to related parties	3,576,000	1,524,160
Increase in other financial assets	(87,180)	-
Decrease in other financial assets	-	120,835
Interest received	105,950	199,643
Dividends received from subsidiaries and associates	1,308,122	8,947,369
Dividends received from others	478,481	536,241
Proceeds from liquidation of subsidiaries	-	18,665
Proceeds from the capital reduction of associates	<u>200,000</u>	<u>-</u>
Net cash used in investing activities	<u>(12,039,551)</u>	<u>(426,491)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	17,954,753	68,199,596
Repayments of short-term borrowings	(25,756,665)	(65,017,674)
Proceeds from short-term bills payable	32,958,454	28,490,638
Repayments of short-term bills payable	(42,950,000)	(14,500,000)
Issuance of bonds payable	5,800,000	-
Repayments of bonds payable	(6,600,000)	(5,650,000)
Issuance of long-term bank borrowings	13,500,000	8,000,000
Repayments of long-term bank borrowings	(10,500,000)	(4,000,000)
Proceeds from long-term bills payable	11,298,821	1,998,687
Repayments of long-term bills payable	(6,400,000)	(5,897,729)
Repayments of principal of lease liabilities	(347,514)	(337,794)
Dividends paid	(7,915,869)	(15,779,153)
Acquisition of subsidiaries	(1,018,060)	(2,899,200)
Interest paid	(1,381,944)	(1,529,216)
Proceeds from the capital reduction of subsidiaries	<u>-</u>	<u>108,328</u>
Net cash used in financing activities	<u>(21,358,024)</u>	<u>(8,813,517)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,233,141)	(2,593,872)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>(176,331)</u>	<u>2,417,541</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ (1,409,472)</u>	<u>\$ (176,331)</u>

(Continued)

# CHINA STEEL CORPORATION

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

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	<u>For the Year Ended December 31</u>	
	<u>2020</u>	<u>2019</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, 2020 and 2019:		
Cash and cash equivalents in the standalone balance sheets	\$ 1,769,860	\$ 4,659,190
Bank overdraft	<u>(3,179,332)</u>	<u>(4,835,521)</u>
Cash and cash equivalents in the standalone statements of cash flows	<u>\$ (1,409,472)</u>	<u>\$ (176,331)</u>

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

(Concluded)

## **2. Proposal:**

### **Adoption of the Proposal for Distribution of 2020 Profits**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) The Company's earnings distribution of 2020, 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\$0.3 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 an NT dollar shall be rounded up to the next NT dollar. The resulting difference shall be recognized as a Company expense.

#### **Resolution:**

## Attachment 6

<b>China Steel Corporation</b>		
<b>2020 Earnings Distribution Table</b>		Unit: NT\$
Undistributed earnings at the beginning of the period		13,108,282,449.23
After-tax earnings of 2020	885,865,067.86	
Reverse of special reserve: disposal of fixed assets	2,365,728.00	
Actuarial gains (losses) from defined benefit pension plans (included in retained earnings)	(45,018,473.00)	
Effects resulting from changes in long-term equity investment	(53,905,959.00)	
Amount to be included in undistributed earnings by adding up after-tax earnings of 2020 and other items (A)		789,306,363.86
Deduct: Legal reserve = (A) *10%		(78,930,636.00)
Add: Reverse of special reserve to undistributed earnings		272,355,438.00
Subtotal of distributable earnings		14,091,013,615.09
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\$0.3 per share (NT\$0.3 in cash)	4,720,458,299.00	
Subtotal of distribution items		(4,774,033,498.00)
Undistributed earnings at the end of the period		9,316,980,117.09

# **Proposals for Discussion**

## **1. Proposal:**

### **Amendments to Article 9, Article 10 and Article 12 of the Rules Governing the Election of Directors**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) Amendments are made to Article 9, Article 10 and Article 12 of the Rules Governing the Election of Directors of the Company in compliance with the amendments to the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" announced in the Letter No. Taiwan-Stock-Governance-1090009468 and 1100001446 by Taiwan Stock Exchange Corporation (hereinafter "TWSE").
- (2) A comparison table of draft clauses and the clauses in force is attached.

#### **Resolution:**

## Attachment 7

### Comparison Table for Draft Amendments to Article 9, Article 10 and Article 12 of the Procedures for Rules Governing the Election of Directors of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 9</p> <p>The voter shall fill the following data in the "candidate" column on ballots according to the candidate list of Independent Directors or Non-independent Directors and casts his/her ballots into the ballot boxes:</p> <ol style="list-style-type: none"> <li>1. The candidate's full name and <u>candidate's number</u> if the candidate is a natural person <u>with or without an identity as a shareholder.</u></li> <li>2. The name and <u>candidate's number</u> of the juristic person or government shareholder if the candidate is a juristic person or government shareholder.</li> <li>3. The name of the juristic person or government shareholder, the full name of the representative, <u>and candidate's number</u> if the candidate is a representative of the juristic person or government shareholder.</li> </ol>	<p>Article 9</p> <p>The voter shall fill the following data in the "candidate" column on ballots according to the candidate list of Independent Directors or Non-independent Directors and casts his/her ballots into the ballot boxes:</p> <ol style="list-style-type: none"> <li>1. The candidate's full name and <u>shareholder's number</u> if the candidate is a natural person shareholder; <u>or the candidate's full name and ID number if the candidate is a natural person and non-shareholder.</u></li> <li>2. The name and <u>shareholder's number</u> of the juristic person or government shareholder if the candidate is a juristic person or government shareholder.</li> <li>3. The name and <u>shareholder's number</u> of the juristic person or government shareholder and the full name of the representative if the candidate is a representative of the juristic person or government shareholder. <u>The respective full name of representatives shall be added to fill in if there are several representatives for the same juristic person or government shareholder.</u></li> </ol>	<p>According to the amendments to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors and Supervisors" announced in the Letter No. Taiwan-Stock-Governance-1090009468 and Letter No. Financial-Supervisory-Securities-Trading-1080311451 issued by the Financial Supervisory Commission on April 25, 2019, TWSE listed companies shall adopt the candidate nomination system for election of directors since 2021, and shareholders shall elect directors from the candidate list. Since shareholders can obtain the candidates' information such as name, education background and work experience before the convention of the Shareholders' Meeting, and no longer need to distinguish the candidates by their shareholder numbers or ID numbers, Article 9 is amended.</p>
<p>Article 10</p> <p>The ballot is invalid under any of the following circumstances:</p>	<p>Article 10</p> <p>The ballot is invalid under any of the following circumstances:</p>	<p>According to Article 173 of the Company Act, shareholders may</p>

Revised clause	Clause in force	Explanation
<p>1. Who fails to submit the attendance registration card to complete the registration procedure.</p> <p>2. The ballot is not prepared by the <u>authorized convener</u>.</p> <p>3. Two or more candidates' names are filled in.</p> <p>4. Other words or marks are written in addition to the candidate's full name and <u>candidate's number</u>.</p> <p>5. The ballot is teared into incomplete one.</p> <p>6. The ballot is contaminated to make the filled candidate(s) hard to distinguish.</p> <p>7. The ballot is totally blank.</p> <p>8. The handwriting is blurred and hard to identify or the handwriting is altered, but correction, addition or deletion for a slip of the pen does not apply.</p> <p>9. The filled candidate's name <u>or candidate's number is incomplete or inconsistent with the candidate list.</u></p>	<p>1. Who fails to submit the attendance registration card to complete the registration procedure.</p> <p>2. The ballot is not prepared by the <u>Board of Directors</u>.</p> <p>3. Two or more candidates' names are filled in.</p> <p>4. Other words or marks are written in addition to the candidate's full name and <u>shareholder's number or ID number</u>.</p> <p>5. The ballot is teared into incomplete one.</p> <p>6. The ballot is contaminated to make the filled candidate(s) hard to distinguish.</p> <p>7. The ballot is totally blank.</p> <p>8. The handwriting is blurred and hard to identify or the handwriting is altered, but correction, addition or deletion for a slip of the pen does not apply.</p> <p>9. <u>The filled candidate is a shareholder, but his/her name or shareholder's number is different from that shown in the shareholders list.</u></p> <p>10. <u>The filled candidate is a natural person and non-shareholder, but his/her name is different from that shown in his/her certificate.</u></p> <p>11. <u>The filled candidate is the representative of a juristic person or government shareholder, but the name and shareholder's number of the juristic person or government shareholder are different from that shown in the shareholders list.</u></p> <p>12. <u>The filled candidate's name is the same as that of other shareholder, but his/her shareholder's number or ID</u></p>	<p>convene an Extraordinary Shareholders' Meeting in special circumstances (if the Board of Directors fails to give a notice for convention). Since the ballots are not necessarily always prepared by the Board of Directors, Paragraph 2, Article 10 is amended.</p> <p>According to the amendments to the "Sample Template for XXX Co., Ltd. Procedures for Election of Directors and Supervisors" announced in the Letter No. Taiwan-Stock-Governance-1090009468 and Letter No. Financial-Supervisory-Securities-Trading-1080311451 issued by the Financial Supervisory Commission on April 25, 2019, TWSE listed companies shall adopt the candidate nomination system for election of directors since 2021, and shareholders shall elect the directors from the candidate list. Since shareholders can obtain the candidates' information such as name, education background and work experience before the convention of the Shareholders' Meeting, and no longer need to</p>



Revised clause	Clause in force	Explanation
<p>10. The name filled for Independent Director or Non-independent Director is not in the candidate list for Independent Directors or Non-independent Directors.</p>	<p><u>number is not filled in for identification.</u></p> <p>13. The name filled for Independent Director or Non-independent Director is not in the candidate list for Independent Directors or Non-independent Directors.</p>	<p>distinguish the candidates by their shareholder numbers or ID numbers, Subparagraph 4 and 12 of Article 10 are amended, and Subparagraph 9, 10 and 11 of Article 10 are deleted.</p>
<p>Article 12</p> <p>After finishing the voting calculation, the ballot examiners shall verify the total number of valid and invalid ballots and fill the respective number of valid and invalid ballots and the respective voting shares in the documentary record. The documentary record shall be passed on to the Chairman to announce the list of Directors elected and the voting shares with which they were elected <u>as well as the list of defeated candidates and the voting shares they received on the spot.</u></p>	<p>Article 12</p> <p>After finishing the voting calculation, the ballot examiners shall verify the total number of valid and invalid ballots and fill the respective number of valid and invalid ballots and the respective voting shares in the documentary record. The documentary record shall be passed on to the Chairman to announce the list of Directors elected and the voting shares with which they were elected on the spot.</p>	<p>In order to improve corporate governance and protect the rights and interests of shareholders, Article 12 is amended according to the amendments to the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" announced in the Letter No. Taiwan-Stock-Governance-1100001446, and the Article 19 of the Rules Governing Procedures for Shareholders' Meeting of the Company which states that "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".</p>

## **2. Proposal:**

### **Amendments to Article 2 and Article 10 of the Rules Governing Procedures for Shareholders' Meeting**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) Amendments are made to Article 2 and Article 10 of the Rules Governing Procedures for Shareholders' Meeting of the Company in compliance with the amendments to the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" announced in the Letter No. Taiwan-Stock-Governance-1080024221 and Letter No. Taiwan-Stock-Governance-1100001446.
- (2) A comparison table of draft clauses and the clauses in force is attached.

#### **Resolution:**

## Attachment 8

### Comparison Table for Draft Amendments to Article 2 and Article 10 of the Rules Governing Procedures for Shareholders' Meeting of China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 2</p> <p>(Paragraph 1 to 4 are omitted.)</p> <p><u>Where re-election of all Directors as well as their inauguration date is stated in the notice of the reasons for convening the Shareholders' Meeting, such inauguration date shall not be altered by any extraordinary motion or otherwise in the said meeting after the completion of the re-election in the same meeting.</u></p> <p>(Omitted)</p>	<p>Article 2</p> <p>(Paragraph 5 is added.)</p>	<p>According to the amendments to the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" announced in the Letter No. Taiwan-Stock-Governance-1080024221, Paragraph 5 of this Article is added in compliance with the Letter No. Economics-Commerce-10702417500.</p>
<p>Article 10</p> <p>When the Meeting time arrives, the Chairman of the Meeting shall immediately announce the start of the Meeting <u>and the information on shares with no voting rights as well as the number of shares in attendance</u>, 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</p>	<p>Article 10</p> <p>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.</p>	<p>In order to improve corporate governance and protect the rights and interests of shareholders, Paragraph 1, Article 10 is amended according to the amendments to the "Sample Template for XXX Co., Ltd. Rules of Procedure for Shareholders Meetings" announced in the Letter No. Taiwan-Stock-Governance-1100001446.</p>

Revised clause	Clause in force	Explanation
to convene the Meeting due to the lack of a quorum. (Paragraph 2 and 3 are omitted.)	(Paragraph 2 and 3 are omitted.)	

### **3. Proposal:**

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

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) Amendments are made to the Procedures for Loaning of Funds of the Company in compliance with the update of Question 37 in the "FAQ of Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" issued by the Financial Supervisory Commission (FSC), which formulates new regulation on disguised financing.
- (2) It is proposed to add new Article 12 and amend the original Article 12, Article 13, Article 14, Article 15, and Article 16.
- (3) A comparison table of draft clauses and the clauses in force is attached.

#### **Resolution:**

## Attachment 9

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

Revised clause	Clause in force	Explanation
<p>Article 12</p> <p>Where any of the following circumstances occurs with respect to the receivables of the Company:</p> <ol style="list-style-type: none"> <li>1. Accounts receivable (the counterparty includes related parties and non-related parties) fails to be collected for more than 3 months, the normal credit period, and the amount of such receivable is material.</li> <li>2. Receivables except for accounts receivable, such as "other receivables", "prepayments", "refundable deposits", etc., that are material in amount or of an exceptional nature fail to be collected for more than 3 months and meet any of the following circumstances:               <ol style="list-style-type: none"> <li>(1) The amount to be paid is non-contractual.</li> <li>(2) The amount to be paid is inconsistent with the obligation specified in the contract.</li> <li>(3) The reason for the payment no longer exists.</li> </ol> </li> </ol> <p>If the sum of amounts mentioned in the two subparagraphs of the preceding paragraph reaches NT\$ 300 million from individual counterparty or NT\$ 2 billion from all counterparties, the Company shall submit to the Board of Directors at least every quarter to determine if the nature of the receivables shall be classified as loaning of fund. Such receivables shall be classified as loaning of fund unless it can be proved that there is no intension of loaning of fund (such as taking legal action, proposing concrete and feasible control measures, etc.)</p> <p>For receivables classified as loaning of</p>		<ol style="list-style-type: none"> <li>1. <u>This Article is added.</u></li> <li>2. Amendments are made to the Procedures for Loaning of Funds of the Company in compliance with the update of Question 37 in the "FAQ of Regulations Governing Loaning of Funds and Making of Endorsements/ Guarantees by Public Companies" issued by the FSC, which formulates new regulation on disguised financing.</li> <li>3. The criteria for "material amount" is set at NT\$ 300 million limit for individual counterparty and NT\$ 2 billion limit for all counterparties respectively, which meets the business scope of the Company after discussion with Deloitte, the certified public accountant (CPA) of the Company.</li> </ol>

Revised clause	Clause in force	Explanation
<p>fund by the resolution of the Board of Directors mentioned in the preceding paragraph, the Company shall count it in the total amount of loans and the limit amount for individual company in accordance with the provisions of Article 4, and announce and report it pursuant to the provisions of Article 11. Article 10 applies if the loan balance exceeds the limit after counting the aforementioned receivables.</p>		
<p><u>Article 13</u> The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.</p>	<p><u>Article 12</u> The Company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.</p>	<p>The article number is amended.</p>
<p><u>Article 14</u> Where a subsidiary of the Company intends to extend a loan to others, and such subsidiary is a domestic public company, it shall formulate its own Procedures for Loaning of Funds to Other Parties in compliance with the regulations promulgated by the FSC. While the subsidiary of the Company is not a domestic public company, it shall formulate its own Procedures for Loaning of Funds to Other Parties in accordance with the Procedures and implement accordingly.</p>	<p><u>Article 13</u> Where a subsidiary of the Company intends to extend a loan to others, and such subsidiary is a domestic public company, it shall formulate its own Procedures for Loaning of Funds to Other Parties in compliance with the regulations promulgated by the FSC. While the subsidiary of the Company is not a domestic public company, it shall formulate its own Procedures for Loaning of Funds to Other Parties in accordance with the Procedures and implement accordingly.</p>	<p>The article number is amended.</p>
<p><u>Article 15</u> Directors and Supervisors of any subsidiary designated by the Company shall monitor and supervise the subsidiary to ensure that all loans extended by the subsidiary shall comply with the provisions stipulated by the subsidiary for procedures of loaning of funds to other parties of the subsidiary. In evaluating the appropriateness of procedures for loaning of funds to other</p>	<p><u>Article 14</u> Directors and Supervisors of any subsidiary designated by the Company shall monitor and supervise the subsidiary to ensure that all loans extended by the subsidiary shall comply with the provisions stipulated by the subsidiary for procedures of loaning of funds to other parties of the subsidiary. In evaluating the appropriateness of procedures for loaning of funds to other</p>	<p>The article number is amended.</p>

Revised clause	Clause in force	Explanation
parties of the subsidiary, which is a domestic public company, such subsidiary should provide the Company with an internal audit report rendered by its internal auditors; For any subsidiary that is not a domestic public company, the Company may designate internal auditors or request the subsidiary to appoint external auditors to audit the subsidiary in a timely manner.	parties of the subsidiary, which is a domestic public company, such subsidiary should provide the Company with an internal audit report rendered by its internal auditors; For any subsidiary that is not a domestic public company, the Company may designate internal auditors or request the subsidiary to appoint external auditors to audit the subsidiary in a timely manner.	
<p><u>Article 16</u></p> <p>In the event where material losses are caused by the Company's managements and personnel in charge in violation of the Procedures, punishments will be imposed depending on the severity of their violation in accordance with the rules of “Reward and Punishment” in Charter 2, Part 4 of Personnel Management System of the Company.</p>	<p><u>Article 15</u></p> <p>In the event where material losses are caused by the Company's managements and personnel in charge in violation of the Procedures, punishments will be imposed depending on the severity of their violation in accordance with the rules of “Reward and Punishment” in Charter 2, Part 4 of Personnel Management System of the Company.</p>	The article number is amended.
<p><u>Article 17</u></p> <p>The Procedures, after passage by the meeting of the Board of Directors, shall be submitted to the Shareholders' Meeting for approval. Provided that any Director expresses dissent which is contained in the minutes or a written statement, the dissenting opinion shall be submitted to the Audit Committee and Shareholders' Meeting for discussion. The same shall apply to any amendment to the Procedures.</p>	<p><u>Article 16</u></p> <p>The Procedures, after passage by the meeting of the Board of Directors, shall be submitted to the Shareholders' Meeting for approval. Provided that any Director expresses dissent which is contained in the minutes or a written statement, the dissenting opinion shall be submitted to the Audit Committee and Shareholders' Meeting for discussion. The same shall apply to any amendment to the Procedures.</p>	The article number is amended.



# 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 20, 2021)

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	Ming-Jong Liou			
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.