

Stock Code: 2002



# **China Steel Corporation**

## **2022 Annual General Meeting Meeting Handbook**

Form of meeting: Physical AGM

June 17, 2022

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

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**China Steel Corporation**  
**2022 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. Directors Election
11. Other Proposals
12. Extraordinary Motions
13. Meeting Adjourned

# **China Steel Corporation 2022 Annual General Meeting Meeting Agenda**

Form of meeting: Physical AGM

Time: 9:00 a.m., June 17, 2022 (Friday)

Venue: CSC, 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 2021.

(2) Report on Audit Committee's audit report of 2021.

(3) Report on the distribution of remuneration for employees and directors of 2021.

(4) Report on the implementation of the short-form merger with CSC Precision Metal Industrial Corporation

## 3. Proposals for Ratification

(1) Adoption of the 2021 Business Report and Financial Statements.

(2) Adoption of the proposal for distribution of 2021 profits.

## 4. Proposals for Discussion

(1) Amendments to the Procedures for Acquisition or Disposal of Assets

## 5. Directors Election

- (1) Election of 11 Directors (including 3 Independent Directors) of the 18th Board of Directors

## 6. Other Proposals

- (1) Proposal to release the prohibition on Mr. Chao-Tung Wong from holding the position of Director of China Ecotek Corporation, Chung Hung Steel Corporation and Taiwan High Speed Rail Corporation.
- (2) Proposal to release the prohibition on Mr. Wen-Sheng Tseng from holding the position of Director of Taiwan Power Company.
- (3) Proposal to release the prohibition on Mr. Ming-Jong Liou from holding the position of Director of Aerospace Industrial Development Corporation.
- (4) Proposal to release the prohibition on Mr. Shyi-Chin Wang from holding the position of Director of China Ecotek Corporation.
- (5) Proposal to release the prohibition on Mr. Chien-Chih Hwang from holding the position of Director of China Steel Structure Co., Ltd., CSBC Corporation, Taiwan, Formosa Ha Tinh (Cayman) Limited and Formosa Ha Tinh Steel Corporation.
- (6) Proposal to release the prohibition on Mr. Yueh-Kun Yang from holding the position of Director of C.S.Aluminium Corporation.
- (7) Proposal to release the prohibition on Mr. Shyue-Bin Chang from

holding the position of Independent Director of Advanced International Multitech Co., Ltd. and Hiwin Mikrosystem Corp.

7. Extraordinary Motions

8. Meeting Adjourned

## **Report Items**

**1. Report on the Operations of 2021 by President Mr. Shyi-Chin Wang.**

**2. Report on Audit Committee's audit report of 2021.**

**(Please refer to Page 17 in this handbook)**

### **3. Report on the distribution of remuneration for employees and directors of 2021**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) The distribution is pursuant to 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. Economic-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 2021 calculated based on 8% of profit after taxes was NT\$4,525,463,982, which was equivalent to 5.981% 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 2021 calculated based on 0.15% of profit



after taxes was NT\$84,852,450, which was equivalent to 0.112% of the amount of earnings before taxes and remunerations for employees and directors. These amounts are to be fully distributed in cash.

#### **4. Report on the implementation of the short-form merger with CSC Precision Metal Industrial Corporation**

**Proposed by the Board of Directors**

##### **Explanatory Note:**

- (1) In order to simplify the investment structure, the Company and its 100%-owned subsidiary, CSC Precision Metal Industrial Corporation, approved a short-form merger by the Boards of Directors of both parties on August 6, 2021 pursuant to related regulations of Business Mergers and Acquisitions Act. The reference date of the merger was October 1, 2021. After the merger, the Company is the surviving company and CSC Precision Metal Industrial Corporation is the dissolved company. There is no significant impact on the Company's balance sheet and Shareholders' equity.
- (2) The required legal procedure for the change registration of the Company and the dissolution registration of CSC Precision Metal Industrial Corporation have been completed and approved by the Department of Commerce, Ministry of Economic Affairs in Letter Economic-Authorize-Commerce-11001193890 and -11001198730 on November 1, 2021.

# **Proposals for Ratification**

## **1. Proposal:**

**Adoption of the 2021 Business Report and Financial Statements**

**Proposed by the Board of Directors**

## **Explanatory Note:**

Please refer to Attachment 1 and 2 for the 2021 Business Report and the financial statements for the year ended December 31st, 2021.

## **Resolution:**

# Attachment 1

## China Steel Corporation 2021 Business Report

### I. Operating Directives

- Becoming a high value-added steel mill for creating more competitive advantages
- Developing green energy business and reducing emission for exploring more business opportunities
- Introducing smart technology and innovation for upgrading products and steel-using industry
- Promoting the production and sales quality for increasing profitability

### II. Implementation of Operating Targets

<b>Operating Targets</b>	Cost reduction	CSC continued to implement the "Cost Reduction and Higher Profitability Program" in 2021 and integrated internal and external R&D resources with open innovation to accelerate the development of highly competitive products, low-cost processes, and value-added application technologies in order to improve product cost performance and create differentiated competitive advantages. The 2021 target achievement rate was 116.5%.
	Steel products shipments	The 2021 target achievement rate in steel shipments was 101%. In the future, the Company will continuously strive to increase shipments with marketing strategies such as reflecting steel market trend and developing new customers and markets.
	Proportion of high-end steel shipments	Based on the operational and developmental cores, "the high value-added steel mill" and "development of green energy industry," CSC planned to develop Advanced Premium Steel (APS) that feature "high technical content, high profitability, and high industrial benefit." In 2021, the target achievement rate for the proportion of high-end steel shipments was 114.5%, while the target achievement rate for the proportion of APS shipments was 181.4%.
	Proportion of Advanced Premium Steel shipments	
	Major occupational accident	A major occupational accident occurred in the first half of 2021. In order to achieve the goal of zero major occupational accident, further efforts will be made to strengthen the safety awareness among safety and hygiene supervisors for subcontractors, promote effective audits, promote exchanges on industrial safety within the Group, and implement a mid-to-long-term plan on road safety inspections in the factory.

### **III. Business Results**

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

The Company's production volume of steel products (excluding secondary and salvage products) was 9.11 million metric tons in 2021, an increase of 0.4 million metric tons or approximately 5% from 8.71 million metric tons in 2020.

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

The Company's sales volume of steel products was 9.56 million metric tons in 2021, a decrease of 0.58 million metric tons or approximately 6% from 10.14 million metric tons in 2020.

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

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

The Company's operating revenues in 2021 was NT\$259,782,471 thousand, an increase of NT\$75,940,945 thousand from NT\$183,841,526 thousand in 2020. This was mainly due to the increase in the average selling price of steel products.

#### **(II) Gross profit**

The Company's gross profit in 2021 was NT\$50,216,234 thousand, an increase of NT\$41,989,497 thousand from NT\$8,226,737 thousand in 2020, mainly because the increase in the average selling price of steel products was larger than the increase in the average cost of goods sold.

#### **(III) Profit from operations**

The Company's profit from operations in 2021 was NT\$40,404,273 thousand, an increase of NT\$39,807,046 thousand from NT\$597,227 thousand in 2020. This was mainly due to the increase in gross profit.

#### **(IV) Net non-operating income and expenses**

The Company's net non-operating income in 2021 was NT\$30,647,074 thousand,

an increase of NT\$30,236,925 thousand from NT\$410,149 thousand in 2020. This was mainly due to the increase in share of profit of subsidiaries and associates.

(V) **Income tax expense**

The Company's income tax expense in 2021 was NT\$8,998,314 thousand, an increase of NT\$8,876,803 thousand from NT\$121,511 thousand in 2020. This was mainly due to the increase in net profit before income tax.

(VI) In summary, the Company's net profit in 2021 was NT\$62,053,033 thousand, an increase of NT\$61,167,168 thousand from NT\$885,865 thousand in 2020.

**V. Research and Development**

The Company enjoyed a fruitful year in the area of R&D with a total of 31 new product development projects completed in 2021, 11 of which were classified as new Advanced Premium Steel (APS). The proportion of orders for APS and high-end steel reached 7.6% and 56.1% respectively. The Company will continue the efforts towards enhancing competitive advantage through product differentiation.

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 APS, 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 2021, 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 20CS1500P, 20CS1150FY, and 15CS1000FY, 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 most important technology development trend of vehicle structural components. CSC has developed a series of advanced ultra-high strength steels with excellent functions for automotive application, such as ultra-high strength 15B36 hot stamping auto steel and high ductility 980TT. In addition, 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-bonding electrical steel (SBES) and its processing technology:

CSC has successfully developed C3S1 self-bonding materials, which can be used on thin gauge electrical sheet to produce the key materials used for high-performance electric vehicles. Such key material has the advantages of quick stamping, low production cost, high dimensional precision of motor cores, and high bonding force. In addition to having officially become the motor material for international electric vehicle manufacturers, it increases the differentiation and diversity of electrical sheets, helping CSC to establish leading edge as an electrical sheet supplier for electric vehicles.

(II) Intelligent manufacturing technology

A. Development of intelligent coating control system: An AI zinc coating

prediction model has been established to predict the weight of targeted zinc layer and report optimized guidance for air-knife parameters so as to reduce the cost of consumption of liquid zinc.

B. Development of intelligent steel grade transformation system for plates: By taking advantage of historical big data on grade transformation, a multivariate classifier was built to provide recommendations for steel grades so that non-specification products can be transformed into normal products during production so as to reduce the inventory of leeway.

(III) Energy and environmental protection technology

A. Have accomplished the development and application of multiple energy-saving technologies: Such as self-designing and constructing the application of pure oxygen combustion to ladle preheating stations, which can lower the energy consumption by over 30% and reduce the consumption of sourced natural gas; establishing the integrated self-operation and maintenance technology for solar power plants, which can save outsourced routine inspection fees and improve the benefits of cleaning; developing and applying the operation technology of the absorption chiller system, which can boost the efficient use of steam resources, reduce the use of steam and improve the overall operating efficiency.

B. Promote the co-production of steel and chemicals: CSC has implemented a company-level project to develop BF & BOF gases carbon capture and high-value utilization technology and draw on national planning resources in ITRI by cooperating with experts, scholars, and downstream petrochemical plants. In addition, a co-production group is established to convene relevant companies for the planning of acetic acid plant.

C. Establish an intelligent expert system for wastewater plants: An intelligent monitoring and diagnosis expert system has been developed for optimal operation. The predicted value of effluent ammonia nitrogen is in line with



the trend of measured value. The expert system will continue to be optimized and verified.

## Attachment 2

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

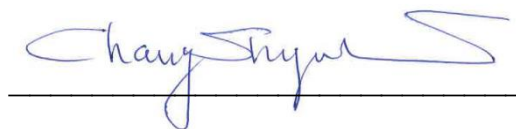
The Board of Directors has prepared the Company's 2021 Financial Statements audited by Deloitte & Touche Taiwan, earnings distribution plan and business report. The Audit Committee has reviewed the aforementioned financial statements and documents, and concluded all information is presented fairly. We hereby submit this report pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To:

2022 Annual General Shareholders' Meeting

China Steel Corporation

Convener of the Audit Committee:



Shyue-Bin Chang

February 25, 2022

## **China Steel Corporation and Subsidiaries**

**Consolidated** Financial Statements for the  
Years Ended December 31, 2021 and 2020 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, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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, 2021 and 2020, 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, 2021. 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, 2021 are stated as follows:

#### **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. Revenue recognition is presumed to be significant risk as revenue is subject to fluctuation in terms of market demand and it is the main focus of the users of financial report; therefore, revenue recognition was deemed to be a key audit matter. Refer to Notes 4, 24 and 37 to the consolidated financial statements for the related accounting policies and disclosures on sales revenue.

Our audit procedures performed included the following:

1. We understood the design and implementation of the procedures regarding approval of sales order, shipping and cash collection process of the Corporation's steel department.
2. We evaluated the appropriateness of the recorded sales amounts by checking the nature, quantities and unit price of the Corporation's steel department sales; we also reviewed comparative information of a two-year period.
3. We verified the occurrence and validity of the specific sales by confirming the correctness on the shipping documents or bill of lading and cash collection receipts.
4. We obtained subsequent details of the abovementioned specific sales and tested for any unusual sales returns and allowances on a sample basis and confirmed 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, 2021 and 2020 on which we have issued an unmodified opinion.

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

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

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

Those charged with governance, including the audit committee 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 group 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, 2021 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 25, 2022

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, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 23,969,128	4	\$ 16,140,326	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,610,451	-	4,425,282	1
Financial assets at fair value through other comprehensive income - current (Notes 4, 5 and 8)	6,228,593	1	5,179,109	1
Financial assets for hedging - current (Notes 4 and 9)	1,483,163	-	1,458,618	-
Contract assets - current (Notes 4 and 24)	8,298,068	1	10,158,521	2
Notes receivable (Notes 4 and 10)	2,241,592	-	1,602,893	-
Notes receivable - related parties (Notes 4, 10 and 32)	557	-	118,989	-
Accounts receivable, net (Notes 4 and 10)	15,519,834	2	11,480,441	2
Accounts receivable - related parties (Notes 4, 10 and 32)	416,810	-	199,624	-
Other receivables (Notes 4 and 32)	4,118,509	1	1,733,785	-
Current tax assets	628,373	-	710,432	-
Inventories (Notes 4, 5 and 11)	129,532,646	20	76,177,207	12
Non-current assets held for sale (Note 4)	315,557	-	-	-
Other financial assets - current (Notes 13 and 33)	10,152,556	1	8,601,911	1
Other current assets	4,499,511	1	3,350,746	1
Total current assets	<u>210,015,348</u>	<u>31</u>	<u>141,337,884</u>	<u>23</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	921,949	-	1,015,359	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	53,673,631	8	54,879,242	9
Financial assets at amortized cost - noncurrent (Note 4)	-	-	3,939	-
Financial assets for hedging - noncurrent (Notes 4 and 9)	224	-	4,561	-
Investments accounted for using the equity method (Notes 4 and 12)	13,419,640	2	13,708,257	2
Property, plant and equipment (Notes 4, 14 and 33)	370,663,701	55	384,332,644	61
Right-of-use assets (Notes 4, 15 and 33)	12,488,317	2	13,720,878	2
Investment properties (Notes 4, 16 and 33)	9,438,554	1	9,718,233	2
Intangible assets (Note 4)	1,478,279	-	1,654,972	-
Deferred tax assets (Notes 4 and 26)	8,881,613	1	8,863,670	1
Refundable deposits	1,104,101	-	683,498	-
Other financial assets - noncurrent (Notes 13 and 33)	3,012,629	-	3,079,366	-
Other noncurrent assets	2,896,983	-	3,080,194	-
Total noncurrent assets	<u>477,979,621</u>	<u>69</u>	<u>494,744,813</u>	<u>77</u>
<b>TOTAL</b>	<u>\$ 687,994,969</u>	<u>100</u>	<u>\$ 636,082,697</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings and bank overdraft (Notes 17 and 33)	\$ 33,061,226	5	\$ 22,510,392	4
Short-term bills payable (Note 17)	15,836,410	2	32,072,318	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	-	-	736	-
Financial liabilities for hedging - current (Notes 4 and 9)	1,283,279	-	1,880,889	-
Contract liabilities - current (Notes 4 and 24)	5,385,147	1	5,564,585	1
Notes payable	1,570,913	-	1,561,308	-
Accounts payable (Note 19)	22,235,715	3	17,138,527	3
Accounts payable - related parties (Notes 19 and 32)	175,204	-	37,588	-
Other payables (Notes 20 and 32)	34,065,602	5	23,055,595	4
Current tax liabilities	13,331,213	2	883,896	-
Provisions - current (Notes 4 and 21)	6,831,852	1	6,501,683	1
Lease liabilities - current (Notes 4 and 15)	963,887	-	954,695	-
Current portion of bonds payable (Note 18)	17,474,085	3	17,399,351	3
Current portion of long-term bank borrowings (Notes 17 and 33)	4,647,406	1	2,215,129	-
Refund liabilities - current	3,698,912	1	2,148,949	-
Other current liabilities	1,369,894	-	1,400,912	-
Total current liabilities	<u>161,930,745</u>	<u>24</u>	<u>135,326,553</u>	<u>21</u>
<b>NONCURRENT LIABILITIES</b>				
Financial liabilities for hedging - noncurrent (Notes 4 and 9)	139,082	-	338,608	-
Contract liabilities - noncurrent (Note 24)	72,086	-	-	-
Bonds payable (Note 18)	62,336,121	9	79,800,146	13
Long-term bank borrowings (Notes 17 and 33)	26,442,943	4	42,157,426	7
Long-term bills payable (Note 17)	14,392,922	2	18,673,657	3
Provisions - noncurrent (Notes 4 and 21)	1,074,359	-	1,041,882	-
Deferred tax liabilities (Notes 4 and 26)	14,583,004	2	14,267,718	2
Lease liabilities - noncurrent (Notes 4 and 15)	10,112,044	1	10,966,743	2
Net defined benefit liabilities (Notes 4 and 22)	8,761,472	1	9,267,896	1
Other noncurrent liabilities	1,195,171	-	1,135,087	-
Total noncurrent liabilities	<u>139,109,204</u>	<u>19</u>	<u>177,649,163</u>	<u>28</u>
Total liabilities	<u>301,039,949</u>	<u>43</u>	<u>312,975,716</u>	<u>49</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23)</b>				
Share capital				
Ordinary shares	157,348,610	23	157,348,610	25
Preference shares	382,680	-	382,680	-
Total share capital	<u>157,731,290</u>	<u>23</u>	<u>157,731,290</u>	<u>25</u>
Capital surplus	39,238,636	6	39,077,456	6
Retained earnings				
Legal reserve	66,611,343	10	66,532,412	10
Special reserve	27,639,574	4	27,912,065	4
Unappropriated earnings	70,863,295	10	13,897,589	2
Total retained earnings	<u>165,114,212</u>	<u>24</u>	<u>108,342,066</u>	<u>16</u>
Other equity	(4,405,952)	(1)	(3,187,669)	-
Treasury shares	(8,649,421)	(1)	(8,664,198)	(1)
Total equity attributable to owners of the Corporation	<u>349,028,765</u>	<u>51</u>	<u>293,298,945</u>	<u>46</u>
<b>NON-CONTROLLING INTERESTS</b>	<u>37,926,255</u>	<u>6</u>	<u>29,808,036</u>	<u>5</u>
Total equity	<u>386,955,020</u>	<u>57</u>	<u>323,106,981</u>	<u>51</u>
<b>TOTAL</b>	<u>\$ 687,994,969</u>	<u>100</u>	<u>\$ 636,082,697</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			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24, 32 and 37)	\$ 468,327,501	100	\$ 314,783,301	100
OPERATING COSTS (Notes 11, 25 and 32)	<u>373,012,890</u>	<u>80</u>	<u>299,665,781</u>	<u>95</u>
GROSS PROFIT	<u>95,314,611</u>	<u>20</u>	<u>15,117,520</u>	<u>5</u>
OPERATING EXPENSES				
Selling and marketing expenses	5,102,276	1	4,441,752	1
General and administrative expenses	7,894,624	2	6,441,564	2
Research and development expenses	2,435,385	-	1,947,816	1
Loss (reversal) of expected credit loss	<u>125,053</u>	<u>-</u>	<u>(9,849)</u>	<u>-</u>
Total operating expenses	<u>15,557,338</u>	<u>3</u>	<u>12,821,283</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>79,757,273</u>	<u>17</u>	<u>2,296,237</u>	<u>1</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 25)	228,589	-	302,888	-
Other income (Notes 25 and 32)	4,320,278	1	2,151,834	1
Other gains and losses (Notes 25 and 32)	690,795	-	(105,969)	-
Finance costs (Notes 4 and 25)	(1,761,141)	-	(2,460,078)	(1)
Share of the profit of associates	<u>1,177,854</u>	<u>-</u>	<u>583,250</u>	<u>-</u>
Total non-operating income and expenses	<u>4,656,375</u>	<u>1</u>	<u>471,925</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	84,413,648	18	2,768,162	1
INCOME TAX (Notes 4 and 26)	<u>15,507,576</u>	<u>3</u>	<u>510,329</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>68,906,072</u>	<u>15</u>	<u>2,257,833</u>	<u>1</u>
OTHER COMPREHENSIVE INCOME (Notes 23 and 26)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(863,212)	-	(177,312)	-
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	(376,646)	-	(1,125,935)	(1)

(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			
	2021		2020	
	Amount	%	Amount	%
Gains and losses on hedging instruments	\$ 43,796	-	\$ (71,637)	-
Share of the other comprehensive income (loss) of associates	39,462	-	(158,505)	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	963,854	-	(293,735)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(2,182,474)	-	(358,528)	-
Unrealized gains and losses on investments in debt instruments designated as at fair value through other comprehensive income	(494)	-	-	-
Gains and losses on hedging instruments	-	-	5,115	-
Share of the other comprehensive income (loss) of associates	399,121	-	(742,571)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	<u>4,310</u>	-	<u>29,425</u>	-
Other comprehensive income (loss) for the year, net of income tax	<u>(1,972,283)</u>	-	<u>(2,893,683)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 66,933,789</u>	<u>15</u>	<u>\$ (635,850)</u>	<u>-</u>
<b>NET PROFIT ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 62,053,033	13	\$ 885,865	-
Non-controlling interests	<u>6,853,039</u>	<u>2</u>	<u>1,371,968</u>	<u>1</u>
	<u>\$ 68,906,072</u>	<u>15</u>	<u>\$ 2,257,833</u>	<u>1</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>				
Owners of the Corporation	\$ 60,327,896	14	\$ (1,538,770)	(1)
Non-controlling interests	<u>6,605,893</u>	<u>1</u>	<u>902,920</u>	<u>1</u>
	<u>\$ 66,933,789</u>	<u>15</u>	<u>\$ (635,850)</u>	<u>-</u>
<b>EARNINGS PER SHARE (Note 27)</b>				
Basic	<u>\$ 4.02</u>		<u>\$ 0.05</u>	
Diluted	<u>\$ 3.98</u>		<u>\$ 0.05</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											Non-controlling Interests	Total Equity	
	Share Capital			Retained Earnings			Other Equity							
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on 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
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	-	-	-	858,223	-	(858,223)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	110,524	(110,524)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NTS\$0.5 per share	-	-	-	-	-	(7,867,430)	-	-	-	-	-	(7,867,430)	-	(7,867,430)
Cash dividends to preference shareholders - NTS\$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
BALANCE AT JANUARY 1, 2021	\$ 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
Appropriation of 2020 earnings (Note 23)	-	-	-	78,931	-	(78,931)	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	78,931	-	(78,931)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(272,355)	272,355	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NTS\$0.3 per share	-	-	-	-	-	(4,720,458)	-	-	-	-	-	(4,720,458)	-	(4,720,458)
Cash dividends to preference shareholders - NTS\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(136)	136	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	62,053,033	-	-	-	-	-	62,053,033	6,853,039	68,906,072
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(612,252)	(1,638,132)	513,958	11,289	(1,112,885)	-	(1,725,137)	(247,146)	(1,972,283)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	-	61,440,781	(1,638,132)	513,958	11,289	(1,112,885)	-	60,327,896	6,605,893	66,933,789
Disposal of the Corporation's shares held by subsidiaries	-	-	760	-	-	-	-	-	-	-	11,241	12,001	-	12,001
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	96,122	-	-	-	-	-	-	-	-	96,122	-	96,122
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	1,512,326	1,512,326
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	105,398	-	(105,398)	-	(105,398)	-	-	-	-
Adjustment of other equity	-	-	64,298	-	-	-	-	-	-	-	3,536	67,834	-	67,834
BALANCE AT DECEMBER 31, 2021	\$ 157,348,610	\$ 382,680	\$ 39,238,636	\$ 66,611,343	\$ 27,639,574	\$ 70,863,295	\$ (9,167,082)	\$ 951,977	\$ 3,809,153	\$ (4,405,952)	\$ (8,649,421)	\$ 349,028,765	\$ 37,926,255	\$ 386,955,020

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>	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 84,413,648	\$ 2,768,162
Adjustments for:		
Depreciation expense	32,461,671	33,247,153
Amortization expense	265,436	263,724
Expected credit loss (reversal)	125,053	(9,849)
Net gain on financial assets and liabilities at fair value through profit or loss	(541,576)	(246,293)
Finance costs	1,761,141	2,460,078
Interest income	(228,589)	(302,888)
Dividend income	(3,610,743)	(1,134,446)
Share of the profit of associates	(1,215,491)	(584,960)
Loss (gain) on disposal of property, plant and equipment	178,139	(799,655)
Gain on disposal of investment properties	(26,755)	-
Gain on disposal of non-current assets held for sale	(33,545)	-
Gain on disposal of investments	(33,033)	(434,206)
Impairment loss recognized on financial assets	3,878	-
Write-down (reversal) of inventories	2,014,820	(3,008,823)
Impairment loss recognized on non-financial assets	3,369,085	576,317
Recognition of provisions	576,180	2,693,284
Others	30,785	(14,192)
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(228,664)	354,202
Financial assets for hedging	(97,173)	428,090
Contract assets	1,893,484	(174,051)
Notes receivable	(638,699)	(386,081)
Notes receivable - related parties	118,432	106,190
Accounts receivable	(4,144,546)	(479,850)
Accounts receivable - related parties	(217,186)	196,918
Other receivables	(2,275,959)	(69,760)
Inventories	(55,361,848)	26,492,408
Other current assets	(1,107,903)	888,737
Financial liabilities for hedging	(62,883)	52,678
Contract liabilities	(107,352)	(639,373)
Notes payable	9,605	(86,910)
Accounts payable	5,097,188	2,517,477
Accounts payable - related parties	137,616	(33,138)
Other payables	10,559,172	(195,466)
Provisions	(216,228)	(51,228)
Other current liabilities	(31,018)	(54,381)
Net defined benefit liabilities	(1,369,636)	(307,692)
Refund liabilities	<u>1,549,963</u>	<u>409,248</u>
Cash generated from operations	73,016,469	64,441,424

(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>2021</b>	<b>2020</b>
Income taxes paid	\$ (1,712,720)	\$ (1,226,065)
Net cash generated from operating activities	<u>71,303,749</u>	<u>63,215,359</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(8,194,697)	(5,611,851)
Proceeds from disposal of financial assets at fair value through other comprehensive income	7,687,917	4,535,280
Proceeds from the capital reduction on financial assets at fair value through other comprehensive income	-	8,382
Acquisition of financial assets at fair value through profit or loss	(7,472,949)	(9,376,248)
Proceeds from disposal of financial assets at fair value through profit or loss	9,886,910	8,689,326
Derecognition of financial liabilities for hedging	(631,020)	(2,682,577)
Acquisition of investments accounted for using the equity method	-	(375,000)
Proceeds from disposal of investments accounted for using the equity method	83,438	354,191
Net cash outflow on acquisition of subsidiaries	-	(1,099,447)
Disposal of subsidiaries	28,856	748,920
Proceeds from the capital reduction on investments accounted for using the equity method	20,647	296,526
Proceeds from disposal of non-current assets held for sale	176,233	-
Acquisition of property, plant and equipment	(21,065,106)	(26,815,441)
Proceeds from disposal of property, plant and equipment	121,631	1,072,657
Increase in refundable deposits	(457,003)	(59,596)
Acquisition of intangible assets	(39,328)	(188,199)
Acquisition of right-of-use assets	(1,397)	-
Acquisition of investment properties	-	(10,483)
Proceeds from disposal of investment properties	60,185	-
Increase in other financial assets	(1,483,908)	(485,950)
Decrease (increase) in other noncurrent assets	187,375	(15,503)
Interest received	234,316	289,993
Dividends received from associates	1,087,867	726,219
Dividends received from others	<u>3,600,701</u>	<u>1,134,062</u>
Net cash used in investing activities	<u>(16,169,332)</u>	<u>(28,864,739)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	248,531,047	262,134,157
Repayments of short-term borrowings	(239,606,200)	(277,705,304)
Proceeds from short-term bills payable	129,521,775	135,830,659
Repayments of short-term bills payable	(145,757,683)	(142,794,272)
Issuance of bonds payable	-	13,800,000

(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>2021</b>	<b>2020</b>
Repayments of bonds payable	\$ (17,400,000)	\$ (15,550,000)
Proceeds from long-term bank borrowings	34,937,675	58,466,497
Repayments of long-term bank borrowings	(48,101,224)	(59,256,509)
Proceeds from long-term bills payable	3,979,156	13,099,578
Repayments of long-term bills payable	(8,259,891)	(8,520,814)
Repayment of principal of lease liabilities	(992,141)	(1,006,431)
Increase in other noncurrent liabilities	60,084	26,629
Dividends paid to owners of the Corporation	(4,778,721)	(7,915,869)
Partial disposal of interests in subsidiaries without loss of control	32,655	-
Interest paid	(2,238,443)	(2,860,426)
Increase (decrease) in non-controlling interests	<u>1,512,326</u>	<u>(750,861)</u>
Net cash used in financing activities	<u>(48,559,585)</u>	<u>(33,002,966)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS	<u>(410,591)</u>	<u>(572,329)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,164,241	775,325
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>12,806,364</u>	<u>12,031,039</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 18,970,605</u>	<u>\$ 12,806,364</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, 2021 and 2020:		
Cash and cash equivalents in the consolidated balance sheets	\$ 23,969,128	\$ 16,140,326
Bank overdraft	<u>(4,998,523)</u>	<u>(3,333,962)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 18,970,605</u>	<u>\$ 12,806,364</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, 2021 and 2020 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, 2021 and 2020, the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and 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, 2021 and 2020, 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, 2021. 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, 2021 are stated as follows:

#### **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. Revenue recognition is presumed to be significant risk as revenue is subject to fluctuation in terms of market demand and it is the main focus of the users of financial report; therefore, revenue recognition was 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.

Our audit procedures performed included the following:

1. We understood the design and implementation of the procedures regarding approval of sales order, shipping and cash collection process of the Corporation's steel department.
2. We evaluated the appropriateness of the recorded sales amounts by checking the nature, quantities and unit price of the Corporation's steel department sales; and we also reviewed comparative information of a two-year period.
3. We verified the occurrence and validity of the specific sales by confirming the correctness on the shipping documents or bill of lading and cash collection receipts.
4. We obtained subsequent details of the abovementioned specific sales and tested for any unusual sales returns and allowances on a sample basis and confirmed 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 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, 2021 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 25, 2022

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, 2021		December 31, 2020	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 3,755,569	1	\$ 1,769,860	-
Financial assets for hedging - current (Notes 4, 9 and 28)	382,328	-	514,119	-
Contract assets - current (Notes 4 and 23)	179,901	-	475,313	-
Notes receivable (Notes 4 and 10)	998,439	-	430,648	-
Notes receivable - related parties (Notes 4, 10 and 29)	-	-	111,592	-
Accounts receivable, net (Notes 4 and 10)	3,666,782	1	2,688,128	1
Accounts receivable - related parties (Notes 4, 10 and 29)	2,245,295	1	2,054,455	1
Other receivables	2,742,493	1	1,203,455	-
Other receivables - loans to related parties (Note 29)	6,962,000	1	5,694,000	1
Current tax assets	285,201	-	305,386	-
Inventories (Notes 4, 5 and 11)	68,933,671	14	39,537,983	9
Other financial assets - current (Notes 13 and 30)	6,681,289	1	6,027,185	2
Other current assets	896,757	-	764,085	-
Total current assets	<u>97,729,725</u>	<u>20</u>	<u>61,576,209</u>	<u>14</u>
<b>NONCURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	731,198	-	843,818	-
Financial assets at fair value through other comprehensive income - noncurrent (Notes 4, 5 and 8)	39,251,278	8	38,226,656	9
Financial assets for hedging - noncurrent (Notes 4, 9 and 28)	210	-	1,852	-
Investments accounted for using the equity method (Notes 4, 12 and 30)	201,220,220	40	181,301,445	41
Property, plant and equipment (Notes 4, 14 and 29)	147,119,445	29	148,160,443	33
Right-of-use assets (Notes 4 and 15)	1,158,745	-	1,269,862	-
Investment properties (Notes 4 and 16)	7,336,879	2	7,431,253	2
Intangible assets	4,978	-	14,934	-
Deferred tax assets (Notes 4 and 25)	3,472,579	1	3,836,367	1
Refundable deposits	705,129	-	245,565	-
Prepayments for investments (Note 12)	1,250,000	-	-	-
Other financial assets - noncurrent (Note 13)	-	-	10,003	-
Total noncurrent assets	<u>402,250,661</u>	<u>80</u>	<u>381,342,198</u>	<u>86</u>
<b>TOTAL</b>	<u>\$ 499,980,386</u>	<u>100</u>	<u>\$ 442,918,407</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings and bank overdraft (Notes 17, 29 and 30)	\$ 12,891,338	3	\$ 10,685,874	2
Short-term bills payable (Note 17)	-	-	3,999,092	1
Financial liabilities for hedging - current (Notes 4, 9, 17 and 28)	1,096,047	-	1,660,353	-
Contract liabilities - current (Notes 4 and 23)	1,701,331	-	1,200,242	-
Accounts payable	6,447,758	1	4,141,140	1
Accounts payable - related parties (Note 29)	3,298,103	1	1,066,985	-
Other payables (Notes 19 and 29)	22,824,106	5	15,730,689	4
Current tax liabilities (Note 25)	7,266,069	1	732	-
Provisions - current (Notes 4 and 20)	4,318,852	1	4,287,992	1
Lease liabilities - current (Notes 4 and 15)	269,303	-	286,135	-
Current portion of bonds payable (Note 18)	12,349,085	3	10,949,351	3
Long-term bank borrowings (Note 17)	1,500,000	-	-	-
Refund liabilities - current	3,456,564	1	1,914,682	1
Other current liabilities	482,572	-	508,689	-
Total current liabilities	<u>77,901,128</u>	<u>16</u>	<u>56,431,956</u>	<u>13</u>
<b>NONCURRENT LIABILITIES</b>				
Financial liabilities for hedging - noncurrent (Notes 4, 9, 17 and 28)	17,167	-	338,545	-
Bonds payable (Note 18)	48,224,053	10	60,569,113	13
Long-term bank borrowings (Note 17)	-	-	7,000,000	2
Long-term bills payable (Note 17)	5,897,934	1	6,897,508	2
Deferred tax liabilities (Notes 4 and 25)	11,712,835	2	10,605,707	2
Lease liabilities - noncurrent (Notes 4 and 15)	896,263	-	986,584	-
Net defined benefit liabilities (Note 21)	6,302,241	1	6,790,049	2
Total noncurrent liabilities	<u>73,050,493</u>	<u>14</u>	<u>93,187,506</u>	<u>21</u>
Total liabilities	<u>150,951,621</u>	<u>30</u>	<u>149,619,462</u>	<u>34</u>
<b>EQUITY (Notes 4 and 22)</b>				
Share capital				
Ordinary shares	157,348,610	32	157,348,610	36
Preference shares	382,680	-	382,680	-
Total share capital	<u>157,731,290</u>	<u>32</u>	<u>157,731,290</u>	<u>36</u>
Capital surplus	39,238,636	8	39,077,456	9
Retained earnings				
Legal reserve	66,611,343	13	66,532,412	15
Special reserve	27,639,574	6	27,912,065	6
Unappropriated earnings	70,863,295	14	13,897,589	3
Total retained earnings	<u>165,114,212</u>	<u>33</u>	<u>108,342,066</u>	<u>24</u>
Other equity	(4,405,952)	(1)	(3,187,669)	(1)
Treasury shares	(8,649,421)	(2)	(8,664,198)	(2)
Total equity	<u>349,028,765</u>	<u>70</u>	<u>293,298,945</u>	<u>66</u>
<b>TOTAL</b>	<u>\$ 499,980,386</u>	<u>100</u>	<u>\$ 442,918,407</u>	<u>100</u>

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			
	2021		2020	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 23 and 29)	\$ 259,782,471	100	\$ 183,841,526	100
OPERATING COSTS (Notes 11 and 29)	<u>209,566,237</u>	<u>81</u>	<u>175,614,789</u>	<u>96</u>
GROSS PROFIT	50,216,234	19	8,226,737	4
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	<u>(299,640)</u>	<u>-</u>	<u>(139,358)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>49,916,594</u>	<u>19</u>	<u>8,087,379</u>	<u>4</u>
OPERATING EXPENSES				
Selling and marketing expenses	2,975,236	1	2,613,343	1
General and administrative expenses	4,141,417	2	2,995,856	2
Research and development expenses	<u>2,395,668</u>	<u>1</u>	<u>1,880,953</u>	<u>1</u>
Total operating expenses	<u>9,512,321</u>	<u>4</u>	<u>7,490,152</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>40,404,273</u>	<u>15</u>	<u>597,227</u>	<u>-</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Notes 24 and 29)	80,141	-	102,760	-
Other income (Notes 24 and 29)	1,490,174	1	1,907,955	1
Other gains and losses (Notes 24 and 29)	201,065	-	(21,342)	-
Finance costs (Notes 24 and 29)	(795,980)	-	(1,092,967)	(1)
Share of profit or loss of subsidiaries and associates	<u>29,671,674</u>	<u>11</u>	<u>(486,257)</u>	<u>-</u>
Total non-operating income and expenses	<u>30,647,074</u>	<u>12</u>	<u>410,149</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	71,051,347	27	1,007,376	-
INCOME TAX EXPENSE (Notes 4 and 25)	<u>8,998,314</u>	<u>3</u>	<u>121,511</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>62,053,033</u>	<u>24</u>	<u>885,865</u>	<u>-</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	(628,138)	-	(56,273)	-

(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			
	2021		2020	
	Amount	%	Amount	%
Unrealized gains and losses on investments in equity instruments at fair value through other comprehensive income	\$ 1,024,622	-	\$ (2,734,065)	(2)
Gains and losses on hedging instruments	98,087	-	33,837	-
Share of the other comprehensive income of subsidiaries and associates	(714,062)	-	1,022,991	1
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	132,486	-	4,258	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(1,508,504)	(1)	(474,314)	-
Gains and losses on hedging instruments	-	-	(5,269)	-
Share of the other comprehensive income of subsidiaries and associates	<u>(129,628)</u>	<u>-</u>	<u>(215,800)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(1,725,137)</u>	<u>(1)</u>	<u>(2,424,635)</u>	<u>(1)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR</b>	<u>\$ 60,327,896</u>	<u>23</u>	<u>\$ (1,538,770)</u>	<u>(1)</u>
<b>EARNINGS PER SHARE (Note 26)</b>				
Basic	<u>\$ 4.02</u>		<u>\$ 0.05</u>	
Diluted	<u>\$ 3.98</u>		<u>\$ 0.05</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, 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
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
Appropriation of 2020 earnings (Note 22)												
Legal reserve	-	-	-	78,931	-	(78,931)	-	-	-	-	-	-
Special reserve	-	-	-	-	(272,355)	272,355	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT\$0.3 per share	-	-	-	-	-	(4,720,458)	-	-	-	-	-	(4,720,458)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(136)	136	-	-	-	-	-	-
Net profit for the year ended December 31, 2021	-	-	-	-	-	62,053,033	-	-	-	-	-	62,053,033
Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	-	(612,252)	(1,638,132)	513,958	11,289	(1,112,885)	-	(1,725,137)
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	-	61,440,781	(1,638,132)	513,958	11,289	(1,112,885)	-	60,327,896
Disposal of the Corporation's shares held by subsidiaries	-	-	760	-	-	-	-	-	-	-	11,241	12,001
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	96,122	-	-	-	-	-	-	-	-	96,122
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	105,398	-	(105,398)	-	(105,398)	-	-
Adjustment from changes in equity of subsidiaries and associates	-	-	64,298	-	-	-	-	-	-	-	3,536	67,834
BALANCE AT DECEMBER 31, 2021	\$ 157,348,610	\$ 382,680	\$ 39,238,636	\$ 66,611,343	\$ 27,639,574	\$ 70,863,295	\$ (9,167,082)	\$ 951,977	\$ 3,809,153	\$ (4,405,952)	\$ (8,649,421)	\$ 349,028,765

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)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	\$ 71,051,347	\$ 1,007,376
Adjustments for:		
Depreciation expense	15,118,366	15,249,956
Amortization expense	9,956	9,956
Net gain on financial assets at fair value through profit or loss	(4,930)	(117,861)
Finance costs	795,980	1,092,967
Interest income	(80,141)	(102,760)
Dividend income	(451,620)	(478,481)
Share of loss (profit) of subsidiaries and associates	(29,671,674)	486,257
Loss on disposal of property, plant and equipment	42,792	3,107
Write-down (reversal) of inventories	1,258,710	(2,394,332)
Impairment loss on non-financial assets	663,904	-
Unrealized gain on the transactions with subsidiaries and associates	299,640	139,358
Recognition of provisions	30,860	1,776,959
Others	180,798	(120,851)
Changes in operating assets and liabilities		
Financial assets for hedging	92,845	208,759
Contract assets	320,982	(415,069)
Notes receivable	(567,791)	(5,924)
Notes receivable - related parties	111,592	75,832
Accounts receivable	(978,654)	(670,144)
Accounts receivable - related parties	(190,840)	(1,043,549)
Other receivables	(1,529,279)	(174,595)
Inventories	(30,815,057)	18,934,316
Other current assets	(132,140)	(8,769)
Contract liabilities	501,089	99,146
Accounts payable	2,306,618	(825,393)
Accounts payable - related parties	2,231,118	(379,139)
Other payables	7,173,005	579,074
Other current liabilities	(26,117)	(317,604)
Net defined benefit liabilities	(1,115,946)	(266,320)
Refund liabilities	1,541,882	(139,531)
Cash generated from operations	38,167,295	32,202,741
Income taxes paid	(109,328)	(38,307)
Net cash generated from operating activities	<u>38,057,967</u>	<u>32,164,434</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets at fair value through profit of loss	-	931,520
Derecognition of financial liabilities for hedging	(631,020)	(2,682,577)
Proceeds from the capital reduction on investments accounted for using equity method	-	200,000

(Continued)

# China Steel Corporation

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

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Acquisition of property, plant and equipment	\$ (14,050,610)	\$ (15,729,921)
Proceeds from disposal of property, plant and equipment	88,503	-
Increase in refundable deposits	(459,564)	(139,946)
Increase in other receivables - loans to related parties	(1,268,000)	-
Decrease in other receivables - loans to related parties	-	3,576,000
Net cash inflow on acquisition of subsidiary	46,173	-
Increase in other financial assets	(644,101)	(87,180)
Interest received	78,449	105,950
Dividends received from subsidiaries and associates	9,586,658	1,308,122
Dividends received from others	<u>442,182</u>	<u>478,481</u>
Net cash used in investing activities	<u>(6,811,330)</u>	<u>(12,039,551)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	10,007,707	17,954,753
Repayments of short-term borrowings	(8,855,043)	(25,756,665)
Proceeds from short-term bills payable	22,950,908	32,958,454
Repayments of short-term bills payable	(26,950,000)	(42,950,000)
Issuance of bonds payable	-	5,800,000
Repayments of bonds payable	(10,950,000)	(6,600,000)
Issuance of long-term bank borrowings	6,000,000	13,500,000
Repayments of long-term bank borrowings	(11,500,000)	(10,500,000)
Proceeds from long-term bills payable	426	11,298,821
Repayments of long-term bills payable	(1,000,000)	(6,400,000)
Repayments of principal of lease liabilities	(318,148)	(347,514)
Dividends paid	(4,778,721)	(7,915,869)
Acquisition of subsidiaries	(2,750,430)	(1,018,060)
Interest paid	(1,159,777)	(1,381,944)
Proceeds from the capital reduction of subsidiaries	139,350	-
Increase in prepayments for investments of subsidiaries	<u>(1,250,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(30,413,728)</u>	<u>(21,358,024)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>832,909</b>	<b>(1,233,141)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u><b>(1,409,472)</b></u>	<u><b>(176,331)</b></u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u><b>\$ (576,563)</b></u>	<u><b>\$ (1,409,472)</b></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, 2021 and 2020:

(Continued)

# China Steel Corporation

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

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	<u>December 31</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents in the standalone balance sheets	\$ 3,755,569	\$ 1,769,860
Bank overdraft	<u>(4,332,132)</u>	<u>(3,179,332)</u>
Cash and cash equivalents in the standalone statements of cash flows	<u>\$ (576,563)</u>	<u>\$ (1,409,472)</u>

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

(Concluded)



## **2. Proposal:**

### **Adoption of the Proposal for Distribution of 2021 Profits**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

- (1) The Company's earnings distribution of 2021, 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 and bonus appropriation for preferred shares are NT\$1.4 and NT\$1.7 per share in cash, respectively, totaled NT\$3.1 per share in cash. The proposed bonus appropriation for common shares totaled NT\$3.1 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 3

<b>China Steel Corporation</b>		
<b>2021 Earnings Distribution Table</b>		Unit: NT\$
Undistributed earnings at the beginning of the period		9,316,980,117.09
After-tax earnings of 2021	62,053,033,273.30	
Reverse of special reserve: disposal of fixed assets	136,306.00	
Actuarial gains (losses) from defined benefit pension plans (included in retained earnings)	(502,510,296.00)	
Effects resulting from changes in long-term equity investment	(4,343,901.00)	
Amount to be included in undistributed earnings by adding up after-tax earnings of 2021 and other items (A)		61,546,315,382.30
Deduct: Legal reserve = (A) *10%		(6,154,631,538.00)
Add: Reverse of special reserve to undistributed earnings		723,473,239.00
Subtotal of distributable earnings		65,432,137,200.39
Distribution of preferred dividends - NT\$1.4 per share (NT\$1.4 in cash)	53,575,199.00	
Distribution of bonus - common shares at NT\$3.1 per share (NT\$3.1 in cash) and preferred shares at NT\$1.7 per share (NT\$1.7 in cash)	48,843,124,689.00	
Subtotal of distribution items		(48,896,699,888.00)
Undistributed earnings at the end of the period		16,535,437,312.39

# **Proposals for Discussion**

## **1. Proposal:**

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

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

## **Explanatory Note:**

- (1) Amendments are made to the Procedures for Acquisition or Disposal of Assets of the Company in compliance with the amendments to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by the Financial Supervisory Commission (FSC) and regulations of the Order No. Financial-Supervisory-Securities-Corporate-1110380465.
- (2) It is proposed to amend Article 4, Article 8 to 10, Article 13, and Article 22.
- (3) A comparison table of draft clauses and the clauses in force is attached.

## **Resolution:**

## Attachment 4

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

Revised clause	Clause in force	Explanation
<p>Article 4</p> <p>Professional appraisers and their officers, CPAs, attorneys, and securities underwriters who provide the Company with appraisal reports, CPAs' opinions, attorney's opinions or underwriter's opinions shall meet the following requirements:</p> <ol style="list-style-type: none"> <li>1. May not have previously received a final and unappealable sentence to imprisonment for one year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents or occupational crime. However, this provision does not apply if three years have already passed since the service of the sentence completed, since the period of a suspended sentence expired, or since a pardon was received.</li> <li>2. May not be a related party or de facto related party of any party to the transaction.</li> <li>3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</li> </ol> <p>When issuing an appraisal report</p>	<p>Article 4</p> <p>Professional appraisers and their officers, CPAs, attorneys, and securities underwriters who provide the Company with appraisal reports, CPAs' opinions, attorney's opinions or underwriter's opinions shall meet the following requirements:</p> <ol style="list-style-type: none"> <li>1. May not have previously received a final and unappealable sentence to imprisonment for one year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act or the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents or occupational crime. However, this provision does not apply if three years have already passed since the service of the sentence completed, since the period of a suspended sentence expired, or since a pardon was received.</li> <li>2. May not be a related party or de facto related party of any party to the transaction.</li> <li>3. If the Company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.</li> </ol> <p>When issuing an appraisal report</p>	<p>Amendments are made in compliance with the amendments to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by the FSC.</p>

Revised clause	Clause in force	Explanation
<p>or opinion, the aforementioned personnel shall comply <u>with the self-regulatory rules of the industry associations to which they belong and</u> with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</li> <li>2. When <u>conducting</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</li> <li>3. They shall undertake an item-by-item evaluation of the <u>appropriateness</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</li> <li>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is <u>appropriate and</u> reasonable, and that they have complied with applicable laws and regulations.</li> </ol>	<p>or opinion, the aforementioned personnel shall comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Prior to accepting a case, they shall prudently assess their own professional capabilities, practical experience, and independence.</li> <li>2. When <u>examining</u> a case, they shall appropriately plan and execute adequate working procedures, in order to produce a conclusion and use the conclusion as the basis for issuing the report or opinion. The related working procedures, data collected, and conclusion shall be fully and accurately specified in the case working papers.</li> <li>3. They shall undertake an item-by-item evaluation of the <u>comprehensiveness, accuracy,</u> and reasonableness of the sources of data used, the parameters, and the information, as the basis for issuance of the appraisal report or the opinion.</li> <li>4. They shall issue a statement attesting to the professional competence and independence of the personnel who prepared the report or opinion, and that they have evaluated and found that the information used is reasonable <u>and accurate,</u> and that they have complied with applicable laws and regulations.</li> </ol>	
<p>Article 8 For the acquisition or disposal of real property, equipment or right-of-use assets thereof where the</p>	<p>Article 8 For the acquisition or disposal of real property, equipment or right-of-use assets thereof where the</p>	<p>Amendments are made in compliance with the amendments to "Regulations</p>

Revised clause	Clause in force	Explanation
<p>transaction amount reaches NT\$300 million or more, the Company, unless transacting with a domestic government agency, commissioning others to build on its own land, commissioning others to build on rented land, or acquiring or disposing machinery equipment or right-of-use assets thereof held for operating use, shall obtain an appraisal report before the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances a limited price, specified price, or special price must be given as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the meeting of the Board of Directors, and the same procedure shall be followed for any subsequent change to the terms and conditions of the transaction thereafter.</li> <li>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</li> <li>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to render a specific opinion</li> </ol>	<p>transaction amount reaches NT\$300 million or more, the Company, unless transacting with a domestic government agency, commissioning others to build on its own land, commissioning others to build on rented land, or acquiring or disposing machinery equipment or right-of-use assets thereof held for operating use, shall obtain an appraisal report before the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:</p> <ol style="list-style-type: none"> <li>1. Where due to special circumstances a limited price, specified price, or special price must be given as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the meeting of the Board of Directors, and the same procedure shall be followed for any subsequent change to the terms and conditions of the transaction thereafter.</li> <li>2. Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</li> <li>3. Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be engaged to <u>perform the appraisal in</u></li> </ol>	<p>Governing the Acquisition and Disposal of Assets by Public Companies" issued by the FSC.</p>

Revised clause	Clause in force	Explanation
<p>regarding the reasons for the discrepancy and the appropriateness of the transaction price:</p> <p>(1)Where the discrepancy between the appraisal result and the transaction amount reaches 20% or more of the transaction amount.</p> <p>(2)Where the discrepancy between the appraisal results of two or more professional appraisers reaches 10% or more of the transaction amount.</p> <p>4. No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>While dealing with the acquisition or disposal of real property, equipment or right-of-use assets thereof not contained in the preceding Paragraph, the first-echelon units in charge of acquiring or disposing of real property or right-of-use assets thereof shall refer to the declared current value, assessed value, the actual transaction prices of neighboring real properties and the leasing market for setting a transaction price; and the first-</p>	<p><u>accordance with the provisions of Statement of Auditing Standards No. 20 published by ROC Accounting Research and Development Foundation (hereinafter "ARDF")</u> and render a specific opinion regarding the reasons for the discrepancy and the appropriateness of the transaction price:</p> <p>(1)Where the discrepancy between the appraisal result and the transaction amount reaches 20% or more of the transaction amount.</p> <p>(2)Where the discrepancy between the appraisal results of two or more professional appraisers reaches 10% or more of the transaction amount.</p> <p>4. No more than three months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than six months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>While dealing with the acquisition or disposal of real property, equipment or right-of-use assets thereof not contained in the preceding Paragraph, the first-echelon units in charge of acquiring or disposing of real property or right-of-use assets thereof shall refer to the declared current value, assessed value, the actual transaction prices of neighboring real properties and the leasing market for setting a transaction price; and the first-</p>	

Revised clause	Clause in force	Explanation
<p>echelon units in charge of acquiring or disposing of equipment or right-of-use assets thereof shall refer to past transaction prices for same or similar assets experienced by the Company or those in the same industry, or the leasing market for setting a transaction price, as a reference for levels in authority to estimate the transaction price.</p>	<p>echelon units in charge of acquiring or disposing of equipment or right-of-use assets thereof shall refer to past transaction prices for same or similar assets experienced by the Company or those in the same industry, or the leasing market for setting a transaction price, as a reference for levels in authority to estimate the transaction price.</p>	
<p>Article 9</p> <p>When acquiring or disposing of securities, the Company shall, before the date of occurrence of the event, obtain the most recent financial statement from the issuing company, audited and reviewed by a certified public accountant (CPA), for reference in appraising the transaction price. In any of the following circumstances where the transaction amount reaches NT\$300 million or more, the Company shall engage a CPA to render an opinion on the reasonableness of the transaction price before the date of occurrence of the event. However, securities with quoted prices in an active market or covered by other regulations of the FSC are not subject to this restriction.</p> <p>Exceptions in the preceding paragraph refer to the following:</p> <ol style="list-style-type: none"> <li>1. Securities acquired by means of cash subscriptions when establishing a company by founders or by offering public</li> </ol>	<p>Article 9</p> <p>When acquiring or disposing of securities, the Company shall, before the date of occurrence of the event, obtain the most recent financial statement from the issuing company, audited and reviewed by a certified public accountant (CPA), for reference in appraising the transaction price. In any of the following circumstances where the transaction amount reaches NT\$300 million or more, the Company shall engage a CPA to render an opinion on the reasonableness of the transaction price before the date of occurrence of the event. <u>If the CPA needs to use the report of an expert as evidence, he/she shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation (ARDF).</u> However, securities with quoted prices in an active market or covered by other regulations of the FSC are not subject to this restriction.</p> <p>Exceptions in the preceding paragraph refer to the following:</p> <ol style="list-style-type: none"> <li>1. Securities acquired by means of cash subscriptions when establishing a company by founders or by offering public</li> </ol>	<p>Amendments are made in compliance with the amendments to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by the FSC.</p>



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

Revised clause	Clause in force	Explanation
<p>securities are not acquired through private placement.</p> <p>9. Subscription to domestic privately placed fund prior to the establishment of the funds in accordance with Paragraph 1, Article 11 of the Securities Investment Trust and Consulting Act, or subscription to or redemption of a domestic privately placed fund, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.</p> <p>10. Other situations regulated by the FSC.</p>	<p>securities are not acquired through private placement.</p> <p>9. Subscription to domestic privately placed fund prior to the establishment of the funds in accordance with Paragraph 1, Article 11 of the Securities Investment Trust and Consulting Act, or subscription to or redemption of a domestic privately placed fund, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.</p> <p>10. Other situations regulated by the FSC.</p>	
<p>Article 10</p> <p>Where the Company acquires or disposes of intangible assets or right-of-use assets thereof, or memberships and the transaction amount reaches NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a CPA to render an opinion on the reasonableness of the transaction price before the date of occurrence of the event.</p>	<p>Article 10</p> <p>Where the Company acquires or disposes of intangible assets or right-of-use assets thereof, or memberships and the transaction amount reaches NT\$300 million or more, except in transactions with a domestic government agency, the Company shall engage a CPA to render an opinion on the reasonableness of the transaction price before the date of occurrence of the event.  <u>The CPA shall comply with the provisions of Statement of Auditing Standards No. 20 published by ARDF.</u></p>	<p>Amendments are made in compliance with the amendments to "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by the FSC.</p>
<p>Article 13</p> <p>When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of</p>	<p>Article 13</p> <p>When the Company intends to acquire or dispose of real property or right-of-use assets thereof from or to a related party, or when it intends to acquire or dispose of</p>	<p>Amendments are made in compliance with the amendments to "Regulations Governing the Acquisition and</p>

Revised clause	Clause in force	Explanation
<p>assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches NT\$300 million or more, except the trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of the asset.</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15 of the Procedures.</li> <li>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</li> <li>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</li> </ol>	<p>assets other than real property or right-of-use assets thereof from or to a related party and the transaction amount reaches NT\$300 million or more, except the trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the Board of Directors:</p> <ol style="list-style-type: none"> <li>1. The purpose, necessity, and anticipated benefit of the acquisition or disposal of the asset.</li> <li>2. The reason for choosing the related party as a trading counterparty.</li> <li>3. With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Article 14 and Article 15 of the Procedures.</li> <li>4. The date and price at which the related party originally acquired the real property, the original trading counterparty, and that trading counterparty's relationship to the Company and the related party.</li> <li>5. Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</li> </ol>	<p>Disposal of Assets by Public Companies" issued by the FSC.</p>

Revised clause	Clause in force	Explanation
<p>6. An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>For the following transactions between the Company and its subsidiaries, the Board of Directors may delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board Meeting:</p> <p>1. Acquisition or disposal of equipment or right-of-use assets thereof for business use.</p> <p>2. Acquisition or disposal of real property right-of-use assets for business use.</p> <p><u>If the Company or a subsidiary of the Company that is not a domestic public company will have a transaction set out in Paragraph 1 and the transaction amount will reach 10% or more of the Company's total assets, the Company shall submit the materials in all the subparagraphs of Paragraph 1 to the Shareholders' Meeting for approval before the transaction contract may be entered into and any payment made. However, this restriction does not apply to transactions between the Company and its subsidiaries or between its subsidiaries.</u></p>	<p>6. An appraisal report from a professional appraiser or a certified public accountant's opinion obtained in compliance with the preceding article.</p> <p>7. Restrictive covenants and other important stipulations associated with the transaction.</p> <p>For the following transactions between the Company and its subsidiaries, the Board of Directors may delegate the Chairman to decide such matters when the transaction is within a certain amount and have the decisions subsequently submitted to and ratified by the next Board Meeting:</p> <p>1. Acquisition or disposal of equipment or right-of-use assets thereof for business use.</p> <p>2. Acquisition or disposal of real property right-of-use assets for business use.</p>	
<p>Article 22</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets,</p>	<p>Article 22</p> <p>Under any of the following circumstances, the Company acquiring or disposing of assets,</p>	<p>Amendments are made in compliance with the amendments to "Regulations</p>

Revised clause	Clause in force	Explanation
<p>based on the nature of the event, shall publicly announce and report the relevant information on the FSC's designated website according to the format and content required by FSC within two days from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches NT\$300 million or more. However, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Loss from derivatives trading reaching the limit on aggregate loss or loss on individual contract stipulated in Sub-item 2, Item 5, Subparagraph 1, Article 17 of the Procedures.</li> <li>4. Acquisition or disposal of equipment or right-of-use assets thereof for business use, in which the trading counterparty is not a related party, and the transaction amount reaches NT\$1 billion or above.</li> <li>5. Acquisition of real property by engaging others to build on the Company's own land, engaging others to build on rented land, joint construction</li> </ol>	<p>based on the nature of the event, shall publicly announce and report the relevant information on the FSC's designated website according to the format and content required by FSC within two days from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches NT\$300 million or more. However, this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Loss from derivatives trading reaching the limit on aggregate loss or loss on individual contract stipulated in Sub-item 2, Item 5, Subparagraph 1, Article 17 of the Procedures.</li> <li>4. Acquisition or disposal of equipment or right-of-use assets thereof for business use, in which the trading counterparty is not a related party, and the transaction amount reaches NT\$1 billion or above.</li> <li>5. Acquisition of real property by engaging others to build on the Company's own land, engaging others to build on rented land, joint construction</li> </ol>	<p>Governing the Acquisition and Disposal of Assets by Public Companies" issued by the FSC.</p>

Revised clause	Clause in force	Explanation
<p>and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, in which the trading counterparty is not a related party, and the Company expects to invest NT\$500 million or more.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in Mainland China reaches NT\$300 million or more; however, this shall not apply to the following circumstances:</p> <p>(1)Trading of domestic government bonds <u>or foreign government bonds with a rating that is not lower than the sovereign rating of Taiwan.</u></p> <p>(2)Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the tenth day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be</p>	<p>and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, in which the trading counterparty is not a related party, and the Company expects to invest NT\$500 million or more.</p> <p>6. Where an asset transaction other than any of those referred to in the preceding five subparagraphs or an investment in Mainland China reaches NT\$300 million or more; however, this shall not apply to the following circumstances:</p> <p>(1)Trading of domestic government bonds.</p> <p>(2)Trading of bonds under repurchase/resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by itself and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the tenth day of each month.</p> <p>When the Company at the time of public announcement makes an error or omission in an item required by regulations to be</p>	

Revised clause	Clause in force	Explanation
<p>publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company's headquarter, where they shall be retained for five years except where another act provides otherwise.</p>	<p>publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>In acquiring or disposing of assets, the Company shall keep all relevant contracts, meeting minutes, log books, appraisal reports and CPA, attorney, and securities underwriter opinions at the Company's headquarter, where they shall be retained for five years except where another act provides otherwise.</p>	

# **Directors Election**

## **1. Proposal:**

### **Election of 11 Directors (including 3 Independent Directors) of the 18th Board of Directors**

**Proposed by the Board of Directors**

## **Explanatory Note:**

- (1) The term of the 11 Directors (including 3 Independent Directors) of the 17th Board of Directors will expire on June 18, 2022. It is planned to elect all of the 11 Directors (including 3 Independent Directors) of the 18th Board of Directors, serving a term of three years from June 17, 2022 to June 16, 2025. The term of the original 17th Board of Directors complies with the provisions of Article 199-1 of the Company Act, which stipulates that "where all directors of a company are re-elected, prior to the expiration of the term of office of existing directors, and in the absence of a resolution that existing directors will not be discharged until the expiry of their present term of office, all existing directors shall be deemed discharged in advance."
- (2) The candidate nomination system is adopted in the election of the 18th Board of Directors. Shareholders shall elect the Directors from the list of the nominated candidates as follows.

## **Election result:**



### List of Candidates for Directors of the 18th Board of Directors

No.	Title (Director, Independent Director)	Name	Education	Experience	Current Position	Juristic Person Represented
1	Director	Chao-Tung Wong	PhD in Resource Engineering, National Cheng Kung University	President, China Steel Corporation; Chairman, China Ecotek Corporation	Chairman, China Steel Corporation	Ministry of Economic Affairs
2	Director	Wen-Sheng Tseng	Bachelor of Civil Engineering, National Taiwan University	Director-General, Economic Development Bureau, Kaohsiung City Government	Deputy Minister, Ministry of Economic Affairs	Ministry of Economic Affairs
3	Director	Ming-Jong Liou	PhD in Industrial Management, National Taiwan University of Science and Technology	Director-General, Bureau of Standards, Metrology and Inspection, M.O.E.A	Director, State- Owned Enterprise Commission, Ministry of Economic Affairs	Ministry of Economic Affairs
4	Director	Shyi-Chin Wang	PhD in Materials Science, National Sun Yat-sen University	Executive Vice President, China Steel Corporation	President, China Steel Corporation	Chiun Yu Investment Corporation
5	Director	Chien-Chih Hwang	Bachelor of Economics, Tunghai University	Vice President of Commercial Division, China Steel Corporation	Executive Vice President, China Steel Corporation	Ever Wealthy International Corporation
6	Director	Cheng-I Weng	PhD in Mechanical Engineering, University of Rochester, U.S.A.	President, National Cheng Kung University; Chairman, Industrial Technology Research Institute	Adjunct Chair Professor, Kun Shan University	Hung Kao Investment Corporation
7	Director	Yueh-Kun Yang	Master of Business Management, National Sun Yat- sen University	Assistant Vice President of Finance Division, China Steel Corporation	Vice President of Finance Division, China Steel Corporation	Gau Ruei Investment Corporation
8	Director	Chun-Sheng Chen	Electrical Engineering, National Taitung Junior College	Executive Director, Labor Union of China Steel Corporation, Kaohsiung City	President, Labor Union of China Steel Corporation, Kaohsiung City	Labor Union of China Steel Corporation, Kaohsiung City

### List of Candidates for Independent Directors of the 18th Board of Directors

No.	Title (Director, Independent Director)	Name	Education	Experience	Current Position	Juristic Person Represented
9	Independent Director	Shyue-Bin Chang	PhD in Mechanical and Aerospace Engineering, Cornell University, U.S.A.	Chair Professor and Vice President, Kao Yuan University	Honorary Professor, Kao Yuan University	
10	Independent Director	Min-Hsiung Hon	PhD in Materials Science and Engineering, North Carolina State University, U.S.A.	Professor, Department of Materials Science and Engineering, National Cheng Kung University	Emeritus Professor, National Cheng Kung University	
11	Independent Director	Lan-Feng Kao	PhD in Accounting, National Cheng Kung University	Chairman, Department of Finance, National University of Kaohsiung	Professor, Department of Finance, National University of Kaohsiung	

## Other Proposals

### 1. Proposal:

**To release the prohibition on Mr. Chao-Tung Wong, when elected as the Director of the 18th Board of Directors, from holding the position in China Ecotek Corporation, Chung Hung Steel Corporation and Taiwan High Speed Rail Corporation to protect the investment rights of the Company.**

**Proposed by the Board of Directors**

### Explanatory Note:

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

Invested Company	Concurrent Post	Business Relationship with CSC
China Ecotek Corporation	Director	Engineering of environmental protection and steel construction
Chung Hung Steel Corporation	Director	Manufacturing of steel products
Taiwan High Speed Rail Corporation	Director	Machinery installation

- (3) Although the Company is related to the aforesaid companies in part of its business, the products and services provided by the Company and these companies belong to different market segments. The Company

may thereby protect its investment rights and benefit from Mr. Chao-Tung Wong's serving in the board of these aforesaid companies by participating in important operating decisions and monitoring the execution of business strategies.

**Resolution:**

## **2. Proposal:**

**To release the prohibition on Mr. Wen-Sheng Tseng, when elected as the Director of the 18th Board of Directors, from holding the position in Taiwan Power Company.**

**Proposed by the Board of Directors**

### **Explanatory Note:**

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

Company	Concurrent Post	Business Relationship with CSC
Taiwan Power Company	Director	Machinery installation

- (3) Although the Company is related to the aforesaid company in part of its business, the products and services provided by the two companies belong to different market segments. The Company may thereby benefit from Mr. Wen-Sheng Tseng's serving in the board of the aforesaid company by monitoring the execution of the Company's business strategies with his expertise.

### **Resolution:**

### 3. Proposal:

**To release the prohibition on Mr. Ming-Jong Liou, when elected as the Director of the 18th Board of Directors, from holding the position in Aerospace Industrial Development Corporation.**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

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

Company	Concurrent Post	Business Relationship with CSC
Aerospace Industrial Development Corporation	Director	Metal heat treating; Metal surface treating

- (3) Although the Company is related to the aforesaid company in part of its business, the products and services provided by the two companies belong to different market segments. The Company may thereby benefit from Mr. Ming-Jong Liou's serving in the board of the aforesaid company by monitoring the execution of the Company's business strategies with his expertise.

#### **Resolution:**

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

**To release the prohibition on Mr. Shyi-Chin Wang, when elected as the Director of the 18th Board of Directors, from holding the position in China Ecotek Corporation to protect the investment rights of the Company.**

**Proposed by the Board of Directors**

#### **Explanatory Note:**

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

Invested Company	Concurrent Post	Business Relationship with CSC
China Ecotek Corporation	Director	Engineering of environmental protection and steel construction

- (3) Although the Company is related to the aforesaid company in part of its business, the products and services provided by the two companies belong to different market segments. The Company may thereby protect its investment rights and benefit from Mr. Shyi-Chin Wang's serving in the board of the aforesaid company by participating in important operating decisions and monitoring the execution of business strategies.

#### **Resolution:**

## 5. Proposal:

**To release the prohibition on Mr. Chien-Chih Hwang, when elected as the Director of the 18th Board of Directors, from holding the position in China Steel Structure Co., Ltd., CSBC Corporation, Taiwan, Formosa Ha Tinh (Cayman) Limited and Formosa Ha Tinh Steel Corporation to protect the investment rights of the Company.**

**Proposed by the Board of Directors**

### Explanatory Note:

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

Invested Company	Concurrent Post	Business Relationship with CSC
China Steel Structure Co., Ltd.	Director	Iron and steel rolling, drawing, and extruding; Machinery and equipment manufacturing
CSBC Corporation, Taiwan	Director	Steel casting; Machinery and equipment manufacturing
Formosa Ha Tinh (Cayman) Limited	Director	The holding company of Formosa Ha Tinh Steel Corporation, an integrated steel mill
Formosa Ha Tinh Steel Corporation	Director	Integrated steel mill



(3) Although the Company is related to the aforesaid companies in part of its business, the products and services provided by the Company and these companies belong to different market segments. The Company may thereby protect its investment rights and benefit from Mr. Chien-Chih Hwang's serving in the board of these aforesaid companies by participating in important operating decisions and monitoring the execution of business strategies.

**Resolution:**

## 6. Proposal:

**To release the prohibition on Mr. Yueh-Kun Yang, when elected as the Director of the 18th Board of Directors, from holding the position in C.S.Aluminium Corporation to protect the investment rights of the Company.**

**Proposed by the Board of Directors**

### **Explanatory Note:**

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

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

- (3) Although the Company is related to the aforesaid company in part of its business, the products and services provided by the two companies belong to different market segments. The Company may thereby protect its investment rights and benefit from Mr. Yueh-Kun Yang's serving in the board of the aforesaid company by participating in important operating decisions and monitoring the execution of business strategies.

### **Resolution:**

## 7. Proposal:

**To release the prohibition on Mr. Shyue-Bin Chang, when elected as the Independent Director of the 18th Board of Directors, from holding the position in Advanced International Multitech Co., Ltd. and Hiwin Mikrosystem Corp.**

**Proposed by the Board of Directors**

### **Explanatory Note:**

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

Company	Concurrent Post	Business Relationship with CSC
Advanced International Multitech Co., Ltd.	Independent Director	Machinery and equipment manufacturing
Hiwin Mikrosystem Corp.	Independent Director	Machinery and equipment manufacturing

- (3) Although the Company is related to the aforesaid companies in part of its business, the products and services provided by the Company and these companies belong to different market segments. The Company may thereby benefit from Mr. Shyue-Bin Chang's serving in the board of the aforesaid companies by monitoring the execution of the Company's business strategies with his expertise.

### **Resolution:**

# Extraordinary Motions

# Rules and Regulations

1.

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

The Rules are agreed and signed on 1975, firstly amended on 1982, secondly amended on 1984, thirdly amended on 1997, fourthly amended on 2004, fifthly amended on 2006, sixthly amended on 2008, seventhly amended on 2011, eighthly amended on 2012, ninthly amended on 2015, tenthly amended on 2016, eleventhly amended on 2019, twelfthly amended on 2021.

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.

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.

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 and the information on shares with no voting rights as well as the number of shares in attendance, 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 Rules Governing the Election of Directors**

twelfthly amended on August 30, 2021

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

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

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

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

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

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

Article 2 The Company adopts the candidate nomination system for election of Directors, carefully reviews the qualifications, education background and work experience and the existence of any other matters set forth in Article 30 of the Company Act with respect to director candidates, and acts in accordance with Article 192-1 of the Company Act. Independent Directors and Non-independent Directors shall be nominated and listed separately, and shall be elected by shareholders from the respective candidate list.

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

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

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

When the number of Directors falls below that prescribed in the Articles of Incorporation due to the dismissal of a Director for any reason, a by-election shall be held to fill the vacancy at the

next Shareholders' Meeting. When the number of Directors falls short by one third of the total number prescribed in the Articles of Incorporation, an extraordinary Shareholders' Meeting shall be convened within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

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

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

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

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

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

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

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

Article 8 The duties of ballot examiners are as follows:

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

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

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

- (1) The candidate's full name and candidate's number if the candidate is a natural person with or without an identity as a shareholder.

- (2) The name and candidate's number of the juristic person or government shareholder if the candidate is a juristic person or government shareholder.
- (3) The name of the juristic person or government shareholder, the full name of the representative, and candidate's number if the candidate is a representative of the juristic person or government shareholder.

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

- (1) Who fails to submit the attendance registration card to complete the registration procedure.
- (2) The ballot is not prepared by the authorized convener.
- (3) Two or more candidates' names are filled in.
- (4) Other words or marks are written in addition to the candidate's full name and candidate's number.
- (5) The ballot is torn into incomplete one.
- (6) The ballot is contaminated to make the filled candidate(s) hard to distinguish.
- (7) The ballot is totally blank.
- (8) The handwriting is blurred and hard to identify or the handwriting is altered, but correction, addition or deletion for a slip of the pen does not apply.
- (9) The filled candidate's name or candidate's number is incomplete or inconsistent with the candidate list.
- (10) The name filled for Independent Director or Non-independent Director is not in the list of nominated candidates for Independent Directors or Non-independent Directors.

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

Article 12 After finishing the voting calculation, the ballot examiners shall verify the total number of valid and invalid ballots and fill 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 as well as the list of defeated candidates and the voting shares they received on the spot.

Article 13 The ballot examiners shall separate the valid and invalid ballots to seal in respective packages, jointly sign their names on the seals, as well as remark the written words of "invalid ballots" on the seal-side cover of the package. All packages shall be handed over to the Company for safekeeping. All ballots shall be kept for at least one year. However, if a lawsuit regarding election of Directors has been filed by any shareholder in accordance with Article 189 of the Company Act, the ballots shall be kept until the legal proceedings of the foregoing lawsuit have been concluded.

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

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

**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. ZZ99999Any other businesses that are not prohibited or restricted by laws, except for businesses requiring special approvals.

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

Article 2-2The 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

Article30-1The 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)

Article32-1The 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.

Article32-2In 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.

Article32-3The 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 19, 2022)

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.