

Stock Code: 1723



China Steel Chemical Corporation
2021 Annual Shareholders' Meeting

Handbook

Time: 9 a.m., 17 June 2021 (Thursday)

Venue: Kaohsiung Business Convention Center (3F., No. 5,
Zhongshan 2nd Rd., Qianzhen Dist., Kaohsiung City
806, Taiwan (R.O.C.))

Content

| | Page |
|--|------|
| Chapter 1. Meeting Procedure | 1 |
| Chapter 2. Meeting Agenda | 2 |
| I. Reporting Items | 3 |
| II. Ratification Items | 6 |
| III. Discussion Items | 34 |
| IV. Other Proposals and Extempore Motions | 36 |
| Chapter 3. Rules and Regulations | 38 |
| I. Rules Governing Procedures for Shareholders' Meeting of CSCC | 39 |
| II. Articles of Association of CSCC | 47 |
| III. Corporate Governance Best Practice Principles of CSCC | 53 |
| Chapter 4. List of Shareholdings of Current Directors of CSCC | 68 |
| Chapter 5. Dividend policy of CSCC | 70 |

Chapter 1 Meeting Procedure

China Steel Chemical Corporation

2021 Annual Shareholders' Meeting Procedure

- I. Call the Meeting to Order
- II. Chairperson's Remarks
- III. Reporting Items
- IV. Ratification Items
- V. Discussion Items
- VI. Other Proposals and Extempore Motions
- VII. Adjournment

Chapter 2 Meeting Agenda

Meeting Agenda for the 2021 Annual Shareholders' Meeting of China Steel Chemical Corporation

- I. Time: 9 a.m., 17 June 2021 (Thursday)
- II. Venue: Kaohsiung Business Convention Center (3F., No. 5, Zhongshan 2nd Rd., Qianzhen Dist., Kaohsiung City 806, Taiwan (R.O.C.))
- III. Chairperson's Remarks
- IV. Reporting Items
 - (I) 2020 Business and Financial Reports.
 - (II) The Audit Committee's Review Report on the 2020 Financial Statements.
 - (III) Report on the 2020 Remuneration Allocation of Employees and Directors.
 - (IV) Report on the Amendments to the Corporate Governance Best Practice Principles of CSCC.
- V. Ratification Items
 - (I) Ratification of 2020 Business Report and Financial Statements.
 - (II) 2020 Surplus Distribution.
- VI. Discussion Items
 - (I) 2020 Distribution of Legal Reserve in Cash
- VII. Other Proposals and Extempore Motions
- VIII. Adjournment

I. Reporting Items

- I. 2020 Business and Financial Reports of CSCC
(Please refer to #Page8-31# of the Handbook)

- II. The Audit Committee's Review Report on the 2020 Financial Statements of CSCC.
(Please refer to #Page12# of the Handbook)

- III. Report on the 2020 Remuneration Allocation of Employees and Directors of CSCC.
 1. According to the requirements under Article 26 of the Articles of Association of CSCC: "If there is profit in any given year, the CSCC shall set aside no less than 0.1% as the remuneration for employees, and no more than 1% as the remuneration for Directors under the resolution of the Meeting of the Board of Directors; the distribution target of remuneration for employees include employees of an affiliated company who satisfied certain conditions.
 2. The earnings before taxes and remunerations for employees and directors of 2020 was NT\$898,856,545, and CSCC proposed to provide 3.760649926% (NT\$33,802,848) as the remuneration for employees and 0.752130029% (NT\$6,760,570) as the remuneration for Directors.
 3. The amount of provision above for the remuneration of employees and Directors was discussed and approved at the 12th meeting of the 11th Board of Directors on 23 February 2021.

- IV. Report on the Amendments to the Corporate Governance Best Practice Principles of CSCC
 1. As CSCC established the position of corporate governance executive, CSCC intends to amend relevant articles in the Code according to the requirements under Article 3-1 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."
 2. For the comparison table for the amended articles of the Corporate Governance Best Practice Principles of CSCC, please see #page5# of the Handbook; for the original articles, please see #page52-66 # of the Handbook.

China Steel Chemical Corporation
Table of Comparisons for the Proposed Amendments to the " Corporate Governance
Best Practice Principles of CSCC"

| Amended Articles | Current Articles | Explanation |
|--|---|--|
| <p>Article 3-1 Personnel responsible for corporate governance affairs CSCC shall assign a corporate governance executive in place according to the requirements of the competent authority <u>or the stock exchange</u> as the senior officer responsible for corporate governance affairs. The executive shall obtain the certified qualification as a lawyer or CPA, or hold an executive post in the department related to legal affairs, legal compliance, internal audit, finance, stock affairs, or corporate governance in securities, financial, futures institutions or public companies for three years or above.</p> <p>The relevant affairs of corporate governance described in the preceding paragraph <u>shall at least</u> include the following:</p> <p>I. Handling <u>matters related to Board Meetings and Shareholders' Meetings in accordance with the law.</u></p> <p>II. Producing minutes of Board Meetings and Shareholders' Meetings.</p> <p>III. <u>Assisting Directors' on-boarding and their continuing education</u></p> <p>IV. Providing Directors with information required for business execution.</p> <p>V. <u>Assisting Directors in legal compliance.</u></p> <p>VI. Other matters stipulated in the Articles of Association or contracts.</p> | <p>Article 3-1 Personnel responsible for corporate governance affairs CSCC shall have an adequate number of qualified corporate governance personnel, and shall assign a corporate governance executive according to the requirements of the competent authority as the senior officer responsible for corporate governance affairs. The executive shall obtain the certified qualification as a lawyer or CPA, or hold an executive post in the department related to legal affairs, legal compliance, internal audit, finance, stock affairs, or corporate governance in securities, financial, futures institutions or public companies for three years or above.</p> <p>The corporate governance affairs as mentioned in the preceding paragraph are advised to include at least the following items:</p> <p>I. Handling company registration and amendment registration.</p> <p>II. Handling matters related to Board Meetings and Shareholders' Meetings in accordance with the law, and assisting CSCC to comply with the laws and regulations governing such meetings.</p> <p>III. Producing minutes of Board Meetings and Shareholders' Meetings.</p> <p>IV. Providing Directors with information required for business execution, and updating them on developments of laws and regulations related to the operation of CSCC in order to assist them in legal compliance.</p> <p>V. Affairs related to investor relations.</p> <p>VI. Other matters stipulated in the Articles of Association or contracts.</p> | <p>As CSCC established the position of corporate governance executive, CSCC amended relevant articles in the Code according to the requirements under Article 3-1 of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."</p> |

II. Ratification Items

Proposal 1 Proposed by the Board of Directors

Explanation: Proposal for the 2020 Business Report and Financial Statements. Submitted for ratification.

Description: For details of the 2020 Business Report, 2021 Business Plan, and 2020 Consolidated Financial Statements and Individual Financial Statements of CSCC, please see the attachments (please refer to #Page8-31# of the Handbook).

Resolution:

China Steel Chemical Corporation

Business Report

1. 2020 Business Report

I. Business Summary

The outbreak of COVID-19 in 2020 generated significant impacts on the global economy. In particular, the outbreak spread out in the second quarter, the global economic environment froze immediately. The stock, currency, bond, and raw material markets all collapsed. Countries and cities implemented lockdown and transportation control, causing a sharp drop in oil price before the third quarter, and selling prices of relevant products had declined over 50%. As demands declined significantly, customers' intention for delivery of goods also declined. CSCC spared no effort in sales, made downward adjustments in its selling prices in exchange for shipment to minimize the inventory pressure. Internally, CSCC saved on various expenses to respond to the conditions. Even though the sales volume throughout the year was equivalent to that of 2019, CSCC's operating revenue and profits decreased by 35% and 55% in the first three quarters, and decrease by 29% and 47% throughout the year, respectively. CSCC encountered the most difficult year in the last two decades. In the fourth quarter, as the oil price ceased dropping and rebounded, demands for products have been growing. However, as the outbreak continued, the rebounded of the economic environment is still limited. Looking forward, with the backdrop of successful vaccine R&D and the popularization of vaccination rate and the global trend for companies focusing on new energy issues and ESG (environmental, social, and corporate governance) due to climate changes, the plant construction of downstream customers for CSCC's Pingnan Carbon Materials Plant was completed and the delivery of goods picked up, Pingnan Plant's production capacity may be fully exerted. Upon improving CSCC's operating revenue and profits, it also makes contributions to the global green energy industry.

Significant business results achieved by CSCC in 2020 are as follow:

- CSCC's operating revenue and profits achieving the objectives for internal budget.
- Transported all by-products such as light oil and coal tar generated from the coking of the CSC Group in time and sold all its products at the market rate.
- Light oil transported from Formosa Ha Tinh Steel had all been put into production, and the coal tar was successfully sold.

II. Results of Business Plan Implementation

(I) In 2020, the processing amount of coal tar was 260,216 tonnes, and the processing amount of light oil was 116,302 tonnes. The annual sales of coal tar products and light oil products amounted to 258,497 tonnes and 110,107 tonnes, respectively; the annual sales of green mesophase powder and green graphite mesophase powder amounted to 1,427 tonnes.

(II) Execution of Business Plan Implementation Unit: Tonnes

| Item | | Actual amount | Budgeted amount | Deviation | Achievement rate (%) |
|--------------------------|-------------------|---------------|-----------------|-----------|----------------------|
| Coal tar products | Production volume | 262,501 | 260,355 | 2,146 | 101 |
| | Sales volume | 258,497 | 259,245 | (748) | 100 |
| Light oil products | Production volume | 108,868 | 111,925 | (3,057) | 97 |
| | Sales volume | 110,107 | 111,812 | (1,705) | 98 |
| Refined carbon materials | Production volume | 9,187 | 9,355 | (168) | 98 |
| | Sales volume | 6,214 | 7,698 | (1,484) | 81 |
| Coke products | Sales volume | 65,731 | 63,728 | 2,003 | 103 |
| Trade item | Sales volume | 106,063 | 102,212 | 3,851 | 104 |
| Processing item | Processing volume | 301,977 | 333,286 | (31,309) | 91 |

Relevant consolidated and individual financial information is as follows:

Consolidated Statements of Comprehensive Income Unit: NT\$000'

| Item | 2020 | 2019 | Increase (decrease) in amount | Increase (decrease) (%) |
|---|-----------|-----------|-------------------------------|-------------------------|
| Operating revenue | 5,363,774 | 7,541,990 | (2,178,216) | (29) |
| Operating costs | 4,243,881 | 5,696,043 | (1,452,162) | (25) |
| Gross profit | 1,119,893 | 1,845,947 | (726,054) | (39) |
| Operating Expenses | 349,994 | 403,554 | (53,560) | (13) |
| Net operating profit | 769,899 | 1,442,393 | (672,494) | (47) |
| Total non-operating revenue and expenses | 81,120 | 152,932 | (71,812) | (47) |
| Income before tax | 851,019 | 1,595,325 | (744,306) | (47) |
| Net profit for the year | 708,027 | 1,297,989 | (589,962) | (45) |
| Other comprehensive income (after tax) | (29,687) | (64,423) | 34,736 | 54 |
| Total comprehensive income for the year | 678,340 | 1,233,566 | (555,226) | (45) |
| Net profit (loss) attributable to: | | | | |
| Owners of CSCC | 716,891 | 1,292,839 | (575,948) | (45) |
| Non-controlling interest | (8,864) | 5,150 | (14,014) | (272) |
| Total comprehensive income attributable to: | | | | |
| Owners of CSCC | 702,662 | 1,237,432 | (534,770) | (43) |
| Non-controlling interest | (24,322) | (3,866) | (20,456) | (529) |

(1) The decline in operating revenue and gross profit in 2020 was due to the sharp drop in oil price resulted from the effects of COVID-19, causing a significant drop in the selling prices of CSCC's major products.

- (2) The decrease in operating expenses during the period was primarily due to CSCC's efforts in saving various expenses and the decrease in relevant operating expenses, bonuses, and other expenses resulting from the decline in operating revenue and profits.
- (3) The decrease in non-operating revenue and expenses during the period was due to the combined effects of the decrease in investment gains measured using the equity method, the losses on disposal of financial products under the effects of the outbreak on the financial market during the first quarter, and the currency exchange loss arising from the appreciation of NTD.
- (4) Based on the above, the net profit after tax for 2020 was NT\$708 million, representing a decrease of NT\$590 million (or 45%) as compared to NT\$1,298 billion for the same period last year.

Individual Statements of Comprehensive Income

Unit: NT\$000'

| Item | 2020 | 2019 | Increase (decrease) in amount | Increase (decrease) (%) |
|--|-----------|-----------|----------------------------------|----------------------------|
| Operating revenue | 5,251,341 | 7,379,595 | (2,128,254) | (29) |
| Operating costs | 4,172,681 | 5,593,243 | (1,420,562) | (25) |
| Gross profit | 1,078,660 | 1,786,352 | (707,692) | (40) |
| Operating Expenses | 339,801 | 387,781 | (47,980) | (12) |
| Net operating profit | 738,859 | 1,398,571 | (659,712) | (47) |
| Total non-operating revenue and expenses | 119,434 | 191,514 | (72,080) | (38) |
| Income before tax | 858,293 | 1,590,085 | (731,792) | (46) |
| Net profit for the year | 716,891 | 1,292,839 | (575,948) | (45) |
| Other comprehensive income (after tax) | (14,229) | (55,407) | 41,178 | 74 |
| Total comprehensive income for the year | 702,662 | 1,237,432 | (534,770) | (43) |

III. Analysis of Income and Expenditure and Profitability

Please refer to the Financial Statements enclosed with the financial summary of 2020.

IV. Research and Development

- (I) Through production line verification and cell test by customers in Europe and Japan, our small particle size compound products are proven to have excellent performance. The products possess features of fast charge and high power discharge. Customers had purchased more materials to conduct pilot scale production for the end application of energy storage systems. Furthermore, CSCC commenced the development of coke-based artificial graphite to provide a diversified anode product portfolio and strengthen our competitiveness as well.

- (II) CSCC's isotropic graphite crucibles had passed customer's preliminary online evaluation. Subsequently, CSCC made arrangements to provide sample for verification according to customers' demand. In this year, CSCC will successively install cold isostatic pressing (CIP) equipment, carbonization furnace and other production equipment, which will improve yield rate and production capacity.
- (III) The production capacity and quality of the new production line at CSCC's advance carbon material plant achieved the objectives. CSCC continued to develop continuous activation manufacturing procedures to improve its production capacity and reduce costs. The high-pressure applications were also the developing focuses. Demand from the customer end has been increasing for supercapacitor and lead-carbon battery.


2. 2021 Business Plan

I. Operating Policy

- (I) Create operating revenue, stabilize profits, reduce costs, and improve efficiency.
- (II) Develop refined products and strengthen quality control.
- (III) Implement occupational safety management and reinforce experience inheritance.
- (IV) Fulfill social responsibilities and facilitate harmonious labor-management relationship.

II. Production and Sale Policy

- (I) Transport all by-products such as coal tar, crude light oil, and coke produced by group companies in time. Smoothly process and produce different products satisfying the demand of the market and customers and make sales in full in due course at the market rate to create greater economic values.
- (II) Reinforce the expansion of downstream customers, increase the width of its customer base, and continue to develop new suppliers to increase healthy competition and reduce procurement costs.
- (III) Develop diversification and market width for carbon material products and actively acquiring customers in Europe, Japan, Southeast Asia, and Taiwan.
- (IV) Keep abreast of the growth and plant expansion status of icon customers for carbon materials.
- (V) Reinforce our advantage of having the only graphitization plant in Taiwan, cooperate with customers, and increase our OEM business to advance our sales and OEM at one and expand the value chain of our carbon material business.

Chairman: Wen-Ge Lo 

President: Ming-Dar Fang 

Chief Auditor: Li-Li Kuo 

China Steel Chemical Corporation

Audit Committee's Audit Report

The Board of Directors has prepared the 2020 Business Report, Financial Statements, and Surplus Distribution. The Financial Statements had been audited by CPAs Yu-Hsiang Liu and Hung-Ju Liao from Deloitte & Touche appointed by the Board of Directors, and the CPAs have issued an audit report. The foregoing Business Report, Financial Statements, and Surplus Distribution were audited by the Audit Committee and were considered to be in compliance with relevant regulations of the Company Act. This Report, which has been prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, is hereby submitted for review.

Sincerely,

2021 Annual Shareholders' Meeting of China Steel Chemical Corporation

China Steel Chemical Corporation

Convener of the Audit Committee: Hsing-Shu Hsieh



23 February 2021

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Steel Chemical Corporation

Opinion

We have audited the accompanying consolidated financial statements of China Steel Chemical Corporation (the "Corporation") and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2020 is stated as follows:

Revenue recognition

The Corporation and its subsidiaries' specific operating revenue from export sales amounted to NT\$652,193 thousand, representing 12% of the total operating revenue, and its contribution to the gross profit is significant. The Corporation and its subsidiaries' export transaction procedure is complicated, and the management is under pressure to achieve the expected target and market expectations, which may be achieved by manipulating the operating revenue. We are concerned whether the sales revenue of the Corporation and its subsidiaries actually occurred; as a result, we considered operating revenue from export sales as a key audit matter.

Refer to Notes 4 and 24 to the consolidated financial statements for the accounting policies and the related disclosures of revenue.

The audit procedures that we performed included the following:

1. We obtained an understanding and tested the effectiveness of the design and implementation of internal control of sales.
2. We verified the related documents to confirm that the products were actually transferred and fulfilled the obligation, and tested cash collection to confirm the existence of sales revenue.
3. We performed the confirmation to make sure that the amount of sales revenue can be measured reliably.

Other Matters

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

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 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 of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the Corporation and its subsidiaries. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yu-Hsiang Liu and Hung-Ju Liao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2021

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

| ASSETS | December 31, 2020 | | December 31, 2019 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 994,321 | 9 | \$ 1,156,667 | 10 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 701,915 | 6 | 772,422 | 6 |
| Financial assets at fair value through other comprehensive income - current (Notes 4 and 8) | 209,453 | 2 | 174,599 | 1 |
| Financial assets for hedging - current (Notes 4 and 10) | - | - | 119,920 | 1 |
| Notes receivable (Notes 4 and 11) | 60,429 | 1 | 92,563 | 1 |
| Accounts receivable, net (Notes 4 and 11) | 271,865 | 2 | 317,863 | 3 |
| Accounts receivable - related parties (Notes 4, 11 and 30) | 113,885 | 1 | 100,837 | 1 |
| Other receivables (Note 30) | 221,455 | 2 | 250,119 | 2 |
| Current tax assets | 495 | - | - | - |
| Inventories (Notes 4 and 12) | 970,561 | 8 | 842,603 | 7 |
| Other financial assets - current (Notes 4, 13 and 19) | 168,533 | 1 | 49,000 | - |
| Other current assets | 37,649 | - | 94,956 | 1 |
| Total current assets | <u>3,750,561</u> | <u>32</u> | <u>3,971,549</u> | <u>33</u> |
| NON-CURRENT ASSETS | | | | |
| Financial assets at fair value through profit of loss - non-current (Notes 4 and 7) | 76,042 | 1 | 71,910 | 1 |
| Financial assets at amortized cost - non-current (Notes 4 and 9) | 3,939 | - | 3,875 | - |
| Investments accounted for using the equity method (Notes 4 and 15) | 1,664,220 | 14 | 1,594,136 | 13 |
| Property, plant and equipment (Notes 4, 16 and 30) | 4,148,025 | 36 | 4,438,535 | 37 |
| Right-of-use assets (Notes 4, 17 and 30) | 674,799 | 6 | 703,489 | 6 |
| Investment properties (Notes 4 and 18) | 552,988 | 5 | 552,988 | 4 |
| Deferred tax assets (Notes 4 and 26) | 85,121 | 1 | 73,038 | 1 |
| Prepaid equipment | 54,784 | - | 64,467 | - |
| Refundable deposits | 5,050 | - | 8,654 | - |
| Other non-current assets (Notes 14 and 19) | 627,344 | 5 | 609,164 | 5 |
| Total non-current assets | <u>7,892,312</u> | <u>68</u> | <u>8,120,256</u> | <u>67</u> |
| TOTAL | <u>\$ 11,642,873</u> | <u>100</u> | <u>\$ 12,091,805</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 20) | \$ 1,093,251 | 10 | \$ 1,992,505 | 17 |
| Contract liabilities (Notes 4 and 24) | 12,088 | - | 12,872 | - |
| Accounts payable | 29,175 | - | 50,394 | - |
| Accounts payable - related parties (Note 30) | 158,044 | 2 | 186,149 | 2 |
| Other payables (Notes 14, 21, 22 and 30) | 760,717 | 7 | 871,969 | 7 |
| Current tax liabilities (Note 26) | 154,914 | 1 | 98,586 | 1 |
| Lease liabilities - current (Notes 4, 17 and 30) | 40,321 | - | 37,013 | - |
| Current portion of long-term borrowings (Note 20) | 500,000 | 4 | - | - |
| Other current liabilities | 6,838 | - | 5,558 | - |
| Total current liabilities | <u>2,755,348</u> | <u>24</u> | <u>3,255,046</u> | <u>27</u> |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Note 20) | 1,300,000 | 11 | 650,000 | 5 |
| Deferred tax liabilities (Notes 4 and 26) | 1,545 | - | 7,936 | - |
| Lease liabilities - non-current (Notes 4, 17 and 30) | 618,829 | 6 | 647,905 | 5 |
| Net defined benefit liabilities (Notes 4 and 22) | 151,868 | 1 | 168,670 | 2 |
| Guarantee deposit received | 4,857 | - | 3,530 | - |
| Total non-current liabilities | <u>2,077,099</u> | <u>18</u> | <u>1,478,041</u> | <u>12</u> |
| Total liabilities | <u>4,832,447</u> | <u>42</u> | <u>4,733,087</u> | <u>39</u> |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 23) | | | | |
| Ordinary share capital | <u>2,369,044</u> | <u>20</u> | <u>2,369,044</u> | <u>20</u> |
| Capital surplus | <u>869,637</u> | <u>8</u> | <u>845,852</u> | <u>7</u> |
| Retained earnings | | | | |
| Legal reserve | 2,641,723 | 23 | 2,561,069 | 21 |
| Special reserve | 176,833 | 1 | 161,983 | 2 |
| Unappropriated earnings | <u>787,720</u> | <u>7</u> | <u>1,348,767</u> | <u>11</u> |
| Total retained earnings | <u>3,606,276</u> | <u>31</u> | <u>4,071,819</u> | <u>34</u> |
| Other equity | <u>(193,150)</u> | <u>(2)</u> | <u>(176,832)</u> | <u>(2)</u> |
| Treasury shares | <u>(117,638)</u> | <u>(1)</u> | <u>(117,638)</u> | <u>(1)</u> |
| Total equity attributable to owners of the Corporation | 6,534,169 | 56 | 6,992,245 | 58 |
| NON-CONTROLLING INTERESTS (Note 23) | <u>276,257</u> | <u>2</u> | <u>366,473</u> | <u>3</u> |
| Total equity | <u>6,810,426</u> | <u>58</u> | <u>7,358,718</u> | <u>61</u> |
| TOTAL | <u>\$ 11,642,873</u> | <u>100</u> | <u>\$ 12,091,805</u> | <u>100</u> |

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

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

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

| | For the Year Ended December 31 | | | |
|---|--------------------------------|------------|------------------|-----------|
| | 2020 | | 2019 | |
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 24 and 30) | | | | |
| Revenue from sales of goods | \$ 5,231,184 | 98 | \$ 7,404,103 | 98 |
| Other operating revenue | <u>132,590</u> | <u>2</u> | <u>137,887</u> | <u>2</u> |
| Total operating revenue | 5,363,774 | 100 | 7,541,990 | 100 |
| OPERATING COSTS (Notes 12, 22, 25 and 30) | <u>4,243,881</u> | <u>79</u> | <u>5,696,043</u> | <u>76</u> |
| GROSS PROFIT | <u>1,119,893</u> | <u>21</u> | <u>1,845,947</u> | <u>24</u> |
| OPERATING EXPENSES (Notes 22, 25 and 30) | | | | |
| Selling and marketing expenses | 117,580 | 2 | 134,099 | 2 |
| General and administrative expenses | 101,435 | 2 | 147,370 | 2 |
| Research and development expenses | 130,979 | 3 | 121,968 | 1 |
| Expected credit loss | <u>-</u> | <u>-</u> | <u>117</u> | <u>-</u> |
| Total operating expenses | <u>349,994</u> | <u>7</u> | <u>403,554</u> | <u>5</u> |
| PROFIT FROM OPERATIONS | <u>769,899</u> | <u>14</u> | <u>1,442,393</u> | <u>19</u> |
| NON-OPERATING INCOME AND EXPENSES (Notes 25 and 30) | | | | |
| Interest income | 14,611 | - | 32,852 | - |
| Other income | 79,281 | 2 | 74,076 | 1 |
| Other gains and losses | (60,917) | (1) | (18,702) | - |
| Share of profit of associates | 77,946 | 2 | 90,897 | 1 |
| Interest expenses | <u>(29,801)</u> | <u>(1)</u> | <u>(26,191)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>81,120</u> | <u>2</u> | <u>152,932</u> | <u>2</u> |
| PROFIT BEFORE INCOME TAX | 851,019 | 16 | 1,595,325 | 21 |
| INCOME TAX EXPENSES (Notes 4 and 26) | <u>142,992</u> | <u>3</u> | <u>297,336</u> | <u>4</u> |
| NET PROFIT FOR THE YEAR | <u>708,027</u> | <u>13</u> | <u>1,297,989</u> | <u>17</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22, 23 and 26) | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Remeasurement of defined benefit plans | 1,199 | - | (13,996) | - |

(Continued)

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

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

| | For the Year Ended December 31 | | | |
|--|--------------------------------|-----------|---------------------|------------|
| | 2020 | | 2019 | |
| | Amount | % | Amount | % |
| Unrealized gains and losses on financial assets at fair value through other comprehensive income | \$ 4,169 | - | \$ 168 | - |
| Gains and losses on hedging instruments | 2,080 | - | (2,080) | - |
| Share of other comprehensive loss of associates accounted for using the equity method | (7,515) | - | (16,210) | - |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | (656) | - | 3,215 | - |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on translating foreign operations | (25,742) | - | (31,228) | (1) |
| Share of other comprehensive loss of associates accounted for using the equity method | <u>(3,222)</u> | <u>-</u> | <u>(4,292)</u> | <u>-</u> |
| Other comprehensive loss for the year, net of income tax | <u>(29,687)</u> | <u>-</u> | <u>(64,423)</u> | <u>(1)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 678,340</u> | <u>13</u> | <u>\$ 1,233,566</u> | <u>16</u> |
| NET PROFIT ATTRIBUTABLE TO: | | | | |
| Owners of the Corporation | \$ 716,891 | 13 | \$ 1,292,839 | 17 |
| Non-controlling interests | <u>(8,864)</u> | <u>-</u> | <u>5,150</u> | <u>-</u> |
| | <u>\$ 708,027</u> | <u>13</u> | <u>\$ 1,297,989</u> | <u>17</u> |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Owners of the Corporation | \$ 702,662 | 13 | \$ 1,237,432 | 16 |
| Non-controlling interests | <u>(24,322)</u> | <u>-</u> | <u>(3,866)</u> | <u>-</u> |
| | <u>\$ 678,340</u> | <u>13</u> | <u>\$ 1,233,566</u> | <u>16</u> |
| EARNINGS PER SHARE (Note 27) | | | | |
| Basic | <u>\$ 3.09</u> | | <u>\$ 5.57</u> | |
| Diluted | <u>\$ 3.08</u> | | <u>\$ 5.56</u> | |

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

(Concluded)

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

| | Equity Attributable to Owners of the Corporation | | | | | | Other Equity | | | | | Non-controlling Interests | Total Equity | |
|---|--|-----------------|-------------------|-----------------|-------------------------|-------------------------|--|--|--------------------------------------|--------------------|-----------------|---------------------------|--------------|--|
| | Ordinary Shares | Capital Surplus | Retained Earnings | | | Total Retained Earnings | Exchange Differences on Translating Foreign Operations | Unrealized Gains and Losses on Financial Assets at Fair Value Through Other Comprehensive Income | Gain and Loss on Hedging Instruments | Total Other Equity | Treasury Shares | | | Total Equity Attributable to Owners of the Corporation |
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | | | | | | | | | |
| BALANCE AT JANUARY 1, 2019 | \$ 2,369,044 | \$ 820,648 | \$ 2,413,957 | \$ 161,983 | \$ 1,471,119 | \$ 4,047,059 | \$ (44,737) | \$ (89,173) | \$ - | \$ (133,910) | \$ (117,638) | \$ 6,985,203 | \$ 370,339 | \$ 7,355,542 |
| Appropriation of 2018 earnings (Note 23) | - | - | 147,112 | - | (147,112) | - | - | - | - | - | - | - | - | - |
| Legal reserve | - | - | - | - | (1,255,594) | (1,255,594) | - | - | - | - | - | (1,255,594) | - | (1,255,594) |
| Cash dividends | - | - | 147,112 | - | (1,402,706) | (1,255,594) | - | - | - | - | - | (1,255,594) | - | (1,255,594) |
| Changes in capital surplus from investments in associates accounted for using the equity method | - | 10 | - | - | - | - | - | - | - | - | - | 10 | - | 10 |
| Net profit for the year ended December 31, 2019 | - | - | - | - | 1,292,839 | 1,292,839 | - | - | - | - | - | 1,292,839 | 5,150 | 1,297,989 |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax | - | - | - | - | (11,846) | (11,846) | (26,504) | (15,393) | (1,664) | (43,561) | - | (55,407) | (9,016) | (64,423) |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | 1,280,993 | 1,280,993 | (26,504) | (15,393) | (1,664) | (43,561) | - | 1,237,432 | (3,866) | 1,233,566 |
| Adjustments to capital surplus arising from dividends paid to subsidiaries | - | 25,194 | - | - | - | - | - | - | - | - | - | 25,194 | - | 25,194 |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | (639) | (639) | - | 639 | - | 639 | - | - | - | - |
| BALANCE AT DECEMBER 31, 2019 | 2,369,044 | 845,852 | 2,561,069 | 161,983 | 1,348,767 | 4,071,819 | (71,241) | (103,927) | (1,664) | (176,832) | (117,638) | 6,992,245 | 366,473 | 7,358,718 |
| Appropriation of 2019 earnings (Note 23) | - | - | 128,035 | - | (128,035) | - | - | - | - | - | - | - | - | - |
| Legal reserve | - | - | - | 14,850 | (14,850) | - | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | - | (1,137,142) | (1,137,142) | - | - | - | - | - | (1,137,142) | - | (1,137,142) |
| Cash dividends | - | - | (47,381) | - | - | (47,381) | - | - | - | - | - | (47,381) | - | (47,381) |
| Cash dividends distributed by legal reserve | - | - | 80,654 | 14,850 | (1,280,027) | (1,184,523) | - | - | - | - | - | (1,184,523) | - | (1,184,523) |
| Changes in capital surplus from investments in associates accounted for using the equity method | - | 17 | - | - | - | - | - | - | - | - | - | 17 | - | 17 |
| Net profit for the year ended December 31, 2020 | - | - | - | - | 716,891 | 716,891 | - | - | - | - | - | 716,891 | (8,864) | 708,027 |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | - | - | - | - | 939 | 939 | (13,506) | (3,330) | 1,668 | (15,168) | - | (14,229) | (15,458) | (29,687) |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | 717,830 | 717,830 | (13,506) | (3,330) | 1,668 | (15,168) | - | 702,662 | (24,322) | 678,340 |
| Adjustments to capital surplus arising from dividends paid to subsidiaries | - | 23,768 | - | - | - | - | - | - | - | - | - | 23,768 | - | 23,768 |
| Decrease in non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | (65,894) | (65,894) |
| Disposals of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | 1,150 | 1,150 | - | (1,150) | - | (1,150) | - | - | - | - |
| BALANCE AT DECEMBER 31, 2020 | \$ 2,369,044 | \$ 869,637 | \$ 2,641,723 | \$ 176,833 | \$ 787,720 | \$ 3,606,276 | \$ (84,747) | \$ (108,407) | \$ 4 | \$ (193,150) | \$ (117,638) | \$ 6,534,169 | \$ 276,257 | \$ 6,810,426 |

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

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

| | <u>For the Year Ended December 31</u> | |
|---|---------------------------------------|------------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | \$ 851,019 | \$ 1,595,325 |
| Adjustments for: | | |
| Depreciation expense | 463,019 | 425,352 |
| Amortization expense | 12,959 | 10,330 |
| Expected credit loss | - | 117 |
| Net gain on financial assets at fair value through profit or loss | (15,724) | (17,642) |
| Interest expense | 29,801 | 26,191 |
| Interest income | (14,611) | (32,852) |
| Dividend income | (7,164) | (13,776) |
| Share of profit of associates | (84,511) | (105,667) |
| Loss on disposal of property, plant and equipment | 66 | 593 |
| Impairment loss on non-financial assets | 38,515 | 2,538 |
| Loss on disposal of subsidiaries | 2,524 | - |
| Gain on disposal of non-current assets held for sale | - | (407) |
| Gain on lease modification | (15) | (10) |
| Changes in operating assets and liabilities | | |
| Financial assets mandatorily classified as at fair value through profit or loss | 28,616 | 52,382 |
| Notes receivable | 32,134 | (71,996) |
| Accounts receivable | 45,999 | 205,859 |
| Accounts receivable - related parties | (13,048) | (41,859) |
| Other receivables | 40,981 | 297,273 |
| Inventories | (166,696) | (229,127) |
| Other current assets | 57,307 | 71,367 |
| Contract liabilities | (784) | (56,945) |
| Accounts payable | (21,219) | 13,953 |
| Accounts payable - related parties | (28,105) | (49,756) |
| Other payables | (110,897) | (26,698) |
| Other current liabilities | 1,280 | (2,019) |
| Net defined benefit liabilities | (15,603) | (13,927) |
| Cash generated from operations | <u>1,125,843</u> | <u>2,038,599</u> |
| Income taxes paid | <u>(106,306)</u> | <u>(496,364)</u> |
| Net cash generated from operating activities | <u>1,019,537</u> | <u>1,542,235</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets at fair value through other comprehensive income | (48,079) | - |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 17,394 | - |
| Acquisition of financial assets at amortized cost | - | (3,885) |
| Proceeds from disposal of financial assets at amortized cost | - | 7,865 |
| Acquisition of financial assets at fair value through profit or loss | (415,711) | (979,415) |

(Continued)

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

| | <u>For the Year Ended December 31</u> | |
|--|---------------------------------------|---------------------|
| | 2020 | 2019 |
| Proceeds from disposal of financial assets at fair value through profit or loss | \$ 455,050 | \$ 961,622 |
| Acquisition of investment accounted for using the equity method | (80,000) | (81,600) |
| Proceeds from capital return on investment accounted for using the equity method | 25,087 | 4,233 |
| Proceeds from disposal of non-current assets held for sale | - | 10,932 |
| Acquisition of property, plant and equipment | (109,035) | (510,086) |
| Proceeds from disposal of property, plant and equipment | 100 | 12 |
| Decrease (increase) in refundable deposits | 3,604 | (333) |
| Decrease in other financial assets | 2,467 | 137,561 |
| Increase in other non-current assets | (59,008) | (11,175) |
| Interest received | 15,897 | 34,698 |
| Dividends received from associates | 7,164 | 13,776 |
| Dividends received from others | <u>58,999</u> | <u>49,233</u> |
| Net cash used in investing activities | <u>(126,071)</u> | <u>(366,562)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 3,000,241 | 4,114,506 |
| Repayments of short-term borrowings | (3,899,495) | (4,104,215) |
| Increase in short-term bills payable | 550,000 | 30,000 |
| Decrease in short-term bills payable | (550,000) | (30,000) |
| Increase in long-term borrowings | 1,250,000 | 250,000 |
| Repayments of long-term borrowings | (100,000) | (250,000) |
| Increase in guarantee deposit received | 1,327 | 1,127 |
| Repayment of principal of lease liabilities | (32,937) | (26,804) |
| Dividends paid | (1,159,226) | (1,230,894) |
| Interest paid | (33,145) | (34,186) |
| Decrease in non-controlling interests | <u>(65,894)</u> | <u>-</u> |
| Net cash used in financing activities | <u>(1,039,129)</u> | <u>(1,280,466)</u> |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | | |
| | <u>(16,683)</u> | <u>(15,796)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (162,346) | (120,589) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>1,156,667</u> | <u>1,277,256</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 994,321</u> | <u>\$ 1,156,667</u> |

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

(Concluded)

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Steel Chemical Corporation

Opinion

We have audited the accompanying standalone financial statements of China Steel Chemical Corporation (the "Corporation"), which comprise the standalone balance sheets as of December 31, 2020 and 2019, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies (collectively referred to as the "standalone financial statements").

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2020 and 2019, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter of the Corporation's standalone financial statements for the year ended December 31, 2020 is stated as follows:

Revenue recognition

The Corporation's specific operating revenue from export sales amounted to NT\$652,193 thousand, representing 13% of the total operating revenue, and its contribution to the gross profit is significant. The Corporation's export transaction procedure is complicated, and the management is under pressure to achieve the expected target and market expectations, which may be achieved by manipulating the operating revenue. We are concerned whether the sales revenue of the Corporation actually occurred; as a result, we considered operating revenue from export sales as a key audit matter.

Refer to Notes 4 and 22 to the standalone financial statements for the accounting policies and the related disclosures of revenue.

The audit procedures that we performed included the following:

1. We obtained an understanding and tested the effectiveness of the design and implementation of internal control of sales.
2. We verified the related documents to confirm that the products were actually transferred and fulfilled the obligation, and tested cash collection to confirm the existence of sales revenue.
3. We performed the confirmation to make sure that the amount of sales revenue can be measured reliably.

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 standalone financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Yu-Hsiang Liu and Hung-Ju Liao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 23, 2021

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying standalone financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and standalone financial statements shall prevail.

CHINA STEEL CHEMICAL CORPORATION

STANDALONE BALANCE SHEETS (In Thousands of New Taiwan Dollars)

| ASSETS | December 31, 2020 | | December 31, 2019 | |
|---|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents (Notes 4 and 6) | \$ 734,809 | 7 | \$ 833,897 | 7 |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 234,399 | 2 | 264,495 | 2 |
| Financial assets at fair value through other comprehensive income - current (Notes 4 and 8) | 104,853 | 1 | 73,591 | 1 |
| Financial assets for hedging - current (Notes 4 and 10) | - | - | 119,920 | 1 |
| Notes receivable (Notes 4 and 9) | 2,211 | - | 2,777 | - |
| Accounts receivable, net (Notes 4 and 9) | 233,529 | 2 | 275,573 | 2 |
| Accounts receivable - related parties (Notes 4, 9 and 28) | 153,639 | 1 | 186,765 | 2 |
| Other receivables (Note 28) | 18,114 | - | 65,929 | 1 |
| Inventories (Notes 4 and 11) | 883,423 | 8 | 731,374 | 6 |
| Other financial assets - current (Notes 4 and 12) | 168,533 | 2 | - | - |
| Other current assets | 33,930 | - | 87,841 | 1 |
| Total current assets | <u>2,567,440</u> | <u>23</u> | <u>2,642,162</u> | <u>23</u> |
| NON-CURRENT ASSETS | | | | |
| Investments accounted for using the equity method (Notes 4 and 13) | 2,933,043 | 27 | 2,980,120 | 26 |
| Property, plant and equipment (Notes 4, 14 and 28) | 4,099,878 | 37 | 4,387,111 | 39 |
| Right-of-use assets (Notes 4, 15 and 28) | 601,633 | 5 | 630,252 | 5 |
| Investment properties (Notes 4 and 16) | 552,988 | 5 | 552,988 | 5 |
| Deferred tax assets (Notes 4 and 24) | 85,121 | 1 | 73,038 | 1 |
| Prepaid equipment | 54,784 | 1 | 64,467 | 1 |
| Refundable deposits | 5,050 | - | 8,654 | - |
| Other non-current assets (Note 17) | 89,134 | 1 | 42,772 | - |
| Total non-current assets | <u>8,421,631</u> | <u>77</u> | <u>8,739,402</u> | <u>77</u> |
| TOTAL | <u>\$ 10,989,071</u> | <u>100</u> | <u>\$ 11,381,564</u> | <u>100</u> |
| LIABILITIES AND EQUITY | | | | |
| CURRENT LIABILITIES | | | | |
| Short-term borrowings (Note 18) | \$ 1,093,251 | 10 | \$ 1,992,505 | 18 |
| Contract liabilities (Notes 4 and 22) | 12,084 | - | 12,868 | - |
| Accounts payable | 28,819 | - | 50,807 | - |
| Accounts payable - related parties (Note 28) | 158,400 | 2 | 202,295 | 2 |
| Other payables (Notes 19, 20 and 28) | 433,801 | 4 | 563,379 | 5 |
| Current tax liabilities (Note 24) | 154,914 | 1 | 97,219 | 1 |
| Lease liabilities - current (Notes 4, 15 and 28) | 39,026 | - | 35,740 | - |
| Current portion of long-term borrowings (Note 18) | 500,000 | 5 | - | - |
| Other current liabilities | 6,838 | - | 5,557 | - |
| Total current liabilities | <u>2,427,133</u> | <u>22</u> | <u>2,960,370</u> | <u>26</u> |
| NON-CURRENT LIABILITIES | | | | |
| Long-term borrowings (Note 18) | 1,300,000 | 12 | 650,000 | 6 |
| Deferred tax liabilities (Notes 4 and 24) | 1,545 | - | 7,936 | - |
| Lease liabilities -noncurrent (Notes 4, 15 and 28) | 569,499 | 5 | 598,813 | 5 |
| Net defined benefit liabilities (Notes 4 and 20) | 151,868 | 2 | 168,670 | 2 |
| Guarantee deposit received | 4,857 | - | 3,530 | - |
| Total non-current liabilities | <u>2,027,769</u> | <u>19</u> | <u>1,428,949</u> | <u>13</u> |
| Total liabilities | <u>4,454,902</u> | <u>41</u> | <u>4,389,319</u> | <u>39</u> |
| EQUITY (Notes 4 and 21) | | | | |
| Ordinary share capital | 2,369,044 | 21 | 2,369,044 | 21 |
| Capital surplus | 869,637 | 8 | 845,852 | 7 |
| Retained earnings | | | | |
| Legal reserve | 2,641,723 | 24 | 2,561,069 | 23 |
| Special reserve | 176,833 | 2 | 161,983 | 1 |
| Unappropriated earnings | 787,720 | 7 | 1,348,767 | 12 |
| Total retained earnings | <u>3,606,276</u> | <u>33</u> | <u>4,071,819</u> | <u>36</u> |
| Other equity | (193,150) | (2) | (176,832) | (2) |
| Treasury shares | (117,638) | (1) | (117,638) | (1) |
| Total equity | <u>6,534,169</u> | <u>59</u> | <u>6,992,245</u> | <u>61</u> |
| TOTAL | <u>\$ 10,989,071</u> | <u>100</u> | <u>\$ 11,381,564</u> | <u>100</u> |

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

CHINA STEEL CHEMICAL CORPORATION

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

| | For the Year Ended December 31 | | | |
|---|--------------------------------|------------|------------------|-----------|
| | 2020 | | 2019 | |
| | Amount | % | Amount | % |
| OPERATING REVENUE (Notes 4, 22 and 28) | | | | |
| Revenue from sale of goods | \$ 5,165,958 | 98 | \$ 7,285,794 | 99 |
| Other operating revenue | <u>85,383</u> | <u>2</u> | <u>93,801</u> | <u>1</u> |
| Total operating revenue | 5,251,341 | 100 | 7,379,595 | 100 |
| OPERATING COSTS (Notes 11, 20, 23 and 28) | <u>4,172,681</u> | <u>79</u> | <u>5,593,243</u> | <u>76</u> |
| GROSS PROFIT | <u>1,078,660</u> | <u>21</u> | <u>1,786,352</u> | <u>24</u> |
| OPERATING EXPENSES (Notes 20, 23 and 28) | | | | |
| Selling and marketing expenses | 114,570 | 2 | 129,707 | 2 |
| General and administrative expenses | 94,252 | 2 | 136,106 | 2 |
| Research and development expenses | <u>130,979</u> | <u>3</u> | <u>121,968</u> | <u>1</u> |
| Total operating expenses | <u>339,801</u> | <u>7</u> | <u>387,781</u> | <u>5</u> |
| PROFIT FROM OPERATIONS | <u>738,859</u> | <u>14</u> | <u>1,398,571</u> | <u>19</u> |
| NON-OPERATING INCOME AND EXPENSES (Notes 23 and 28) | | | | |
| Interest income | 11,760 | - | 20,833 | - |
| Other income | 98,099 | 2 | 59,042 | 1 |
| Other gains and losses | (59,735) | (1) | (9,184) | - |
| Share of profit of subsidiaries and associates | 97,565 | 2 | 145,490 | 2 |
| Interest expense | <u>(28,255)</u> | <u>(1)</u> | <u>(24,667)</u> | <u>-</u> |
| Total non-operating income and expenses | <u>119,434</u> | <u>2</u> | <u>191,514</u> | <u>3</u> |
| PROFIT BEFORE INCOME TAX | 858,293 | 16 | 1,590,085 | 22 |
| INCOME TAX EXPENSE (Notes 4 and 24) | <u>141,402</u> | <u>3</u> | <u>297,246</u> | <u>4</u> |
| NET PROFIT FOR THE YEAR | <u>716,891</u> | <u>13</u> | <u>1,292,839</u> | <u>18</u> |
| OTHER COMPREHENSIVE INCOME (LOSS) (Notes 20, 21 and 24) | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Remeasurement of defined benefit plans | 1,199 | - | (13,996) | - |

(Continued)

CHINA STEEL CHEMICAL CORPORATION

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

| | For the Year Ended December 31 | | | |
|--|--------------------------------|-----------|---------------------|------------|
| | 2020 | | 2019 | |
| | Amount | % | Amount | % |
| Unrealized gains and losses on financial assets at fair value through other comprehensive income | \$ 197 | - | \$ 1,647 | - |
| Gains and losses on hedging instruments | 2,080 | - | (2,080) | - |
| Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method | (3,543) | - | (17,689) | (1) |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | (656) | - | 3,215 | - |
| Items that may be reclassified subsequently to profit or loss | | | | |
| Exchange differences on the financial statement of translating foreign operations | (10,410) | - | (22,796) | - |
| Share of other comprehensive loss of subsidiaries and associates accounted for using the equity method | <u>(3,096)</u> | <u>-</u> | <u>(3,708)</u> | <u>-</u> |
| Other comprehensive loss for the year, net of income tax | <u>(14,229)</u> | <u>-</u> | <u>(55,407)</u> | <u>(1)</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | <u>\$ 702,662</u> | <u>13</u> | <u>\$ 1,237,432</u> | <u>17</u> |
| EARNINGS PER SHARE (Note 25) | | | | |
| Basic | <u>\$ 3.09</u> | | <u>\$ 5.57</u> | |
| Diluted | <u>\$ 3.08</u> | | <u>\$ 5.56</u> | |

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

(Concluded)

CHINA STEEL CHEMICAL CORPORATION

STANDALONE STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

| | Ordinary Share Capital | Capital Surplus | Retained Earnings | | | Total Retained Earnings | Other Equity | | | | | Total Equity |
|--|------------------------|-----------------|-------------------|-----------------|-------------------------|-------------------------|---|--|---|--------------------|-----------------|--------------|
| | | | Legal Reserve | Special Reserve | Unappropriated Earnings | | Exchange Differences on Translating the Financial Statement of 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 | |
| BALANCE AT JANUARY 1, 2019 | \$ 2,369,044 | \$ 820,648 | \$ 2,413,957 | \$ 161,983 | \$ 1,471,119 | \$ 4,047,059 | \$ (44,737) | \$ (89,173) | \$ - | \$ (133,910) | \$ (117,638) | \$ 6,985,203 |
| Appropriation of 2018 earnings (Note 21) | | | | | | | | | | | | |
| Legal reserve | - | - | 147,112 | - | (147,112) | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (1,255,594) | (1,255,594) | - | - | - | - | - | (1,255,594) |
| | - | - | 147,112 | - | (1,402,706) | (1,255,594) | - | - | - | - | - | (1,255,594) |
| Changes in capital surplus from investments in subsidiaries and associates accounted for using the equity method | - | 10 | - | - | - | - | - | - | - | - | - | 10 |
| Net profit for the year ended December 31, 2019 | - | - | - | - | 1,292,839 | 1,292,839 | - | - | - | - | - | 1,292,839 |
| Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax | - | - | - | - | (11,846) | (11,846) | (26,504) | (15,393) | (1,664) | (43,561) | - | (55,407) |
| Total comprehensive income (loss) for the year ended December 31, 2019 | - | - | - | - | 1,280,993 | 1,280,993 | (26,504) | (15,393) | (1,664) | (43,561) | - | 1,237,432 |
| Adjustments to capital surplus arising from dividends paid to subsidiaries | - | 25,194 | - | - | - | - | - | - | - | - | - | 25,194 |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | (639) | (639) | - | 639 | - | 639 | - | - |
| BALANCE AT DECEMBER 31, 2019 | 2,369,044 | 845,852 | 2,561,069 | 161,983 | 1,348,767 | 4,071,819 | (71,241) | (103,927) | (1,664) | (176,832) | (117,638) | 6,992,245 |
| Appropriation of 2019 earnings (Note 21) | | | | | | | | | | | | |
| Legal reserve | - | - | 128,035 | - | (128,035) | - | - | - | - | - | - | - |
| Special reserve | - | - | - | 14,850 | (14,850) | - | - | - | - | - | - | - |
| Cash dividends | - | - | - | - | (1,137,142) | (1,137,142) | - | - | - | - | - | (1,137,142) |
| Cash dividends distributed by legal reserve | - | - | (47,381) | - | - | (47,381) | - | - | - | - | - | (47,381) |
| | - | - | 80,654 | 14,850 | (1,280,027) | (1,184,523) | - | - | - | - | - | (1,184,523) |
| Changes in capital surplus from investments in subsidiaries and associates accounted for using the equity method | - | 17 | - | - | - | - | - | - | - | - | - | 17 |
| Net profit for the year ended December 31, 2020 | - | - | - | - | 716,891 | 716,891 | - | - | - | - | - | 716,891 |
| Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax | - | - | - | - | 939 | 939 | (13,506) | (3,330) | 1,668 | (15,168) | - | (14,229) |
| Total comprehensive income (loss) for the year ended December 31, 2020 | - | - | - | - | 717,830 | 717,830 | (13,506) | (3,330) | 1,668 | (15,168) | - | 702,662 |
| Adjustments to capital surplus arising from dividends paid to subsidiaries | - | 23,768 | - | - | - | - | - | - | - | - | - | 23,768 |
| Disposal of investments in equity instruments designated as at fair value through other comprehensive income | - | - | - | - | 1,150 | 1,150 | - | (1,150) | - | (1,150) | - | - |
| BALANCE AT DECEMBER 31, 2020 | \$ 2,369,044 | \$ 869,637 | \$ 2,641,723 | \$ 176,833 | \$ 787,720 | \$ 3,606,276 | \$ (84,747) | \$ (108,407) | \$ 4 | \$ (193,150) | \$ (117,638) | \$ 6,534,169 |

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

CHINA STEEL CHEMICAL CORPORATION

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

| | For the Year Ended December 31 | |
|--|---------------------------------------|------------------|
| | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | \$ 858,293 | \$ 1,590,085 |
| Adjustments for: | | |
| Depreciation expense | 455,663 | 417,320 |
| Amortization expense | 11,907 | 9,353 |
| Net loss (gain) on financial assets at fair value through profit or loss | 17,156 | (2,931) |
| Interest expense | 28,255 | 24,667 |
| Interest income | (11,760) | (20,833) |
| Dividend income | (1,599) | (2,878) |
| Share of profit of subsidiaries and associates | (97,565) | (145,490) |
| Loss on disposal of property, plant and equipment | 66 | 593 |
| Impairment loss (gain) on non-financial assets | 41,336 | (8,553) |
| Loss on disposal of subsidiaries | 2,524 | - |
| Gain on disposal of non-current assets held for sale | - | (407) |
| Gain on lease modification | (15) | (10) |
| Changes in operating assets and liabilities | | |
| Notes receivable | 566 | 3,781 |
| Accounts receivable | 42,044 | 148,446 |
| Accounts receivable - related parties | 33,126 | 122,007 |
| Other receivables | 55,057 | 175,949 |
| Inventories | (193,385) | (266,645) |
| Other current assets | 53,911 | 2,941 |
| Contract liabilities | (784) | (56,949) |
| Accounts payable | (21,988) | 14,487 |
| Accounts payable - related parties | (43,895) | (109,840) |
| Other payables | (127,694) | 22,436 |
| Other current liabilities | 1,281 | (1,723) |
| Net defined benefit liabilities | (15,603) | (13,927) |
| Cash generated from operations | 1,086,897 | 1,901,879 |
| Income taxes paid | (102,837) | (489,461) |
| Net cash generated from operating activities | <u>984,060</u> | <u>1,412,418</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets at fair value through other comprehensive income | (48,079) | - |
| Proceeds from disposal of financial assets at fair value through other comprehensive | 17,394 | - |
| Acquisition of financial assets at fair value through profit or loss | (399,910) | (757,548) |
| Proceeds from disposal of financial assets at fair value through profit or loss | 404,285 | 601,446 |
| Acquisition of investments accounted for using the equity method | (80,000) | (81,600) |
| Disposal of subsidiaries | 36,836 | - |

(Continued)

CHINA STEEL CHEMICAL CORPORATION

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

| | For the Year Ended December 31 | |
|---|---------------------------------------|--------------------------|
| | 2020 | 2019 |
| Proceeds from capital reduction on investment accounted for using the equity method | \$ 25,087 | \$ 4,233 |
| Proceeds from disposal of non-current assets held for sale | - | 10,932 |
| Acquisition of property, plant and equipment | (122,480) | (488,225) |
| Proceeds from disposal of property, plant and equipment | 100 | - |
| Decrease (increase) in refundable deposits | 3,604 | (333) |
| Decrease (increase) in other financial assets | (46,533) | 125,131 |
| Increase in other non-current assets | (58,269) | (10,580) |
| Interest received | 13,083 | 22,679 |
| Dividends received from subsidiaries and associates | 166,551 | 487,586 |
| Other dividends received | <u>1,599</u> | <u>2,878</u> |
| Net cash used in investing activities | <u>(86,732)</u> | <u>(83,401)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 3,000,241 | 4,114,506 |
| Repayments of short-term borrowings | (3,899,495) | (4,104,215) |
| Increase in short-term bills payable | 550,000 | 30,000 |
| Decrease in short-term bills payable | (550,000) | (30,000) |
| Increase in long-term borrowings | 1,250,000 | 250,000 |
| Decrease in long-term borrowings | (100,000) | (250,000) |
| Increase in guarantee deposit received | 1,327 | 1,127 |
| Repayment of principal of lease liabilities | (32,367) | (26,208) |
| Cash dividends paid | (1,184,523) | (1,256,088) |
| Interest paid | <u>(31,599)</u> | <u>(32,662)</u> |
| Net cash used in financing activities | <u>(996,416)</u> | <u>(1,303,540)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (99,088) | 25,477 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>833,897</u> | <u>808,420</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u>\$ 734,809</u> | <u>\$ 833,897</u> |

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

(Concluded)

Proposal 2 Proposed by the Board of Directors

Explanation: 2020 Surplus Distribution. Submitted for ratification.

Description:

- I. The net profit after tax of CSCC for 2020 amounted to NT\$716,891,247, plus the undistributed earnings by the end of 2019 of NT\$68,739,876, the increase in retained earnings by actuarial gains and losses of NT\$938,714, and the increase in retained earnings by disposals of investments in equity instruments and investments in debt instruments measured at fair value through profit or loss of NT\$1,110,044 and NT\$39,632, respectively, and after making an appropriation for the statutory surplus reserve and special surplus reserve of NT\$71,897,964 and NT\$16,317,229, respectively, the surplus available for distribution amounted to NT\$699,504,320 in total.
- II. According to the requirements under Article 26 of the Articles of Association of CSCC, it is proposed to distribute a Shareholder's cash dividends of NT\$615,951,648, with a cash dividend distribution of NT\$2.6 per share. The undistributed surplus after the distribution shall be NT\$83,552,672.
- III. The ex-dividend date for the cash dividend shall be determined by the Board of Directors after the proposal is submitted to and passed by the 2021 Annual Shareholders' Meeting. Upon the distribution of cash dividends, the total amount of dividends distributed to an individual Shareholder shall be rounded down to NT\$1, and the fractions shall be totaled and included in other income of CSCC.
- IV. 2020 Surplus Distribution Forecast (please see #page33# for details).

Resolution:

China Steel Chemical Corporation
 Surplus Distribution Forecast
 From 1 January to 31 December 2020

Unit: NT\$

| | |
|---|--------------------------|
| Opening balance of undistributed earnings | \$ 68,739,876 |
| Actuarial (gains) losses credited to retained earnings | 938,714 |
| Disposals of investments in equity instruments measured at fair value through profit or loss | 1,110,044 |
| Disposals of investments in investments in debt instruments measured at fair value through profit or loss | <u>39,632</u> |
| Adjusted undistributed earnings | 70,828,266 |
| Add: Net profit after tax for the year | 716,891,247 |
| Less: Statutory reserve | (71,897,964) |
| Less: Special reserve | (<u>16,317,229</u>) |
| Distributable earnings | 699,504,320 |
| Distribution item | |
| Shareholder's cash dividends: NT\$2.6 per share | (<u>615,951,648</u>) |
| Closing balance of undistributed earnings | <u><u>83,552,672</u></u> |

Chairman: Wen-Ge Lo



President: Ming-Dar Fang



Chief Auditor: Li-Li Kuo



III. Discussion Items

Proposal I Proposed by the Board of Directors

Explanation: Proposal for a distribution in cash from the statutory reserve of CSCC for 2020; please see the details in the description. Submitted for resolution.

Description:

- I. According to the requirements under Article 241 of the Company Act: "Where a company incurs no loss, distribute 25% of the portion of its statutory reserve that exceeds its paid-in capital, by issuing new shares or in cash, to Shareholders in proportion to the number of shares being held by each of them," the paid-in capital of CSCC was NT\$2,369,044,800, and the accumulated statutory reserve of CSCC plus the appropriation for 2020 of NT\$71,897,964, the statutory reserve became NT\$2,713,621,414. CSCC is proposing to distribute 25% of the portion of its statutory reserve that exceeds its paid-in capital in cash and is proposing to distribute in cash of NT\$0.2 per share, for a total distribution of NT\$47,380,896. After the distribution, the statutory reserve shall be NT\$2,666,240,518.
- II. The ex-dividend date for the cash dividend shall be determined by the Directors after the proposal is submitted to and passed by the 2021 Annual Shareholders' Meeting. Upon the distribution of cash dividends, the total amount of dividends distributed to an individual Shareholder shall be rounded down to NT\$1, and the fractions shall be totaled and included in other income of CSCC.

Resolution:

IV. Other Proposals and Extempore Motions

Other Proposals and Extempore Motions

Chapter 3. Rules and Regulations

Rules Governing Procedures for Shareholders' Meeting of China Steel Chemical Corporation

Established on 28 April 1997.

The 1st amendment was made on 28 May 1998.

The 2nd amendment was made on 11 June 2002.

The 3rd amendment was made on 14 May 2004.

The 4th amendment was made on 10 June 2013.

The 5th amendment was made on 12 June 2019.

The 6th amendment was made on 10 June 2020.

Article 1 Except for otherwise provided by the laws and regulations, or the Articles, the rules of procedure for the Shareholders' Meetings of CSCC shall comply with the Rules.

Article 2 Unless otherwise provided by the law and regulations, Shareholders' meetings of CSCC shall be convened by the Board of Directors.

CSCC shall upload the electronic version of the meeting notice for the Shareholders' Meeting, paper for the power of attorney, the proposals, discussions, election or dismissal of Directors to the Market Observation Post System 30 days before the Annual Shareholders' Meeting, or 15 days before the Extraordinary Shareholders' Meeting. CSCC shall prepare and upload the electronic file of the Shareholders' Meeting handbook and the supplemental materials referred to in the preceding paragraph to the Market Observation Post System 21 days before the Annual Shareholders' Meeting or 15 days before the Extraordinary Shareholders' Meeting. 15 days before the date of Shareholders' Meeting, the Shareholders' Meeting agenda handbook and supplementary information shall be prepared for Shareholders' perusal at any time, displayed at the company and CSCC's professional Shareholder services agency, and distributed on-site during the Shareholders' Meeting.

The notice and public announcement shall indicate the reasons for convening the meeting. The notice, if agreed by counterparties, may be delivered by electronic means.

Election or dismissal of directors, changes in the Articles, dissolution, merger, spin-off of CSCC, or items pertaining to Paragraph 1, Article 185 of the Company Act, Article 26-1 and Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the "Regulations Governing the Offering and Issuance of Securities by Securities Issuers" or other matters that may not be proposed at that Shareholders' Meeting as extempore motions according to laws and regulations shall be listed in the meeting proposals, and shall not be raised in extempore motions.

A Shareholder holding 1% of the total number of issued shares or above may submit a written proposal to CSCC for discussion at the Annual Shareholders' Meeting, provided that only one proposal shall be allowed, and in case of multiple

proposals, such proposals shall be excluded in the agenda. In addition, when the circumstances of any subparagraph of paragraph 4 of Article 172-1 of the Company Act apply to a proposal put forward by a Shareholder, the Board of Directors may exclude it from the agenda.

Prior to the book closure date before an Annual Shareholders' Meeting, CSCC shall announce the receiving of Shareholders' proposals, the venue, and time period for their submission; the period for submission for Shareholders' proposals may not be less than 10 days.

A proposal submitted by a Shareholder shall be limited to 300 words, and no proposal with than 300 words shall be included in the meeting agenda. The Shareholder submitting the proposal shall attend in person or by proxy at the Shareholders' Meeting and take part in the discussion of the proposal.

CSCC shall, prior to the delivery of the Shareholders' Meeting notice, inform all the Shareholders who submitted proposals of the proposal screening results and shall list in the Shareholders' Meeting notice the proposals conforming to the requirements set out in the Article. At the Shareholders' Meeting, the Board of Directors shall explain the reasons for the exclusion of any Shareholder's proposals.

Article 3 For each Shareholders' Meeting, a Shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by CSCC stating the scope of the proxy's authorization.

A Shareholder shall provide one proxy form to appoint one proxy. The form shall be delivered to CSCC five days prior to the date of the Shareholders' Meeting. When more than one proxy forms are delivered, the one received earliest shall prevail. However, this restriction does not apply to the withdrawal of prior proxy engagements.

Should a Shareholder intend to exercise voting rights by correspondence or electronic means after the deliverance of a written declaration, the intent has to be declared in writing to CSCC two days before the date of the Shareholders' Meeting. When the cancellation is overdue, the voting by proxy prevails.

Article 4 The venue for a Shareholders' Meeting shall be at the premises of CSCC, or a place easily accessible to Shareholders and suitable for a Shareholders' Meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.

Article 5 CSCC shall indicate on the meeting notice the check-in time and location and other matters for attention for Shareholders.

The time during which Shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

The Shareholders or their appointed proxies (the "Shareholders") shall attend the Shareholders' Meeting with attendance permit, attendance card, or other attendance certificates. CSCC shall not arbitrarily request attending Shareholders to provide other documents of proof. Those who solicit letters of authorization shall also bring identification documents for verification.

CSCC shall deliver the meeting handbook, annual report, attendance permit, attendance card, speaker's slip, voting ticker, and other meeting materials to the Shareholders who attend the Shareholders' Meeting in person or the proxies engaged by Shareholders (the "Shareholders"). Where there is a Director election, the election votes shall be otherwise enclosed.

When the government or a juristic person is a Shareholder, it may be represented by more than one representative at a Shareholders' Meeting. When a juristic person has been delegated to attend the Shareholders' Meeting, only one person should be delegated as a proxy.

Article 6 When a Shareholders' Meeting is convened by the Board of Directors, the meeting shall be chaired by the Chairperson. When the Chairperson is on leave or for any reason unable to exercise the powers of the Chairperson, the Chairperson shall appoint one of the Directors to act as the chair. Where the Chairperson has not made such a designation, a chair shall be elected among the Directors.

Where a Director is to chair the meeting as described in the preceding paragraph, it shall be a Director who has held the position for at least six months and is familiar with CSCC's financial and business conditions. The same shall apply when the Chairperson is a representative of a juristic person Director.

Where a Shareholders' Meeting is convened by a party with the power to convene, but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall elect one person from among themselves to act as the Chairperson.

Article 7 The Shareholders' Meeting convened by the Board of Directors shall have more than half of the Board of Directors and at least one member of each of functional committees attending in person. The attendance record shall be documented in the minute book of the Shareholders' Meeting. CSCC may appoint its attorneys, CPA, or related persons to present at a Shareholders' Meeting.

Article 8 CSCC shall make uninterrupted audio and video recording starting from the attendance registrations, the proceedings of the Shareholders' Meeting, the voting, and to vote-counting procedures.

The aforementioned recordings shall be kept for at least one year. However, where a Shareholder files a lawsuit based on Article 189 of the Company Act, the recordings shall be retained until the conclusion of the litigation.

Article 9 The attendance for the Shareholders' Meeting shall be based on the number of shares, and the number of shares attended shall be calculated based on the

attendance card being submitted. For Shareholders who exercised their voting rights in writing or via electronic manner, add the number of shares that exercised the voting rights in writing or via electronic manner.

During the course of the meeting, the total number of voting rights shall be updated at any time for an increase in the attending Shareholders.

Article 10 At the time of the meeting, the Chairperson shall immediately call the meeting to order. However, where no attending Shareholders represent more than half of the total of issued shares, the Chairperson shall announce a delay of the meeting. The delay is limited to twice, and the total delay time must not exceed one hour. Where the meeting had been delayed two times, but no Shareholders represent more than half of the total of issued shares attended, except for complying with paragraph 2, the Chairperson shall announce adjournment.

If the aforementioned two delays still fail to meet the quorum, but the number of shares that represent more than one-third of the total number of issued shares are present, tentative resolutions may be resolved pursuant to Article 175-1 of the Company Act, and each Shareholder will be notified of the tentative resolutions, and another Shareholders' meeting will be convened within one month. However, for special resolutions required by the Company Act shall comply with the requirements of the Company Act.

Where, prior to the conclusion of the meeting, the attending Shareholders represent more than half of the total number of issued shares, the Chairperson may resubmit the tentative resolutions for a vote by the Shareholders' meeting pursuant to Article 174 of the Company Act.

Article 11 If a Shareholders' Meeting is convened by the Board of Directors, the meeting agenda shall be set by the Board of Directors, and the meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the Shareholders' Meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a Shareholders' Meeting convened by a party with the power to convene that is not the Board of Directors.

The Chairperson may not arbitrarily declare the adjournment of the meeting before the end of proceedings (including extempore motions). If the Chairperson declares the meeting adjourned in violation of the Rules of Procedure, the other members of the Board of Directors shall promptly assist the attending shareholders in electing a new Chairperson in accordance with statutory procedures, by agreement of a majority of the votes represented by the attending Shareholders, and then continue the meeting.

Upon the end of the agenda, after the Chairperson had announced adjournment according to the Rules of Procedures, Shareholders may not elect another Chairperson to continue the meeting at the same venue or otherwise.

Article 12 The Chairperson shall remain fair and just and strictly implement the Rules of Procedures to facilitate the process of the meeting.

Attending Shareholders are obliged to comply with the Rules of Procedures, the speech etiquette, and maintaining the order of the meeting.

Article 13 Before attending Shareholders making a speech, the Shareholders shall fill in a speaker's slip specifying the summary of the speech, the Shareholder's account number, and the name of the account. The Chairperson shall set the order of speech. A Shareholder who has submitted a speaker's slip but failed to deliver a speech shall be deemed to have not spoken. If the contents of the speech are inconsistent with the contents of the speaker's slip, the contents of speech shall prevail.

Except with the consent of the Chairperson, a Shareholder may not speak more than twice on the same proposal, and a single speech may not exceed five minutes. If the Shareholder's speech violates the rules or exceeds the scope of the agenda item, the Chairperson may terminate the speech.

When a Shareholder attends the Shareholders' Meeting, other Shareholders may not speak or interrupt unless they have sought and obtained the consent of the Chairperson and the Shareholder that has the floor. The Chairperson shall stop any violation.

When a juristic person Shareholder appoints two or more representatives to attend a Shareholders' Meeting, only one of the representatives may speak on the same proposal.

After an attending Shareholder has spoken, the Chairperson may respond in person or direct relevant personnel to respond.

Article 14 The Chairperson shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extempore motions put forward by the Shareholders; when the Chairperson is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the Chairperson may announce the discussion closed and call for a vote.

Article 15 The Shareholders of CSCC shall be entitled with one vote with each share they hold; however, Shareholders whose voting rights are restricted or have no voting rights according to paragraph 3, Article 157 and paragraph 2, Article 179 of the Company Act or requirements of other laws and regulations shall be excluded.

When convening a Shareholders' Meeting, CSCC may allow its Shareholders to exercise voting rights in writing or electronically. For the exercise of voting rights in writing or electronically, the exercising method shall be set out on the meeting notice of the Shareholders' Meeting. A Shareholder exercising voting rights in writing or electronically shall be deemed as having attended the Shareholders' Meeting in person. However, the Shareholder shall be deemed as having abstained from the extempore motions or amendments to the original motion.

A Shareholder intending to exercise voting rights in writing or electronically under

the preceding paragraph shall deliver a written declaration of intent to CSCC two days before the date of the Shareholders' Meeting. When duplicate declarations of intent are delivered, the one received earliest shall prevail. However, this restriction does not apply when a declaration is made to cancel the earlier declaration of intent.

Where a Shareholder (who has exercised his/her voting rights in writing or electronically) intends to attend the Shareholder's Meeting in person, he/she shall cancel the written declaration of intent for the voting rights in the same manner stated in the preceding paragraph two days before the Shareholders' Meeting. When the cancellation is overdue, voting right exercised in writing or electronically shall prevail. When a Shareholder has exercised voting rights both in writing or electronically and by appointing a proxy to attend the Shareholders' Meeting, the voting rights exercised by the proxy attending the meeting shall prevail.

For the resolutions of the Shareholders' Meeting, the number of shares of Shareholders with no voting rights shall be excluded from the total number of issued shares.

Except for exercising the rights to elect Directors, when a Shareholder is an interested party in any item of the agenda, and there is the likelihood that such a conflict of interest would prejudice the interests of CSCC, the Shareholder shall abstain from the vote, and may not exercise voting rights on behalf of any other Shareholders. The number of shares that may not exercise their voting rights shall be excluded from the voting number of the attending Shareholders.

Except for the trust business or the stock agency approved by the securities regulatory authority, when one person is entrusted by two or more Shareholders at the same time, the voting rights it represents shall not exceed 3% of the voting rights of the total issued shares. Where it does, the exceeding voting rights shall be excluded. However, such voting rights shall still be included in the voting rights attended the meeting.

Article 16 Except as otherwise provided in the Company Act and in the Articles, the resolution of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending Shareholders.

At the time of a vote, for each proposal, the Chairperson or a person designated by the Chairperson shall first announce the total number of voting rights represented by the attending Shareholders, followed by a poll of the Shareholders. After the conclusion of the meeting, on the same day it is held, the results for each proposal, based on the numbers of votes for and against and the number of abstentions, shall be entered into the MOPS.

Article 17 When there is an amendment or alternative to the same motion, the Chairperson shall combine it with the original case and set the order of voting. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.

Article 18 Before the vote of any proposal, the Chairperson shall designate two scrutineers and several counting agents to execute their relevant duties. The scrutineers shall be Shareholders.

The vote counting at the Shareholders' Meeting or election proposals shall be carried out publicly at the venue holding the Shareholders' Meeting Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record shall be made for the vote.

Article 19 Where there is a Director election at the Shareholders' Meeting, the election shall be carried out according to the Procedures for Directors' Election of CSCC, and the election results shall be announced at the scene, including the name list of the elected Directors and the number of passing votes thereof.

The ballots for the election referred to in the preceding paragraph shall be sealed with the signatures of the scrutineers and kept in proper custody for at least one year. However, where a Shareholder files a lawsuit based on Article 189 of the Company Act, the recordings shall be retained until the conclusion of the litigation.

Article 20 Matters relating to the resolutions of at a Shareholders' Meeting shall be recorded in the minute book. The minute book shall be signed or stamped by the Chairperson and shall be distributed to all Shareholder within 20 days from the conclusion of the meeting.

The preparation and distribution of the minute book may be affected by electronic means.

The distribution of the minute book, as described in the preceding paragraph, may be conducted by a public announcement on the MOPS.

The minute book shall accurately record the year, month, day, and place of the meeting, the Chairperson's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their results, and shall be retained for the entire duration of CSCC. The minute book shall be fully disclosed on CSCC's website.

The election of Directors shall state the method of voting and the number of elected Directors' shares.

Article 21 On the day of a Shareholders' Meeting, CSCC shall compile in the prescribed format a statistical statement of the number of shares obtained by proxy assent from others and the number of shares represented by proxies, and shall make an express disclosure of the same at the place of the Shareholders' Meeting.

Article 22 Where matters put to a resolution at a Shareholders' Meeting constitute material information under applicable laws or regulations, or under Taiwan Stock Exchange Corporation regulations, CSCC shall upload the content of such resolution to the MOPS within the prescribed time period.

Article 23 Staff handling administrative affairs of a Shareholders' Meeting shall wear identification cards or armbands.

The Chairperson may direct the pickets or security personnel to help maintain order at the meeting place. The pickets or security personnel shall wear armbands with the word "Picket" when maintaining order.

At the place of a Shareholders' Meeting, where a Shareholder attempts to speak through any device other than the public address equipment set up by CSCC, the Chairperson may stop the Shareholder from so doing.

Where the Shareholder violates the rules of procedures and defies the Chairperson's instruction, and obstructs the proceedings and refuses to stop, the Chairperson may direct the pickets or security personnel to escort the Shareholder out of the venue.

Article 24 When a meeting is in progress, the Chairperson may announce a break based on time considerations. Where an unpreventable event occurs, the Chairperson may rule the meeting temporarily suspended and announce a time when, in view of the circumstances, the meeting will be resumed.

Before the completion of agendas (including extempore motions) of the Shareholders' Meeting, when the meeting venue is not available for continued use, the Shareholders' Meeting may resolve to seek a new venue to resume the meeting. The Shareholders' Meeting may, in accordance with the provisions of Article 182 of the Company Act, decide to postpone or resume the assembly within five days.

Article 25 The Rules of Procedures, and any amendments thereto, shall be implemented after passing at a Shareholders' Meeting.

Articles of Association of China Steel Chemical Corporation

Chapter 1 General

- Article 1 CSCC is established according to the requirements related to limited companies according to the Company Act of the Republic of China, and was named 中鋼碳素化學股份有限公司, in Chinese, and CHINA STEEL CHEMICAL CORPORATION, in English.
- Article 2 Business scope of CSCC:
- I. C801010 Basic Industrial Chemical Manufacturing.
 - II. C801020 Petrochemical Manufacturing.
 - III. C801990 Other Chemical Materials Manufacturing.
 - IV. C802080 Pesticides Manufacturing.
 - V. C802120 Industrial Catalyst Manufacturing.
 - VI. C802200 Coating, Paint, Dyeing and Dyestuff Manufacturing.
 - VII. C802990 Other Chemical Products Manufacturing.
 - VIII. C803990 Other Petroleum and Charcoal Manufacturing.
 - IX. C901990 Other Non-metallic Mineral Products Manufacturing.
 - X. CZ99990 Other Industrial Products Manufacturing Not Elsewhere Classified.
 - XI. F102180 Wholesale of Ethanol.
 - XII. F107020 Wholesale of Dyeing Mills and Dyestuff.
 - XIII. F107080 Wholesale of Environment Medicines.
 - XIV. F107170 Wholesale of Industrial Catalyst.
 - XV. F107200 Wholesale of Chemistry Raw Material.
 - XVI. F107990 Wholesale of Other Chemical Products.
 - XVII. F111090 Wholesale of Building Materials.
 - XVIII. F112020 Wholesale of Coal and Products.
 - XIX. F112040 Wholesale of Petrochemical Fuel Products
 - XX. F120010 Wholesale of Refractory Materials.
 - XXI. F199990 Other Wholesale Trade.
 - XXII. F203030 Retail Sale of Ethanol.
 - XXIII. F107990 Wholesale of Other Chemical Products.
 - XXIV. F211010 Retail Sale of Building Materials
 - XXV. F212030 Retail Sale of Coal.
 - XXVI. F401010 International Trade.
 - XXVII. ZZ99999 All business items that are not prohibited or restricted by the law, except those that are subject to special approval.
- Article 2-1 To achieve the diversification of our operating objectives, the total investment made by CSCC may not exceed 40% of CSCC's paid-in capital.
- Article 2-2 CSCC may provide external endorsement/guarantee as required by its operations.
- Article 3 CSCC is established in Kaohsiung City, the Republic of China. CSCC may establish domestic and overseas branch organizations at proper venues according to its actual needs.
- Article 4 Except for otherwise provided by the regulatory authority for securities, CSCC's announcements shall be published on the substantial part of a daily newspaper that circulates at the location where CSCC operates.

Chapter 2 Shares

- Article 5 The total capital of CSCC shall be NT\$1 billion, divided into 300,000,000 shares with a par value of NT\$10 per share, and shall be issued in installments.
- Article 6 Except for shares issued without printing any share certificate, CSCC shall number its share certificates, and the share certificates shall be signed or stamped by the Director on behalf of CSCC, and the issuance shall be subject to the certification by a bank eligible for certifying the issuance of share certificates according to the law.
For shares issued without printing any share certificate, CSCC shall engage a centralized securities depository enterprise/institution for the registration of such shares.
- Article 6-1 CSCC may make consolidation and re-issue share certificates with a higher nominal amount according to the request of Taiwan Depository & Clearing Corporation.
- Article 7 The handling of CSCC's share certificate affairs shall be conducted in accordance with the provisions of the "Guidelines on the Handling of Shareholder Services of Public Companies."

Chapter 3 Shareholders' Meeting

- Article 8 CSCC's Shareholders' Meeting falls in the following categories:
I. Annual Shareholders' Meeting.
II. Extraordinary Shareholders' Meeting.
The Annual Shareholders' Meeting shall be convened by the Board of Directors within six months from the end of the fiscal year according to the law. The Extraordinary Shareholder's Meeting shall be convened according to the law when necessary.
- Article 9 The convening of the Annual Shareholders Meeting shall comply with requirements under the Company Act, the Securities and Exchange Act, and relevant laws and regulations.
- Article 10 Resolutions at Shareholders' Meetings shall, unless otherwise provided for in related laws and regulations, be adopted by at least half of all Shareholders present. Consent from Shareholders present who represent more than half of the total number of voting rights shall be obtained for implementation.
- Article 11 The Shareholders of CSCC shall be entitled with one vote with each share they hold; however, Shareholders whose voting rights are restricted or have no voting rights according to paragraph 3, Article 157 and paragraph 2, Article 179 of the Company Act or requirements of other laws and regulations shall be excluded.
- Article 12 Where a shareholder cannot attend a Shareholders Meeting for any reason, the Shareholder may appoint a proxy to attend the meeting by providing the proxy form issued by CSCC. Except for otherwise required by the Company Act, a Shareholder engaging a proxy for attendance, shall comply with the Rules for Using Proxies to Attend Shareholders Meeting for Publicly Trading Companies promulgated by the governing authorities.
- Article 13 The Chairperson shall chair the Shareholders' Meeting unless the Company Act provides otherwise. or for any reason unable to exercise the powers of the Chairperson, the Chairperson shall appoint one of the Directors to act as the chair. Where the Chairperson has not made such a designation, a chair shall be elected

among the Directors. When the meeting is called by a person other than the Board of Directors, the convener shall preside as the chair, and when there are two or more conveners, a person among them shall be elected to preside as the chair.

Article 14 Matters relating to the resolutions of at a Shareholders' Meeting shall be recorded in the minute book. The minute book shall be signed or stamped by the Chairperson of the Shareholders' Meeting. The minute book, together with the sign-in book for attending Shareholders and the proxy forms for engaging proxies for attendance shall be compiled by the Board of Directors and kept by CSCC. The public announcement of the minute book mentioned in the preceding paragraph shall suffice.

Chapter 4 Directors, the Audit Committee, and Managers

Article 15 CSCC has 9 to 11 Directors with a tenure of three years and may be re-elected for consecutive terms.

When electing Directors at the Shareholders' Meeting, the number of Directors to be elected shall be the election rights for each share. The election right may be used together to elect one person or separately to elect multiple persons. Candidates who won the most voting rights represented by the votes shall be elected as Directors.

CSCC's Directors shall be elected by adopting a candidate nomination system. Shareholders shall elect the Directors among the list of Director candidates. The election for Independent Directors and Non-independent Directors shall be held at the same time, but the numbers to be elected shall be calculated separately. After being elected, liability insurance shall be purchased for Directors according to its scope of business during their tenure upon a resolution at the Board meeting. The total shareholding ratio of all the Directors shall be handled in accordance with the provisions of the securities regulatory authority.

Within the number of Directors of each session elected according to paragraph 1, the number of Independent Directors shall not be less than three, and shall not be less than one-fifth of the number of Directors to be elected. Shareholders shall elect the Directors among the list of Director candidates.

The Independent Directors' professional qualifications, shareholding, and part-time restrictions, determination of independence, nomination and selection methods, and other matters of compliance shall be subject to the relevant regulations of the competent authorities for securities.

Article 15-1 CSCC has established an Audit Committee in accordance with Article 14-4 of the Securities and Exchange Act. The Audit Committee is responsible for the implementation of the functions and powers of the Supervisors stipulated in the Company Act, the Securities and Exchange Act, and other laws and regulations. The Audit Committee comprises all Independent Directors, and the number of their members shall not be less than three, one of them is the convener, and at least one of them has accounting or financial expertise.

The resolution of the Audit Committee shall be approved by more than the majority of all members of the Audit Committee.

The exercise of the functional authority of the Audit Committee, the organization regulations, and other matters to be complied with shall comply with the Securities Exchange Act and other relevant laws and regulations or the Articles of Association.

- Article 16 The functions and powers of the Board of Directors are as follows:
- I. Review of annual operating policy and operating budget.
 - II. Approval of personnel at the level of vice general manager and above and the head of finance and accounting and Chief Auditor.
 - III. Review of annual Business Report and Financial Report.
 - IV. Determination of the pledge, sale/purchase, or other disposals of the properties of CSCC.
 - V. Approval of investment plans.
 - VI. Approval of significant capital expenditure.
 - VII. Approval of acquisition or transfer of specialized technology patents and technical partnership contracts.
 - VIII. Approval of the establishment and demolition of branches.
 - IX. Proposal for the amendments to Articles of Association, change in capital, and the dissolution or merger of the Company.
 - X. Proposal for surplus distribution or make-up for losses.
 - XI. Approval for internal organization of CSCC and its authority.
 - XII. Approval of employee's package standards.
 - XIII. Approval of the appointment, discharge, and compensation of the CPA.
 - XIV. Formulation or amendments to procedures for significant financial or business conducts, such as acquisition or disposal of assets, engaging in derivatives trading, loaning of funds to others, or provision of endorsements/guarantees to others, as well as the approval of internal control system, and other significant regulations.
 - XV. Approval of offering, issuance, or private placement of any equity-based securities, and approval of non-equity-based corporate bonds.
 - XVI. Review of other matters authorized by laws and regulations.
- Article 17 A Chairperson shall be elected among the Directors with two-thirds or more of all Directors in attendance and the consent of the majority of the Directors present. The Chairperson of the Board of Directors represents CSCC externally. When the Chairperson is on leave or for any reason unable to exercise the powers of the Chairperson, the Chairperson shall appoint one of the Directors to act as the chair. Where the Chairperson has not made such a designation, a chair shall be elected among the Directors.
- Article 18 The Board of Directors shall be organized by the Chairman unless otherwise provided by the Company Act. The Board meeting shall be convened at least once a quarter. Extraordinary Board meetings may be convened when necessary. Reasons for convening a Board meeting shall be notified to Directors and Supervisors 7 days in advance. In the event of an emergency, a meeting may be convened at any time. The notice of the Board meeting shall be delivered in written, fax, or electronic form.
- Unless otherwise provided by the Company Act, a resolution of the Board of Directors shall be adopted by the consent of half of the Directors in attendance at the meeting where half of the total number of Directors presents.
- Article 19 Where a Director is unable to attend the Board meeting for any reasons, he/she may engage another Director to stand proxy according to the law. No Director may act as a proxy for more than one other Directors. The proxy of Directors If the Board of Directors meeting is convened by video conference, attendance via video conference is deemed to be attended in person.

- Article 20 (Article deleted)
Article 21 (Article deleted)
Article 22 CSCC has one general manager and several vice general managers. The appointment, discharge, and remuneration shall comply with Article 29 of the Company Law.
Article 23 The general manager shall adhere to the policy determined by the Board of Directors to manage all businesses of CSCC.
Article 24 The assistant vice general manager and other personnel of the same level and line manager of CSCC shall be proposed by the general manager to the Chairperson for the approval of employment. Other practitioners shall be employed by the general manager. However, where the laws and regulations have otherwise provided that the appointment shall be resolved by the Board meeting, proceed accordingly.

Chapter 5 Accounting

- Article 25 The fiscal year of CSCC is from 1 January to 31 December each year. Upon the end of the fiscal year, the Board of Directors shall prepare the following books and statements, and propose at the Annual Shareholders' Meeting for ratification:
I. Business Report;
II. Financial Statements;
III. Proposal of surplus distribution or loss compensation.
- Article 26 If there is profit in any given year, the CSCC shall set aside no less than 0.1% as the remuneration for employees, and no more than 1% as the remuneration for Directors under the resolution of the Meeting of the Board of Directors; the distribution target for remuneration for employees include employees of its affiliates who satisfied certain conditions. However, when CSCC has accumulated losses, the reserve shall be retained in advance before allocating the remuneration of employees and remuneration of Directors and Supervisors. The Board of Directors shall resolve on the distribution of employee remuneration and Director remuneration and report at the Annual Shareholders' Meeting.
- Article 26-1 Shall there be any surplus after the final annual account, CSCC shall pay taxes and make up for the accumulated losses according to the law, and appropriate 10% as the statutory surplus reserve; however, where the statutory surplus reserve has reached the amount of its paid-in capital, the appropriation shall no longer be made. The remaining surplus shall be used in the appropriation or the reversal of a special surplus reserve. Where there is still remaining balances, plus the undistributed surplus of last year as the surplus available for distribution. The Board of Directors shall prepare the surplus distribution proposal and submit to the Shareholders' Meeting for the resolution of dividend distribution or reservation.
The environment where CSCC currently stands still possesses growing potentials. With reference to the actual and future operations, at least 50% of accumulated unappropriated earnings shall be appropriated with consideration of the Company's stability and growth potential, of which cash dividends shall account for at least 50% of the total dividends.

- Article 27 The distribution of the Shareholders' dividend is based on the number of shares registered to the Shareholder in the Shareholders' registrar on the dividend record date.
- Article 28 The transportation expenses of Directors, the remuneration of Independent Directors, and the salary of the Chairperson shall be determined by the Board of Directors with reference to the standards of listed companies in the same industries. Other grants for the Chairperson shall be determined with reference to the relevant requirements for the salary package of practitioners.

Chapter 6 Appendices

- Article 29 For unaddressed matters in the Articles, comply with the requirements under the Company Act and relevant laws and regulations.
- Article 30 (Article deleted)
- Article 31 The Articles of Association was established on 21 December 1988; the 1st amendment was made on 24 January 1989; the 2nd amendment was made on 30 May 1989; the 3rd amendment was made on 11 August 1989; the 4th amendment was on 14 October 1989; the 5th amendment was made on 23 November 1990; the 6th amendment was made on 26 December 1990; the 8th amendment was made on 28 December 1991; the 9th amendment was made on 11 June 1992; the 10th amendment was made on 26 May 1993; the 11th amendment was made on 28 January 1994; the 12th amendment was made on 28 May 1988; the 13th amendment was made on 24 June 1999; the 14th amendment was made on 20 June 2000; the 15th amendment was made on 8 May 2001; the 16th amendment was made on 11 June 2002; the 17th amendment was made on 12 June 2003; the 18th amendment was made on 20 June 2006; the 19th amendment was made on 23 June 2007; the 20th amendment was made on 19 June 2008; the 21st amendment was made on 16 June 2009; the 22nd amendment was made on 17 June 2010; the 23rd amendment was made on 19 June 2012; the 24th amendment was made on 10 June 2013; the 25th amendment was made on 17 June 2014; the 26th amendment was made on 12 June 2015; the 27th amendment was made on 16 June 2016; the 28th amendment was made on 14 June 2018; the 29th amendment was made on 10 June 2020.

Corporate Governance Best Practice Principles of China Steel Chemical Corporation

Established on 15 March 2018

The 1st amendment was made on 8 August 2019.

The 2nd amendment was made on 29 April 2020.

Chapter 1 General Principles

- Article 1 Purpose
- To establish a fine corporate governance system and establish an effective corporate governance structure, CSCC refers to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" jointly promulgated by Taiwan Stock Exchange Corporation (the "TWSE") and Taipei Exchange to establish the Code of Practice for compliance.
- Article 2 Principles for Corporate Governance
- CSCC has established a corporate governance system. In addition to compliance with regulations, the Articles, contracts signed with TWSE, and related regulations, corporate governance shall be implemented based on the following principles:
- I. Protecting shareholders' interests.
 - II. Enhancing the function of the board of directors.
 - III. Respecting the rights and interests of stakeholders.
 - IV. Enhancing information transparency.
- Article 3 Establishment of an internal control system
- CSCC shall design and duly implement an internal control system, with reference to the overall operating activities of CSCC and its subsidiaries according to the Regulations Governing Establishment of Internal Control Systems by Public Companies, and shall review the system at any time to respond to the internal and external changes in the environment, so as to ensure the continued effectiveness of the design and implementation of the system.
- CSCC shall duly perform the self-evaluation of its internal control system, while the Board of Directors and the management shall review the results of self-evaluation by each department and the reports prepared by the audit department at least once a year. Directors shall regularly have meetings with internal audit personnel regarding the review of deficiencies of the internal control system. A record of the meeting shall be kept, and the improvement follow-up and implementation shall be reported to the Board of Directors.
- CSCC shall establish the communication channel and system between Independent Directors, the Audit Committee, and the Chief Auditor, and the convenor of the Audit Committee shall report to the Shareholders' Meeting regarding its communication with Independent Directors and the Chief Auditor.
- The management of CSCC shall value the internal audit department and its personnel, grant sufficient authority to them, and urge them to review and evaluate the deficiencies of the internal control system and measure the efficiency of the operation, to ensure the system may be implemented effectively on an on-going basis, and assist the Board of Directors and the management to fulfill its duties, and in turns realize the corporate governance system.
- Appointment, dismissal, evaluation, review, as well as salary and compensation of internal auditors of CSCC shall be conducted in accordance with the Company's "Internal Control System Provisions," with the appointment and dismissal of Chief Auditor shall be confirmed by the Chairman, approved by the Audit Committee, and then submitted to the Board of Directors for approval.

- Article 3-1 Personnel responsible for corporate governance affairs
- CSCC shall have an adequate number of qualified corporate governance personnel, and shall assign a corporate governance executive according to the requirements of the competent authority as the senior officer responsible for corporate governance affairs. The executive shall obtain the certified qualification as a lawyer or CPA, or hold an executive post in the department related to legal affairs, legal compliance, internal audit, finance, stock affairs, or corporate governance in securities, financial, futures institutions or public companies for three years or above.
- The corporate governance affairs as mentioned in the preceding paragraph are advised to include at least the following items:
- I. Handling company registration and amendment registration.
 - II. Handling matters related to Board Meetings and Shareholders' Meetings in accordance with the law, and assisting CSCC to comply with the laws and regulations governing such meetings.
 - III. Producing minutes of Board Meetings and Shareholders' Meetings.
 - IV. Providing Directors with information required for business execution, and updating them on developments of laws and regulations related to the operation of CSCC in order to assist them in legal compliance.
 - V. Affairs related to investor relations.
 - VI. Other matters stipulated in the Articles of Association or contracts.

Chapter 2 Protection to Shareholders' Rights

Section 1 Encouraging Shareholders to Participate in Corporate Governance

- Article 4 Protection of Shareholders' rights and interests
- The corporate governance system of CSCC shall protect shareholders' rights and interests and treat all shareholders equitably.
- CSCC shall establish a corporate governance system that ensures shareholders' rights of being fully informed of, participating in, and making decisions over important matters of the Company.
- Article 5 CSCC shall convene Shareholders' Meetings and establish complete rules of procedures
- CSCC shall convene Shareholders' Meetings in accordance with the Company Act and related laws and regulations, and provide comprehensive rules for such meetings. CSCC shall faithfully implement resolutions adopted by Shareholders' Meetings in accordance with the rules for the meetings.
- Resolutions adopted by Shareholders' Meetings of CSCC shall comply with laws, regulations, and Articles of Association.
- Article 6 Board of Directors of CSCC shall duly arrange the agenda and procedures of Shareholders' Meeting
- Board of Directors of CSCC shall duly arrange the agenda and procedures of Shareholders' Meeting, establish principles and procedures for shareholders nominating Directors and Shareholders' proposals, and make appropriate management regarding the proposals made by shareholders according to shareholders. For any Shareholders' Meeting, a convenient meeting venue shall be arranged, sufficient time shall be preserved, and CSCC shall assign sufficient qualified personnel for the check-in procedures. The certification document for attending the Shareholders' meeting shall not require additional certification documents. Reasonable time for discussion shall be provided for each proposal, and Shareholders shall be given appropriate opportunities to speak.

For a Shareholders' Meeting convened by the Board of Directors, the Chairperson shall chair the meeting, and a majority of Directors (including at least one Independent Director) and the convener of the Audit Committee shall attend the meeting in person, and that at least one member of other functional committees shall attend the meeting as a representative. Attendance details shall be recorded in the minute book of the Shareholders' Meeting.

Article 7 CSCC shall encourage Shareholders to participate in corporate governance
CSCC is advised to engage a professional shareholder services agent to handle Shareholders' Meeting affairs so that Shareholders' Meetings can proceed in a legal, effective, and secure manner. CSCC shall seek all ways and means, including fully exploiting technologies for information disclosure and voting, and is advised to upload notices, agendas, and supplementary information of Shareholders' Meetings in both Chinese and English concurrently in order to increase Shareholders' attendance rates at Shareholders' Meetings and ensure that shareholders exercise their rights at such meetings in accordance with the laws.
CSCC adopts a candidate nomination system for the election of Directors and shall avoid raising extempore motions and amendments to original proposals at a Shareholders' Meeting in which electronic voting is employed.
CSCC is advised to arrange for its shareholders to vote on each separate proposal in the agenda of the Shareholders' Meeting and to enter the voting results, namely the numbers of votes cast for and against and the number of abstentions, on the Market Observation Post System (MOPS) on the same day.
CSCC distributes souvenirs at a Shareholders' Meeting, CSCC shall not practice differential treatment or discrimination.

Article 8 Minute book of Shareholders' Meeting
The Company, in accordance with the Company Act and other applicable laws and regulations, shall record in the Shareholders' Meeting minutes the date and place of the meeting, the name of the Chairperson, the method of adopting resolutions, and a summary of the essential points of the proceedings and the results of the meeting. The election of Directors shall state the method of voting and the number of elected Directors' shares.
The minute book of Shareholders' Meetings shall be kept in a perpetual and proper manner throughout the duration of CSCC and shall be fully disclosed on its corporate website.

Article 9 Chairperson of the Shareholders' Meetings shall be fully familiar and comply with the Rules of Procedure for Shareholders' Meeting established by the CSCC
The Chairperson of the Shareholders' Meetings shall be fully familiar and comply with the Rules Governing Procedures for Shareholders' Meeting established by CSCC. The Chairperson shall ensure the proper progress of the proceedings of the meetings and may not adjourn the meetings at will.
In order to protect the interests of the majority of Shareholders, under the situation where the Chairperson declares the adjournment of the meeting in violation of Rules Governing Procedures for Shareholders' Meeting, the members of the Board of Directors other than the Chairperson shall promptly assist the attending Shareholders at the Shareholders' Meeting in electing a new Chairperson of to continue the proceedings of the meeting.

Article 10 CSCC shall respect the Shareholders' rights to know
The Company shall place high importance on the shareholder's right to know, and shall faithfully comply with applicable regulations regarding information disclosure in order to provide shareholders regular and timely information on the Company's financial conditions and

operations, insider shareholdings, and corporate governance status through the MOPS or the website established by the Company.

To treat all shareholders equally, it is advisable that the Company concurrently disclose the information under the preceding paragraph in English.

To protect Shareholders' interests and ensure equal treatment, CSCC shall formulate internal rules to prohibit the CSCC's insiders from trading securities using undisclosed information.

The requirements in the preceding paragraph shall include stock trading control measures for CSCC's insiders from the date of knowing the Financial Report or relevant results of CSCC.

Article 11 Shareholders shall be entitled to share the profits of CSCC

Shareholders shall be entitled to profit distributions of CSCC's surplus. In order to ensure the investment rights and interests of Shareholders, the Shareholders' Meeting may, in accordance with the provisions of Article 184 of the Company Act, examine the statements made by the Board of Directors and the reports of the Audit Committee, and decide on the profit distribution or losses compensation. The Shareholders' Meeting may appoint an inspector when conducting the abovementioned examination.

In accordance with Article 245 of the Company Act, Shareholders may apply to the court for the appointment of an inspector to examine the accounting records, assets, specific matters, documents, and records of CSCC.

The Board of Directors, the Audit Committee, and the managers of CSCC shall fully cooperate with the inspector in the preceding paragraphs and shall not obstruct, refuse, or evade the inspectors.

Article 12 Procedures related to significant financial and business conducts shall be passed by the Shareholders' Meeting

CSCC's material financial business conducts, such as acquisition or disposal of assets, loaning of funds, and endorsements/guarantees, shall be conducted in accordance with relevant laws and regulations and the relevant operating procedures shall be developed and submitted to the shareholders' meeting for approval to safeguard shareholders' equity.

When CSCC is engaged in a merger or public acquisition, it shall comply with related laws and regulations and pay attention to the fairness and reasonableness of the merger or public acquisition plan and transaction. It shall also pay attention to information disclosure and the comprehensiveness of CSCC's financial structure after the merger or acquisition.

The personnel of CSCC responsible for handling the aforementioned matters shall pay attention to the conflicts of interest and recusals.

Article 13 CSCC shall have dedicated personnel to duly handle recommendations for Shareholders

To protect the rights of shareholders, CSCC has assigned dedicated personnel to respond appropriately to suggestions, questions, and complaints raised by Shareholders.

Where the Shareholders' interests are compromised due to the violation of laws or the Articles of Association by resolutions of the Shareholders' Meeting or the Board meeting of CSCC, or the violation of laws or Articles of Association by Directors or managers in the performance of their duties, the CSCC shall properly handle the lawsuits brought by Shareholders according to the law.

CSCC shall adopt internal procedures for appropriately handling the matters mentioned in the preceding paragraphs, and relevant written records shall be kept for future reference and incorporate the procedures in its internal control system for management.

Section 2 Establish an Interactive System with Shareholders

- Article 13-1 The Board of Directors is responsible for establishing an interactive system with Shareholders
The Board of Directors of CSCC shall be responsible for the establishment of interaction mechanisms with Shareholders in enhancing the mutual understanding of CSCC's objectives.
- Article 13-2 Communicate and connect with Shareholders in effective manners and obtain their supports
In addition to communicating with shareholders through Shareholders' meetings and encouraging shareholders to participate in such meetings, the Board of Directors of CSCC together with managers and independent directors shall engage with shareholders in an efficient manner to ascertain Shareholders' views and concerns and expound CSCC's policies explicitly, in order to gain Shareholders' support.

Section 3 Corporate Governance Relationships between CSCC and Its Affiliated Enterprises

- Article 14 Establish the firewall
CSCC and its affiliated company's management objectives and authorization over personnel, assets, and financing shall be clear. Risks assessment shall be implemented, and appropriate firewalls shall be established.
- Article 15 Managers of CSCC shall not serve as the manager of its affiliated company
A Director who engages in any transaction for himself/herself or on behalf of another person that is within the scope of CSCC's operations shall explain the major content of such actions to the Shareholders' Meeting and obtain its consent.
- Article 16 Establish sound objectives and systems for management of finance, operations, and accounting
The Company shall establish sound objectives and systems for the management of finance, operations, and accounting in accordance with applicable laws and regulations. It shall further, together with its affiliated enterprises, properly conduct an overall risk assessment of major banks, customers and suppliers, and implement the necessary control mechanisms to reduce credit risk.
- Article 17 Inter-company business transactions between CSCC and its affiliated companies shall be made in accordance with the principle of fair dealing and reasonableness
When CSCC and its affiliated companies enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair dealing and reasonableness. The terms of price and methods of payment shall be clearly established for the contract matters, and non-routine transactions shall be completely eradicated.
All transactions or contracts made by and between CSCC and its affiliated persons and Shareholders shall follow the principles set forth in the preceding paragraph, and improper channeling of profits is strictly prohibited.
- Article 18 Matters to be complied with by corporate shareholders who possess control over CSCC
A corporate shareholder who has control over CSCC shall comply with the following matters:
I. It shall assume a duty of good faith to other Shareholders and shall not directly or indirectly cause CSCC to conduct any business that is contrary to normal business practice or not profitable.
II. Its representative shall follow the rules implemented by CSCC with respect to the exercise of rights and participation in voting. When attending a Shareholders' Meeting, the representative shall exercise his/her voting rights in good faith and for the best interest of all Shareholders, and shall exercise the fiduciary duty and duty of care of a Director.
III. It shall comply with the relevant laws and regulations, as well as the Articles of Association with respect to the nomination of Directors, and shall not act beyond the authority granted by the Shareholders' Meeting or the Board of Directors.

- IV. It may not improperly intervene in the CSCC's decision-making process or obstruct its business activities.
- V. It shall not restrict or impede the production and management of CSCC by methods of unfair competition such as monopolizing CSCC's procurement or foreclosing sales channels.
- VI. The legal representative designated when a corporate Shareholder has been elected a Director shall meet CSCC's requirements for professional qualifications. It is inappropriate for a corporate Shareholder to arbitrarily replace its legal representative.

Article 19 Substantial Shareholders and the persons with ultimate control over the substantial Shareholders CSCC shall keep abreast of the list of the major shareholders who hold a larger proportion of shares and can actually control over CSCC, as well as the ultimate controlling parties of the major shareholders. CSCC shall regularly disclose the pledge, increase or decrease in CSCC's shares, or any other important matter that may cause changes in the shares of the Shareholders holding more than ten percent of the shares so that other Shareholders can make supervision. The substantial Shareholders indicated in the first paragraph refer to those who own 5 percent or more of the outstanding shares of CSCC or whose shareholding stake thereof is on the top 10 list.

Chapter 3 Strengthen the Function of Board Meetings

Section 1 Board Meeting Structure

Article 20 Abilities the Board of Directors shall possess

The Board of Directors of CSCC shall direct company strategies, supervise the management, and be responsible for CSCC and Shareholders. The various procedures and arrangements of its corporate governance system shall ensure that, in exercising its authority, the Board of Directors complies with laws, regulations, its Articles of Association, and the resolutions of its Shareholders' Meetings. The structure of CSCC's Board of Directors shall be determined by choosing an appropriate number of Board members, not less than five, in consideration of its business scale, the shareholdings of its substantial Shareholders, and practical operational needs. The composition of the Board of Directors shall be determined by taking diversity into consideration. It is advisable that Directors concurrently serving as company officers not exceed one-third of the total number of the Board members, and that an appropriate policy on diversity based on CSCC's business operations, operating dynamics, and development needs be formulated and include, without being limited to, the following two general standards:

- I. Basic requirements and values: Gender, age, nationality, and culture.
- II. Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills, and industry experience.

All members of the Board shall have the knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the entire Board of Directors shall possess the following abilities:

- I. Business judgment ability.
- II. Accounting and financial analysis ability.
- III. Business management ability.
- IV. Crisis management ability.
- V. Knowledge of the industry.
- VI. International market perspective.
- VII. Leadership.
- VIII. Decision-making ability.

Article 21 Establish a fair, just, and open election procedures for Directors
CSCC shall, according to the principles for the protection of Shareholders' rights and interests and equitable treatment of Shareholders, establish a fair, just, and open procedure for the election of Directors, encourage Shareholder participation, and adopt the cumulative voting mechanism pursuant to the Company Act in order to fully reflect Shareholders' views.
Unless the competent authority grants an exemption, spousal relationships or familial relationships within the second degree of kinship may not exist among more than half of the Directors of CSCC. If the dismissal of a Director results in a Board with less than five directors, the company shall hold a supplemental election at the next Shareholders' Meeting. However, where a Director vacancy reach one-third of seats stipulated by regulations, CSCC shall hold an Extraordinary Shareholders' Meeting to elect Directors within 60 days of the actual vacancy date.
The total shareholding ratio of CSCC's Board of Directors shall be in line with the laws and regulations. The restrictions on the transfer of shares of Directors, the setting or rescission of pledge, and changes shall be handled in accordance with the relevant regulations, and various information shall be fully disclosed.

Article 22 The Articles shall set out the adoption of the candidate nomination system for the election of Directors
CSCC specifies in the Articles of Association that it adopts the candidate nomination system for elections of Directors pursuant to the laws promulgated by the competent authority, and it carefully reviews the qualifications as well as the existence of any other matters set forth in Article 30 of the Company Act, and acts in accordance with Article 192-1 of the Company Act.

Article 23 Clear distinctions shall be drawn among the responsibilities and duties of the functional committees, the Chairperson, and the general manager by the Board of CSCC
Clear distinctions shall be drawn between the responsibilities and duties of the Chairperson and the general manager of CSCC.
The position of the Chairperson and the general manager or positions with equivalent functions shall not be held by the same person.
When establishing a functional committee, the Company shall clearly define the responsibilities and duties of the committee.

Section 2 Independent Director System

Article 24 CSCC shall appoint Independent Directors according to its Articles of Association
The Company may appoint three or more Independent Directors in accordance with the Articles of Association, and the number of Independent Directors shall not be less than one-fifth of the total number of Directors.
Independent Directors shall be qualified with expertise, and their shareholding and the part-time job shall be restricted. Unless in compliance with the appropriate laws and/or regulations, Independent Directors shall not act as the Director (including Independent Director) of more than five TWSE/TPEX listed companies, and they shall maintain independence within the scope of their directorial duties and shall not have any direct or indirect interest in CSCC.
Where CSCC and group companies and organizations, as well as another company and its group companies and organizations nominate each other's Director, Supervisor or manager as an Independent Director candidate, CSCC shall, at the time it receives the nominations for Independent Directors, make disclosures and explain the suitability of the Independent Director candidate. Where the candidate is elected as an Independent Director, CSCC shall disclose the number of votes cast in favor of the elected Independent Director.

Group companies and organizations in the preceding paragraph comprises subsidiaries of CSCC, any foundation in which CSCC's cumulative direct or indirect contribution of funds exceeds 50 percent of its endowment, and other institutions or juristic persons over which CSCC has substantial control.

Independent Directors and Non-independent Directors shall not change their statuses during their term of office.

The professional qualifications, restrictions on both shareholding and concurrent positions held, determination of independence, method of nomination and other requirements with regard to the Independent Directors shall comply with the Securities and Exchange Act, the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, and the rules of the Taiwan Stock Exchange.

Article 25

Matters to be passed as a resolution at a Board meeting

CSCC has Independent Directors, and the following matters shall be passed as a resolution at a Board meeting according to the requirements under the Securities and Exchange Act; where Independent Directors have any objection or qualified opinion, set out in the minute book of the Board meeting.

- I. Formulation of or amendments to the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
- II. Adoption or amendment of procedures for acquisition or disposal of assets, engaging in derivative trading, lending funds to others, and making endorsements or providing guarantees pursuant to Article 36-1 of the Securities and Exchange Act.
- III. Matters regarding the personal interest of directors.
- IV. Transaction of material assets or derivatives.
- V. A material monetary loan, endorsement, or provision of a guarantee.
- VI. Offering, issuance, or private placement of equity-type marketable securities;
- VII. Appointment, dismissal or remuneration of CPAs;
- VIII. Appointment or discharge of a financial, accounting, or internal audit manager;
- IX. Any other material matters required by the competent authority.

Article 26

Remuneration of Independent Directors

CSCC or other members of the Board of Directors may not restrict or obstruct the job performance of Independent Directors.

CSCC shall stipulate the remuneration of Directors in accordance with the relevant laws and regulations. Independent Directors may receive reasonable remuneration otherwise determined differ from those of general Directors.

Section 3 Functional Committees

Article 27

Functional committees

To improve the supervisory function and strengthen the management system, CSCC's Board of Directors may establish the Audit, Remuneration, Nomination, Risk Management Committees or other types of functional committees with reference to the scale, business nature, size of the Board of Directors and the number of Independent Directors of CSCC, and may establish Environmental Protection, CSR Committees or other committees on the basis of corporate social responsibility and the concept of sustainable operation.

Functional committees shall be responsible for the Board of Directors and submit proposals to the Board of Directors for resolution. However, the requirements shall not apply to the Audit

Committee's implementation of their supervisory authority according to paragraph 4, Article 14-4 of the Securities and Exchange Act.

Functional committees shall set organization regulations to be passed as a resolution at the Board meeting. The organizational regulations shall contain the numbers, terms of office, and powers of committee members, as well as the meeting procedures and resources to be provided by CSCC for the exercise of powers by the committee.

Article 28 Audit Committee

The Audit Committee shall comprise all Independent Directors in a number no less than three, and one of the Independent Directors shall be the convener. At least one of the Independent Directors shall have accounting or finance expertise.

The exercise of power by the Audit Committee and Independent Directors and related matters shall comply with the Securities and Exchange Act, the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies, and the rules of Taiwan Stock Exchange.

Article 28 Establishment of the Nomination Committee

CSCC shall establish the Nomination Committee and formulate its organizational regulations, and the majority member of which shall be Independent Directors, and the Chairperson shall be an Independent Director.

Article 29 Establishment of the Remuneration Committee

CSCC shall establish a Remuneration Committee, and the majority member of which shall be Independent Directors. Professional qualifications of the members, the exercise of their powers, formulation of the organization regulations, and related matters shall be handled in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter, and CSCC's Organization Regulations for Remuneration Committee.

Article 30 Whistleblowing system

CSCC shall establish and announce channels for internal and external whistleblowers and have whistleblower protection mechanisms in place. The unit in-charge of whistleblowers' reporting shall be independent, provide encrypted protection for the files provided by whistleblowers, and appropriately restrict access to such files. It shall also formulate internal procedures and incorporate those procedures into CSCC's internal control system for management purposes.

Article 31 Professional, responsible, and independent certified public accountant

To improve the quality of its Financial Reports, CSCC shall establish the position of deputy to its principal accounting officer.

The aforementioned deputy of the accounting manager shall continue to study each year in the light of the accounting manager to enhance the professional competence of the deputy of the accounting manager.

Accounting personnel in preparation of the Financial Reports shall also participate in professional courses for six hours each year. With respect to the method of study, CSCC's internal education and training or the professional courses held by the further study institution for the accounting manager are available.

CSCC shall select professional, responsible, and independent CPAs to audit the financial status and internal control of CSCC regularly. CSCC shall properly review and improve the disclosure of abnormal or missing items timely discovered by the accountant during the audit process, and put forward specific suggestions for improvement or fraud prevention, and shall establish communication channels or mechanisms between the Independent Director, the Audit Committee,

and the certified public accountant, and establish internal procedures and bring them under the control of the internal control system.

CSCC shall regularly (at least once a year) evaluate the independence and suitability of the appointed CPAs. Where CSCC has not changed the CPA or the CPA is punished or prejudicial to independence in seven continuous years, CSCC shall assess whether it is necessary to change the CPA and report the assessment results to the Board of Directors.

Article 32 Provision of proper legal services to CSCC

CSCC shall appoint a professional and appropriate lawyer to provide appropriate legal consulting services or assist the Board of Directors and the management to improve their legal accomplishment, to prevent CSCC and the relevant personnel from violating laws and regulations, so as to facilitate the corporate governance operations under the relevant legal frame and the statutory procedures.

When, as a result of performing their lawful duties, Directors or the management are involved in litigation or a dispute with shareholders, the Company shall retain a legal counsel to provide assistance as circumstances require.

The Audit Committee or its Independent Director members are entitled to engage a lawyer, CPA, or other professionals on behalf of CSCC to make necessary audit or provide consultations with respect to the exercise of authority at the expense of CSCC.

Section 4 Rules of procedure and decision-making procedures for Board meetings

Article 33 Convening of Board meetings

The Board of Directors of the Company shall meet at least once every quarter, or convene at any time in case of emergency. The Board meeting shall be convened with reasons for convening specified, and all Directors shall be informed 7 days prior to the meeting. Sufficient meeting materials shall be provided and sent together with the meeting notice. Where the meeting materials are insufficient, the Directors shall be entitled to request for the replenishment or postponed the deliberation upon the resolution of the Board meeting.

CSCC shall formulate its Rules of Procedure for the Board of Directors' Meetings. The main procedure content, work procedures, items that shall be recorded in the minute book, public notifications, and other items to be followed shall be handled according to the Regulations Governing Procedure for Board of Directors Meetings of Public Companies.

Article 34 Directors shall be highly disciplined and prudent

Directors shall be highly disciplined and prudent. Where any item on the agenda of the Board meeting results in conflicts of interest with any Director or the corporation represented by the Director, the Director shall state the important aspects of the interested party relationship at the Board meeting; where the said interest is harmful to the interests of CSCC, the Director shall not participate in the discussion and vote, shall abstain from the discussion and vote, and shall not represent other Directors as a proxy to exercise their voting rights.

Matters that Directors shall abstain themselves shall be set out in the Rules of Procedure for the Board of Directors' Meetings

Article 35 Independent Directors and Board of Directors

When a Board meeting is convened to consider any matter submitted thereto in accordance with Article 14-3 of the Securities and Exchange Act, the Independent Director of CSCC shall attend the meeting in person, and may not appoint a Non-independent Director as a proxy. When an Independent Director has any objection or qualified opinion, it shall be set out in the minute book

of the Board meeting. Where the Independent Director is unable to attend the Board meeting in person to express his/her objection or qualified opinion, except for having justifiable reasons, a written opinion shall be provided in advance, which shall be set out in the minute book of the Board meeting.

Under any of the following circumstances, resolutions adopted by the Board of Directors shall not only be noted in the meeting minutes, but also publicly announced and filed on the MOPS before the beginning of trading hours on the first business day after the date of the Board Meeting:

- I. Independent Directors have an objection or qualified opinions that are on record or indicated in a written statement.
- II. Matters not approved by the Audit Committee, but are approved by at least two-thirds of all Directors.

During a Board meeting, managers from the relevant departments who are not Directors may sit in on the meeting, subject to the agenda, to report on the current business conditions of CSCC and respond to inquiries raised by the Directors. Where necessary, CPAs, lawyers, or other professionals may be invited to sit in on the meeting to assist the Directors in understanding the conditions of CSCC and adopting appropriate resolutions; however, these professionals shall leave the meeting during discussion and voting.

Article 36 Minute book of the Board meeting

The discussion personnel of the Board meeting of CSCC shall fully and accurately record the meeting report and the summary, resolution method, and results of all proposals in accordance with the relevant regulations.

The minute book of the Board meeting shall be signed or stamped by the Chairperson of meeting and the record-keeping personnel, and distributed to the Directors within 20 days after the meeting. The attendance book for the Board meeting is a part of the minute book and shall be included in CSCC's important files and shall be retained perpetually and properly for the duration of CSCC.

The minute book shall be produced, distributed, and retained in electronic form.

CSCC shall record the full process of the Board meetings in audio or video form and kept for at least five years in electronic form.

Shall there be any lawsuit against the relevant resolution of the Board meeting prior to the expiration of the aforementioned storage life, the relevant audio or video recordings shall continue to be kept, and the provisions of the preceding paragraph shall not apply.

Where a Board meeting is held via video conference, the audio and video recordings of the meeting shall be a part of the minute book and shall be kept permanently.

When a resolution of the Board of Directors violates laws, regulations, the Articles, or resolutions adopted at the Shareholders' Meeting, and thus causes damages to CSCC, objecting Directors whose objection can be proven by the record or written statements will not be liable for damages.

Article 37 Matters submitted to the Board meeting for discussion

CSCC shall submit the following matters to the Board meeting for discussion:

- I. CSCC's business plan.
- II. Annual Financial Report.
- III. Formulation of or amendments to the internal control system, and evaluation of the effectiveness of the internal control system.
- IV. Formulation of or amendments to procedures for significant financial or business conducts, such as acquisition or disposal of assets, engaging in derivatives trading, loaning of funds

to others, or provision of endorsements/guarantees to others.

- V. Offering, issuance, or private placement of any equity-based securities.
- VI. Appointment or discharge of a finance manager, accounting manager, or Chief Auditor.
- VII. Donations to related parties or major donations to non-related parties; however, public-interest donations of disaster relief for a major natural disaster may be submitted to the next Board meeting for ratification.
- VIII. Any matter required by Article 14-3 of the Securities and Exchange Act, and any other laws and regulations or the Articles shall be approved as a resolution at a Shareholders' Meeting or matters proposed to the Board meeting, or any significant matter required by the competent authority.

Except for matters that shall be submitted to the Board meeting for discussion as mentioned in paragraph 1, when the Board meeting is in recess, the Board of Directors may authorize others to exercise its powers in accordance with the relevant laws and regulations or the Articles. However, the level of authorization or the content or matters to be authorized shall be clearly specified, and general authorization is not permitted.

Article 38 Appropriate department or personnel shall be appointed to execute matters pursuant to Board of Directors' resolutions

CSCC shall deliver the resolutions of the Board Meeting to the appropriate execution unit or personnel, and require them to implement according to the plan schedule and objective, and include it into the tracking management and assess its execution.

The Board of Directors shall be fully aware of the execution progress and report to the Board meeting in due course according to the execution progress, for the Board meeting to implement its operating decisions.

Section 5 Directors' obligations and responsibilities of faithfulness

Article 39 Members of the Board of Directors shall faithfully conduct corporate affairs and perform the duty of care of a good administrator

The Board members shall faithfully perform their duties and care of the prudent administrator and shall exercise their duties in a highly disciplined and prudent manner. In addition to the matters that shall be resolved by the Shareholders' Meeting in accordance with laws or Articles, CSCC's business shall be executed according to the resolution of the Board meeting.

CSCC shall formulate rules and procedures for the Board of Directors' performance evaluation. Each year, regularly scheduled performance evaluation of the Board of Directors, and individual Directors shall be conducted through self-evaluation and peer-to-peer evaluation, external professional institutions may also be engaged to conduct the performance evaluation in other proper manners.

CSCC shall conduct the performance evaluation of functional committees.

CSCC shall submit the results of the performance evaluation to the Board meeting, and such results shall be used as the reference for determining the remuneration of individual Directors and their nomination for re-appointment.

Any resolution of the Board of Directors that involves CSCC's business development or major policy directions shall be carefully considered and may not affect the promotion or implementation of corporate governance.

Article 39-1 Establishment of the intellectual property management system

Regarding the operating direction and performance of CSCC's intellectual properties, the Board

of Directors shall carry out the evaluation and supervision according to the following aspects, to ensure that CSCC would establish the intellectual property management system based on the management cycle of "plan, execution, inspection, and action":

- I. Formulate the management policy, target, and system for intellectual properties in relation to its operating strategies.
- II. Establish, implement, and maintain the management system for the acquisition, protection, maintenance, and utilization of its intellectual properties based on the scale and models.
- III. Determine and provide resources required to sufficiently and effectively implement and maintain the intellectual property management system.
- IV. Observe internal and external risks or opportunities related to intellectual properties and adopt corresponding measures.
- V. Plan and implement continual improvement mechanisms to ensure the operation and effects of the intellectual property management system accord with CSCC's expectations.

Article 40 Request or notice to Board of Directors for the suspension of executing its resolutions
Where a resolution of the Board of Directors violates laws and regulations or the Articles of Association, upon the request of Shareholders who hold shares for more than one year or Independent Directors notifying the Board of Directors to suspend the execution of the resolution, the members of the Board of Directors shall deal with or suspend the execution of the relevant resolution as soon as appropriate.

When discovering that CSCC is suffering threats of material damages, the Board members shall manage the condition in accordance with the provisions in the preceding paragraph, and shall immediately report to the Audit Committee or the Independent Director member of the Audit Committee.

Article 41 Liability insurance for Directors
CSCC be responsible for Directors' liability insurance with respect to liabilities resulting from the exercise of duties during their tenure, so as to reduce and spread the risk of material harm to CSCC and Shareholders arising from the wrong-doing or negligence of Directors.
CSCC shall report the insured amount, coverage, premium rate, and other major contents of the liability insurance it has taken out or renewed for Directors at the next Board meeting.

Article 42 Members of Board of Directors participate in training courses
Upon becoming members of Board of Directors and throughout their tenure, Directors shall participate in training courses on finance, risk management, business, commerce, accounting, law or corporate social responsibility offered by institutions designated in the Rules Governing Implementation of Continuing Education for Directors and Supervisors of TWSE/TPEX Listed Companies, covering subjects relating to corporate governance.

Chapter 4 Respect for stakeholders' rights and interests

Article 43 Maintain communication with stakeholders of CSCC and protect their rights and interests
CSCC shall maintain a smooth communication channel with its correspondent banks and other creditors, employees, consumers, suppliers, communities, or other stakeholders, and shall also establish a stakeholder section on CSCC's website.

When a stakeholder's legal right is violated, CSCC shall respond appropriately according to the principle of good faith.

Article 44 CSCC shall provide sufficient information to banks and its other creditors
CSCC shall provide sufficient information to banks and its other creditors to facilitate their

evaluation of the operational and financial conditions of CSCC and its decision-making process. When their legitimate interests are harmed, CSCC shall respond positively and take the accountability to enable the creditors to obtain compensation in a suitable means.

Article 45 CSCC shall establish communication channels for its employees
CSCC shall establish communication channels for employees, encourage employees to communicate directly with the management, and appropriately reflect employees' opinions on CSCC's operation and financial conditions or major decisions involving employees' interests.

Article 46 Social responsibility of CSCC
CSCC shall also pay attention to the issues such as consumer rights, social environmental protection, and public welfare, and attach importance to CSCC's social responsibility while maintaining the normal operation and maximizing the Shareholders' benefits.

Chapter 5 Improving information transparency

Section 1 Strengthening information disclosure

Article 47 Information disclosure and internet declaration system
Information disclosure is a major responsibility of CSCC. CSCC shall perform its obligations faithfully in accordance with the relevant laws and regulations set forth by TWSE or TPEX. CSCC shall establish an Internet-based reporting system for public information, appoint personnel in-charge of gathering and disclosing company information, and establish a spokesperson system so as to ensure proper and timely disclosure of information that might affect the decisions of Shareholders and stakeholders.

Article 48 Have spokesperson in place
In order to enhance the accuracy and timeliness of the material information disclosed, CSCC appoints the vice general manager, who understands thoroughly CSCC's financial and business conditions, and who is capable of coordinating with divisions to gather relevant information and representing CSCC in making statements independently, to serve as the spokesperson of CSCC. CSCC shall have one spokesperson; where the spokesperson is unable to perform his/her duties, the deputy spokesperson shall do so on his behalf.
To implement the spokesperson system, the management and employees of CSCC shall keep financial and business secrets confidential and shall not disclose such information.
The Company shall disclose the relevant information immediately when there is a change of spokesperson or deputy spokesperson.

Article 49 Set up a corporate governance website
To keep Shareholders and stakeholders fully informed, CSCC shall utilize the convenience of the Internet and set up a website containing the information regarding its finances, operations, and corporate governance, and shall furnish the financial, corporate governance, and other relevant information in English.
The website of the preceding paragraph shall be maintained by a designated person, and the information listed shall be accurate and immediately updated to avoid misleading.

Article 50 Methods to convene the investor conference
Investor conferences convened by CSCC shall be organized pursuant to rules set by the Taiwan Stock Exchange, and be recorded by video or audio. The financial and business information of the investor conference shall be input to the Market Observation Post System (MOPS) in accordance with the regulations of Taiwan Stock Exchange Corporation, and can be inquired through CSCC's website or other appropriate channels.

Section 2 Disclosure of corporate governance information

Article 51 Disclose corporate governance information

CSCC shall disclose and keep updating the following corporate governance information in accordance with relevant laws and regulations and the regulations of Taiwan Stock Exchange:

- I. Corporate governance framework and regulations.
- II. Ownership structure and the rights and interests of shareholders (including specific and explicit dividend policy).
- III. Structure, professionalism, and independence of the Board of Directors.
- IV. Obligations and responsibilities of the Board of Directors and managers.
- V. The composition, duties, and operations of the Audit Committee, Remuneration Committee, and other functional committees.
- VI. Training for Directors.
- VII. The rights and interests, relationships, appeal channels, concerns, and appropriate response mechanisms regarding stakeholders.
- VIII. Details of the events subject to information disclosure required by law and regulations.
- IX. Deviations and reasons for the deviations between the status of corporate governance and CSCC's Corporate Governance Best Practice Principles.
- X. Other information regarding corporate governance.

CSCC shall, depending on the implementation of corporate governance, take appropriate means to disclose its specific plans and measures for improving corporate governance.

Chapter 6 Appendix

Article 52 Procedures for establishment and amendment

These codes shall be implemented after the approval of the Board of Directors and submitted to the shareholders' meeting.

Chapter 4. List of Shareholdings of Current Directors of CSCC

China Steel Chemical Corporation Details on Directors' Shareholdings

(As of the book closure date for the Annual Shareholders' Meeting of the year: 19 April 2021)

| Title | Name | | Shares held | Percentage of holding (%) |
|--|-----------------|--|-------------|---------------------------|
| Chairman | Wen-Ge Lo | China Steel Corporation Representative | 68,787,183 | 29.04 |
| Director | Chao-Tung Weng | | | |
| Director | Hsi-Chin Wang | | | |
| Director | Ming-Dar Fang | | | |
| Director | Kung-Yi Ku | Representative of International CSRC Investment Holdings Co., Ltd. | 11,759,096 | 4.96 |
| Director | Tien-Fu Chao | | | |
| Independent director | Hsing-Shu Hsieh | | 0 | 0 |
| Independent director | Yuan-Hung Wang | | 0 | 0 |
| Independent director | Tsun-Tsi Hsu | | 0 | 0 |
| Number of shares held by all Directors | | | 80,546,279 | 34.00 |
| Minimum required shareholding from all Directors | | | 12,000,000 | |

Note 1: CSCC has issued 236,904,480 ordinary shares.

Note 2: According to the requirements, when the paid-in capital is more than NT\$2 billion but less than NT\$4 billion, the shareholding of all Directors shall not be less than 5%. The shareholding of Independent Directors of listed companies shall be excluded from the total amount in the previous paragraph. For listed companies with two or more Independent Directors, the shareholding of all Directors calculated according to the percentage in the previous paragraph shall be reduced to 80%.

Chapter 5. Dividend policy of CSCC

Dividend Policy of China Steel Chemical Corporation

The environment where CSCC currently stands still possesses growing potentials. With reference to the actual and future operations, at least 50% of accumulated unappropriated earnings shall be appropriated with consideration of the Company's stability and growth potential, of which cash dividends shall account for at least 50% of the total dividends.