

Stock Code: 2208

CSBC CORPORATION,TAIWAN
Handbook for the 2021 Annual Meeting of
Shareholders

MEETING TIME: JUNE 25, 2021

THIS IS A TRANSLATION OF THE HANDBOOK FOR THE 2021ANNUAL SHAREHOLDERS' MEETING (THE "HANDBOOK") OF CSBC CORPORATION,TAIWAN. (THE "COMPANY"). THIS TRANSLATION IS INTENDED FOR REFERENCE ONLY AND NOTHING ELSE, THE COMPANY HEREBY DISCLAIMS ANY AND ALL LIABILITIES WHATSOEVER FOR THE TRANSLATION. THE CHINESE TEXT OF THE HANDBOOK SHALL GOVERN ANY AND ALL MATTERS RELATED TO THE INTERPRETATION OF THE SUBJECT MATTER STATED HEREIN

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CSBC CORPORATION,TAIWAN

**Procedure for the 2021 Annual Meeting of
Shareholders**

Call the Meeting to Order

Chairperson Remarks

Management Presentation (Company Reports)

Proposals

Discussion

Questions and Motions

Adjournment

CSBC CORPORATION,TAIWAN
Year 2021
Agenda of Annual Meeting of Shareholders

Time: 10:00 a.m. on Wednesday, June 25,2021

Place:The Auditorium in CSBC,TAIWAN
(No.3,Jhonggang Road,Siaogang District,Kaohsiung,Taiwan,R.O.C)

Call the Meeting to Order.

Chairperson Remarks

Management Presentations

1. 2020 Annual Business Report.
2. 2020 Annual Final Report of Audit Committee.
3. 2020 Annual Remuneration Distribution Report of Employees and Directors.
4. Report the accumulated losses of CSBC Corporation, Taiwan reach one-half of paid-in capital.
5. The "2020 and 2021 Corporate Social Responsibility Strategic Action Plan Implementation and Planning" report.

Proposals

1. Ratification of 2020 business report and financial statements.
2. Ratification of the Proposal for 2020 Deficit Compensation.

Discussion

1. Amendment to the "Rules of procedure for shareholders' meetings".
2. Proposal of Release the Prohibition on Directors from Participation in Competitive Business.
3. Amendment to the "Procedures for Acquisition or Disposal of Assets".
4. Amendment to the "Operational Procedures for Loaning Funds to Others".

Questions and Motions

Adjournment

Management Presentations

Report No. 1

2020 Annual Business Report

Explanation:

The 2020 Annual Business Report is attached as PP.16~20, Annex 1.

Report No. 2

2020 Annual Final Report of Audit Committee

Explanation:

The 2020 Annual Final Report of Audit Committee is attached as PP.21, Annex 2.

Report No. 3

2020 Annual Remuneration Distribution Report of Employees and Directors

Explanation:

The pre-tax loss of the Company for 2020 is NT\$1,254,055,000. As there is no pre-tax profit (the profit before deducting the employee remuneration and directors' remuneration), the employee bonus and directors' remuneration for 2020 will not be distributed in accordance with the provisions of Article 35 of the Articles of Association of the Company.

Report No. 4

Report the accumulated losses of CSBC Corporation, Taiwan reach one-half of paid-in capital.

Explanation:

1. The accumulated losses of the company, as of December 31, 2020, was 2,986,017,027 NT dollars, exceeding 50% of the paid-in capital of 4,730,554,930 NT dollars, a report is to be brought up in the shareholder's meeting according to Article 211 of the Company Act.
2. The company's losses exceeding 50% of the paid-in capital are mainly due to factors such as the global economic growth, lack of obvious improvement in international trade volume, and the decline of international shipping costs. As a result, companies tend to be conservative in placing new ship orders, resulting in low ship prices. The expected loss is recognized.
3. Relevant coping measures:

(1)Operations:

Under the implementation of the 2020 upgrade and transformation program, the operating loss of year 2019 of 1.8 billion decreased by 1.6 billion of 2020. The company continues to draft and EP10 program (including tapping new resources and limiting expenditures program) is to be implemented in order to achieve the goal of turning losses into profits of 2021, and the company continues to drive important investment program and investment, and cultivates, trains and arranges the professional technical manpower of three major enterprises, and accelerates to enhance the manpower inheritance, ensures operating interests and profits, and expects to achieve the goal of turning losses into profits of 2021.

Annual goal of EP10 upgrade program:

1.Turning losses into profits

- Improve production and administrative efficiency, and strengthen information management
- Strict adherence to CKP-82, and strictly manage and control the progress and budgets of engineering
- Emphasize on tapping new resources and limiting expenditures, and the annual goal is 0.45 billion NT dollars.

2.Profits from new businesses

- Quantitative production of maritime steel structure, stabilize the quality, ensure delivery, and decrease costs

- Maritime engineering and contract the business of transportation, installation and commercial maintenance.

- Build the energy of unity of building and repairing ships, and contract and implement businesses.

3.Organizational reengineering

- Reengineering and completion of Keelung Factory

- Adjustment of optimal organizational dynamics and consistent production line, and digitization planning

- Accelerated enhancement of the manpower inheritance, and professional engineering management of three major enterprises, and cultivation, training and arrangement of the professional technical manpower.

(2)Assessment:

In order to effectively manage and control the progress and budgets of engineering, and decrease indirect expenses, the company drafted unit KPI performance indicators according to the annual operation plan, increased design, plotting, materials purchase, and management and test items of respective nodes and linked parts to certainly control the progress of the engineering for effectively and continuously increasing the efficiency; in addition, added the assessment level, and strengthened the assessment brackets of each level unit and the differentiation of employees' assessment grades to widen the assessment gap and increase weeding out operation of the ineligible personnel.

(3)Finance:

In response to future developments of three major operating strategies, the company planned to conduct the capital increment by cash of 4.5 billion NT dollars in 2020, the warrants of capital increase of year 2021 were scheduled to be listed on March 31, 2021, and the change registration was conducted in the end of April, 2021, after the completion of capital increase, the amount of paid-in capital is 9,230,554,930 NT dollars (around 9.231 billion NT dollars) to enrich the operating capital, and improve the financial structure.

Report No. 5

The "2020 and 2021 Corporate Social Responsibility Strategic Action Plan Implementation and Planning" report.

Explanation:

1. In accordance with Article 5 of Chapter 1 of "TWSE/GTSM Best Practice Principles for Corporate Social Responsibility of Listed Companies" and the company's "Corporate Social Responsibility Principles".
2. The company's "Corporate Social Responsibility Principles" is attached as PP.52~70, Annex 5.

Proposals

Proposed by the Board

1. Proposal:

Ratification of 2020 business report and financial statements

Explanation:

CSBC CORPORATION,TAIWAN's Business Report and Financial Statements have been duly audited by the PRICEWATERHOUSECOOPERS Taiwan(PwC Taiwan) and have been examined by the audit committees.(Please refer to PP. 16-20 Annex 1 and PP.22-50 Annex 3 of the Handbook)

Resolution:

Proposed by the Board

2. Proposal:

Ratification of the Proposal for 2020 Deficit Compensation.

Explanation:

- 1.The initial balance of accumulated deficit of the Company is NT\$1,439,130,862, plus other comprehensive income of 2020 NT\$53,201,231, minus the net loss of 2020 NT\$1,600,087,396, the accumulated deficit is NT\$2,986,017,027.
- 2.Because of the accumulated deficit NT\$2,986,017,027, articles of corporation, and company act, It's proposed not to distribute dividends.
- 3.Please approve the proposal of 2020 Deficit Compensation, Deficit Compensation Statement refer to PP.51 of Annex 4.

Resolution:

Discussion

Proposed by the Board

1.Proposal:

Amendment to the "Rules of procedure for shareholders' meetings".

Explanation:

1.In accordance with the instructions of the Taiwan Stock Exchange on January 28, 2021, amend the "Rules of Procedure of the General Meeting of Shareholders".

2.Please refer to PP.71-72 Annex 6 for the comparison of the amended articles.

Resolution:

Proposed by the Board

2.Proposal:

Proposal of Release the Prohibition on Directors from Participation in Competitive Business.

Explanation:

1. According to Article 209 of the Company Act, 'A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.'
2. In order to take full advantage of the expertise and relevant experience of the company's directors and their representatives, it is proposed, according to Article 209 of the Company Act, to lift the ban of the non-compete clause for the company's directors and restrictions which prevents their representatives as natural persons who exercise the authority of the directors from conducting business originally listed under the non-compete clause under the "Article of Incorporation."
3. Without prejudice to the normal business and interests of the company, it is proposed to discuss the lifting of the non-compete clause on the newly elected directors and their representatives in the 2021 regular meeting of shareholders.
4. The list of directors and their representatives who are to be relieved from

Position	Name	Other company positions	Reason of Prohibition on Directors from Participation in Competitive Business
Director	National Development Fund, Executive Yuan and representative WU, WEN-KUEI	Counselor adjunct Director of Office the Zhongxing New Village Revitalization Project	National Development Fund, Executive Yuan investment LUNGTEH SHIPBUILDING CO LTD.
Director	Yue-Li Investment Corporation	-	One of the business scopes of the parent company U-MING MARINE "Shipping industry" is the same as CSBC Taiwan.

Resolution:

Proposed by the Board

3.Proposal:

Amendment to the "Procedures for Acquisition or Disposal of Assets".

Explanation:

In order to conform with the present main point of the regulation and the needs of actual hedging operation, drafted to amend the main point number 18, in order that the company assesses and conducts the hedging operation, can more correspond with the needs of the current situations, and comparison of articles before and after amendment, please refer to PP.73 Annex 7.

Resolution:

Proposed by the Board

4.Proposal:

Amendment to the "Operational Procedures for Loaning Funds to Others".

Explanation:

- 1.In response to future needs of business developments, deleted the restrictions of net worth of relevant loaning funds to parties in the limit of loaning funds to a single party mentioned in number 4, item 2, paragraph 2 of the original operating procedures.
- 2.Please refer to PP.74 Annex 8 for the comparison of the amended articles.

Resolution:

Questions and Motions

ANNEX

Annex 1

2020 Business Report

1. The status of the global shipbuilding industry in 2020

After the trade war between the United States and China in 2018 and the commercial trade dispute between Japan and South Korea in 2019, the international business situation has been turbulent. In addition to the unprecedented "new coronavirus" (COVID-19) epidemic hitting globally in 2020, border control and lock-in policies implemented by various countries have seriously affected the global flow of goods and trade. The World Bank report pointed out that after the new crown pneumonia caused a large number of infections and even deaths in 2020, economic activity and income growth will be reduced in the future. However, after the launch of the vaccine and the successive launches of various countries, the epidemic is expected to be controlled. The World Bank estimates that although the global economic growth rate is expected to return to 4% this year (2021), it warns that the global economic recovery will slow down in the future and may face "The lost Ten years".

According to Clarksons research, global newbuilding orders fell 29% in 2020, about 53.9 million deadweight tons, while there are still 76 million deadweight tons in 2019. Among them, the drop in orders for bulk carriers is the most obvious. In 2020, it is about 13.5 million dwt. Compared with the 32 million dwt in 2019, the decline is more than 58%. Oil tanker is a relatively small commercial ship type, with an estimated 23.8 million dwt in 2020 and a decrease of 8% compared to 25.9 million dwt in 2019. At the same time, due to the decrease in the number of new ship orders in 2020 but the continued delivery of orders on hand, global hand-held orders have decreased by about 19%. Hand-held orders accounted for only 7% of the current shipping company's fleet capacity, setting the lowest record in 31 years.

Since the fourth quarter, with the continuous development and mass production of the new crown pneumonia vaccine, the world has gradually entered the post-epidemic era, and the demand for container transportation has been the first to rebound. The global rush for containers has caused shipping prices to rise sharply. Taking the three domestic shipping companies (Evergreen, Yang Ming, Wanhai) as examples, they have achieved good

single season operation's in the fourth quarter. At the same time, shipping companies have begun to invest in the construction of new ships. According to Clarksons Research Institute, although the number of new ship orders for the whole year of 2020 has fallen sharply, the number of orders in the fourth quarter has increased significantly compared with the previous three quarters, setting a single season record since 2018. The global shipbuilding market has shown a trend of recovery, and the government continues to promote national defense independence and green energy policies such as "National Shipbuilding" and "Offshore Wind Power", which will help the company's business, and future operations can be expected.

2. Operating Performance in 2020

(1) Consolidated financial results.

Unit: Thousand NT\$

Item	2020	2019	Compared with 2019(%)
Operating income	25,296,629	16,540,899	52.93%
Gross Profit (loss)	-1,409,474	-1,190,381	-18.41%
Operating profit	-1,907,395	-1,706,140	-11.80%
Pre-Tax Income	-1,598,750	-1,808,910	11.62%
Net profit (loss)	-1,600,087	-1,815,518	11.87%

The operating income of the company in 2020 was NT\$25.297 billion, and the gross operating loss was 1.409 billion. The net loss for the current period was 1.6 billion, which was a decrease of 215 million in loss compared to 2019; At the same time, due to the company's continuous increase in revenue and expenditure reduction and upgrading and transformation plans in 2020, and the continuous start of multiple types of official ships, operating income has increased significantly by 52.93% compared with the previous year, and once again back to 25 billion. It is only due to factors such as the low price of the ships currently holding orders, the impact of the new crown pneumonia epidemic on the progress of the project, and the appreciation of the New Taiwan dollar exchange rate, resulting in a loss for the whole year.

(2) Orders in hand

1. New ships and marine engineering orders

As of the end of December 2020, there are 6 merchant ships (6 in Kaohsiung) and 28 warships and official ships (10 in Kaohsiung + 18

in Keelung) in hand. The delivery date is scheduled for the Kaohsiung shipyard until November 2025, and the Keelung shipyard until October 2027. The marine engineering order in hand includes 60 underwater foundation pin pile for offshore wind turbines and 2+20 underwater foundation Transition Piece for offshore wind turbines, which are expected to be delivered in 2021.

2. Completion and delivery

In 2020, 7 merchant ships were completed and delivered at the Kaohsiung shipyard (1 ship of 208,000-ton bulk carrier, 6 ships of 2,800TEU container vessel), Keelung shipyard completed and delivered 3 ships (2 ships of 800-ton marine research ships and 1 ship of 2,100-ton marine research ship). And for official ship, three 100-ton patrol rescue boats were completed and delivered at the Keelung shipyard.

(3) Research and development status

Expenditures of R&D in 2020 are about NT\$94 million, which is about NT\$6 million less than the NT\$100 million in 2019. Research and development results include the basic design and development of new ships, advanced research on the effectiveness of ship model tank tests, the strength analysis of the entire ship structure under dynamic wave loads, the design of the size of the ship structure and the study of finite element analysis, S460 European standard steel plate welding process application research, Taiwan offshore wind farm operation and maintenance big data network platform construction research, installation ship section hoisting sequence and dock shaft row research, independent development and verification of end plate propeller program, the analysis of the knocking dynamic characteristics of non-vibration isolation systems, the analysis and improvement of ship power harmonics, and the integration technology and application of smart factories, etc. The total is 17 research and development projects.

The new research and development direction in 2021 mainly includes the independent development and verification of the end plate propeller program, research on ship power harmonic analysis and improvement, research on array waveguide glass and electromagnetic pulse interruption frequency of the whole ship, self-made ship monitoring system technology and integration research, ship stabilizer system integration intelligent development plan, marine branch pipe cutting and method feasibility study of blue welding automated production line,

development of high-efficiency methods for assessing the fuel consumption of ships in real seas, and smart factory integration technology and application research, etc. Actively move towards improving the technical capabilities of smart ships, defense ships and marine engineering as the main development direction.

(4) Major investment

The projects in the implementation of the 2020 fixed assets project investment plan include the "Kaohsiung shipyard Multi-purpose Steel Structure Production Line Project Investment Plan", the "Transition Piece (TP) Production Line Project Investment Plan", and the "Investment Plan for the Important Equipment Factory of the National Ship"; Projects under planning include the "Investment Plan for the Kaohsiung Plant's 350-ton GOC Crane Replacement Project", with a total investment of approximately NT\$3.67 billion.

3. Business Plan for 2021

In 2020, the world is affected by the COVID-19 epidemic. In order to control the epidemic, various countries have adopted large-scale country lockouts and embargoes, which caused an instantaneous freezing of global freight and human transportation demand, which severely affected the global economy. The company also inevitably be affected by the COVID-19. In addition, important foreign equipment, original factory service engineers, and technical assistance personnel cannot arrive at the factory as scheduled, and the production schedule has been severely disrupted, resulting in a loss in 2020.

Based on this, the company is actively transforming and moving towards diversified operations, striving to get rid of operational difficulties. In 2021, the sprint goal will be "turn over operation and stable profitability" and cooperate with the company's various improvement plans and the implementation of the Keelung shipyard transformation plan. In addition to achieving the goal of diversified business layout, it can also optimize the operating status of the Keelung shipyard and the entire company. At the same time, with the promotion of the national policies of "National Shipbuilding" and "Offshore Wind Power", the company's business strategy in recent years has focused on the development of three major businesses. Under the active transformation and strategic adjustments. The proportion of merchant shipping business revenue has dropped from over 90% for a long time to 52% in 2019, and to 30% in 2020. At the same time, the shipbuilding business

increased significantly from 10% in the early years to 61%, and the ship repair and offshore engineering business increased to 8%. After a large number of operations of the company have started a number of businesses and gradually recognized revenue, revenue in 2020 will reach NT\$25.297 billion. Since 2014, the revenue has exceeded NT\$25 billion again, and the results of business transformation have gradually taken effect.

As of the end of 2020, the company's pending business has reached NT\$59.8 billion. Looking forward to 2021, the company is able to escape the impact of the merchant shipping market, which is caught in the Red Sea competition, by undertaking value-added businesses and adjusting the proportion of the merchant shipping business. In addition, the company will actively improve the overall financial structure through cash capital increase plans. At the same time, in accordance with national policies, the company will adjust the direction of operations and move towards the fields of official ships and offshore wind power steel structures and coatings. As multi-type ships have entered a large number of construction phases, it is expected that the company will be able to turn losses into stabilize profits, adhere to the vision of "Building an excellent marine business group", to allow the company to operate continuously and create maximum value for shareholders.

Chairman

CHENG,WEN-LON

Annex 2

Audit Committee's Review report

This proposal is the presentation by the Board of Directors of the Company's 2020 Business Report, Financial Statements, and the Deficit Compensation Proposal. Of these items, the Financial Statements have been audited by external auditors of PricewaterhouseCoopers(PwC) Taiwan, and an opinion and report have been issued on the Financial Statements. The aforementioned proposal regarding Business Report, Financial Statements, and the Deficit Compensation Proposal have been reviewed and determined to be correct and accurate by the Audit Committee. Per the regulations in Article 14-5 of Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

To:

2021 General Shareholders' Meeting of CSBC Corporation.

CSBC CORPORATION,TAIWAN

Audit Committee Convener: LIEU, DER-MING

March 18, 2021

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2020 AND 2019

For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000481

To the Board of Directors and Shareholders of CSBC CORPORATION, TAIWAN

Opinion

We have audited the accompanying parent company only balance sheets of CSBC CORPORATION, TAIWAN (the "Company") as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2020 and 2019, and its parent company only financial performance and its parent company only 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 generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the parent company only financial statements section of our report. We are independent of the Company 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 judgement, were of most significance in our audit of the Company's 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2020 parent company only financial statements are stated as follows:

Accounting estimates and assumptions for total cost of construction contracts

Description

Please refer to Note 4(27) for a description of the accounting policy on construction contracts. Please refer to Note 5 for critical accounting estimates and assumptions for total cost of construction contracts.

The Company is engaged in the business of designing and building of various ships and cruisers. Assumptions for estimated construction cost include cost for equipment, material, labor and etc. Data used for assumptions involves subjective judgement and accounting estimates and are highly uncertain. As a result, assumptions used are material to the total construction cost and further affects the calculation of construction profit.

As the data used for assumptions involves subjective judgement and accounting estimates are highly uncertain, this may affect the completeness and relevant assertions. Considering that the estimated total cost of construction contracts is material to the financial statements, therefore, we assessed that these accounting estimates and assumptions as one of the key audit matters for this year.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Assessing the effectiveness of CSBC Company's internal control regarding the estimation process of total cost of construction contract. This includes:
 - (1) Whether the data used by management for estimates and assumptions is complete, relevant and accurate.

(2) Whether accounting estimates and assumptions have been reviewed and approved by proper management level.

(3) Whether the segregation of duties is appropriate.

2. Obtaining the Estimate at Completion Reports, selecting sample reports and verifying the accuracy, completeness and relevance of the data that was used for assumptions and estimations. Checking whether the use of estimates and assumptions in the Estimate at Completion Reports are appropriate.
3. Comparing cost at completion for the same or similar ships and then assessing the reasonableness of the Estimate at Completion Report.

Assessment of construction loss

Description

Please refer to Note 4(27) for a description of the accounting policy on construction contracts.

There is a concern regarding the oversupply in the shipbuilding industry worldwide. Customers tend to behave conservatively which causes a decline in ship prices. Thus, there is a high possibility of total construction cost exceeding total construction revenue. In accordance with the Company's accounting policy on construction contracts, when there is a high possibility of total construction cost exceeding total construction revenue, estimated loss shall be recognised immediately.

The aforementioned estimated loss shall include constructions that have not yet been initiated. As the estimated loss is material to the financial statements, therefore, we assessed estimated loss as one of the key audit matters for this year.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Obtaining calculation table of construction in progress – construction income / loss. Checking whether it includes all the construction contracts including those contracts that have not yet been initiated.
2. Testing the accuracy of calculation table by selecting samples and performing the following audit procedures:
 - (1) Reviewing construction contracts and checking the contractual price and foreign exchange rates in order to verify the accuracy of calculation.
 - (2) Verifying estimated total construction cost to management's calculation in order to check the consistency of estimates and assumptions used.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management of the Company is responsible for the preparation and fair presentation of the parent company only 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 parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 generally accepted auditing standards 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only 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 Company'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 Company'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 parent company only 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 parent company only financial statements of the current period 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.

TIEN, CHUNG-YU

WANG,KUO-HUA

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2021

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,157,664	3	\$ 4,066,638	12
1140	Current contract assets	6(20)(24) and 7	4,523,505	12	5,587,133	16
1170	Accounts receivable, net	6(2)(20)	1,169,869	3	1,292,410	4
1180	Accounts receivable - related parties	6(2)(20) and 7	20,311	-	6,289	-
1200	Other receivables		26,127	-	100,636	-
1210	Other receivables - related parties	7	15,445	-	16,675	-
1220	Current income tax assets		1,266	-	1,329	-
130X	Inventories	6(3)(20)	2,349,362	7	1,824,592	5
1410	Prepayments	6(4) and 7	9,896,704	27	5,261,850	15
1479	Other current assets, others		245	-	9,240	-
11XX	Current Assets		<u>19,160,498</u>	<u>52</u>	<u>18,166,792</u>	<u>52</u>
Non-current assets						
1550	Investments accounted for under equity method	6(5)(32)	1,233,871	3	199,025	1
1600	Property, plant and equipment	6(6)	11,306,002	31	10,931,031	31
1755	Right-of-use assets	6(7)	3,500,944	9	3,805,463	11
1760	Investment property - net	6(8)(9)	212,918	1	211,506	1
1780	Intangible assets	6(10)	21,345	-	10,040	-
1840	Deferred income tax assets	6(30)	1,530,700	4	1,544,000	4
1920	Guarantee deposits paid		53,083	-	64,036	-
15XX	Non-current assets		<u>17,858,863</u>	<u>48</u>	<u>16,765,101</u>	<u>48</u>
1XXX	Total assets		<u>\$ 37,019,361</u>	<u>100</u>	<u>\$ 34,931,893</u>	<u>100</u>

(Continued)

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 5,199,146	14	\$ 1,822,361	5
2110	Short-term notes and bills payable	6(12)	2,699,405	7	1,699,563	5
2130	Current contract liabilities	6(20)(24) and 7	6,698,790	18	8,698,974	25
2150	Notes payable	6(20)	8,100	-	-	-
2160	Notes payable - related parties	6(20) and 7	111,592	-	285,404	1
2170	Accounts payable	6(20)	1,490,567	4	984,564	3
2180	Accounts payable - related parties	6(20) and 7	8,362	-	7,605	-
2200	Other payables	6(14)	1,311,249	4	1,177,065	3
2250	Provisions for liabilities - current	6(15)(20) and 7	1,288,678	4	1,615,497	5
2280	Current lease liabilities	6(7)	272,881	1	265,694	1
2310	Advance receipts		20,460	-	15,089	-
2320	Long-term liabilities, current portion	6(17)	1,280,000	3	500,000	1
21XX	Current Liabilities		20,389,230	55	17,071,816	49
Non-current liabilities						
2500	Non-current financial liabilities at fair value through profit or loss	6(13)	5,995	-	-	-
2530	Bonds payable	6(16)	1,932,301	5	-	-
2540	Long-term borrowings	6(17)	3,918,570	11	5,347,772	15
2570	Deferred income tax liabilities	6(30)	1,324,697	3	1,324,697	4
2580	Non-current lease liabilities	6(7)	3,268,411	9	3,562,819	10
2610	Long-term notes and accounts payable	6(18)	693,347	2	681,757	2
2630	Long-term deferred revenue	6(18)	193,391	-	204,981	1
2640	Accrued pension liabilities	6(19)	3,401	-	42,430	-
2645	Guarantee deposits received		261,809	1	237,539	1
2670	Other non-current liabilities, others		20,128	-	824	-
25XX	Non-current liabilities		11,622,050	31	11,402,819	33
2XXX	Total Liabilities		32,011,280	86	28,474,635	82
Equity						
Share capital						
3110	Share capital - common stock	6(21)	4,730,555	13	4,729,918	13
Capital surplus						
3200	Capital surplus	6(16)(22)(32)	97,071	-	1,338,798	4
Retained earnings						
3320	Special reserve	6(23)	3,166,471	9	3,166,471	9
3350	Accumulated deficit		(2,986,016)	(8)	(2,777,929)	(8)
3XXX	Total equity		5,008,081	14	6,457,258	18
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		\$ 37,019,361	100	\$ 34,931,893	100

The accompanying notes are an integral part of these parent company only financial statements.

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

			Year ended December 31			
			2020		2019	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(24) and 7		\$ 25,025,522	100	\$ 16,248,932	100
5000 Operating costs	6(3)(10)(28)(29) and 7		(26,455,286)	(105)	(17,485,723)	(108)
5900 Net operating margin			(1,429,764)	(5)	(1,236,791)	(8)
Operating expenses	6(28)(29)					
6100 Selling expenses			(64,177)	-	(73,469)	-
6200 General and administrative expenses			(328,011)	(1)	(328,985)	(2)
6300 Research and development expenses			(94,018)	(1)	(99,847)	(1)
6450 Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)		3,896	-	1,434	-
6000 Total operating expenses			(482,310)	(2)	(500,867)	(3)
6900 Operating loss			(1,912,074)	(7)	(1,737,658)	(11)
Non-operating income and expenses						
7100 Interest income			6,623	-	18,376	-
7010 Other income	6(8)(18)(25)		428,588	2	102,430	1
7020 Other gains and losses	6(26)	(	7,563)	-	(124,788)	(1)
7050 Finance costs	6(6)(7)(18)(27)	(	100,509)	(1)	(66,425)	-
7070 Share of loss of associates and joint ventures accounted for using equity method, net	6(5)		(15,154)	-	(10,407)	-
7000 Total non-operating income and expenses			311,985	1	(80,814)	-
7900 Loss before income tax			(1,600,089)	(6)	(1,818,472)	(11)
7950 Income tax benefit	6(30)		2	-	2	-
8200 Loss for the year			(\$ 1,600,087)	(6)	(\$ 1,818,470)	(11)
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311 Other comprehensive income, before tax, actuarial gains on defined benefit plans	6(19)		\$ 66,502	-	\$ 90,902	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)		(13,300)	-	(18,180)	-
8300 Other comprehensive income for the year			\$ 53,202	-	\$ 72,722	-
8500 Total comprehensive loss for the year			(\$ 1,546,885)	(6)	(\$ 1,745,748)	(11)
Basic earnings per share	6(31)					
9750 Total basic earnings per share			(\$ 3.38)		(\$ 3.91)	

The accompanying notes are an integral part of these parent company only financial statements.

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Share capital - common stock	Capital surplus	Legal reserve	Retained Earnings		Total equity
					Special reserve	Accumulated deficit	
<u>2019</u>							
Balance at January 1, 2019		\$ 3,729,918	\$ 2,005,515	\$ 1,065,297	\$ 3,166,471	(\$ 4,025,443)	\$ 5,941,758
Loss for the year, net of tax		-	-	-	-	(1,818,470)	(1,818,470)
Other comprehensive income		-	-	-	-	72,722	72,722
Total comprehensive loss		-	-	-	-	(1,745,748)	(1,745,748)
Cash capital increase	6(21)(22) and 7	1,000,000	1,252,000	-	-	-	2,252,000
Legal reserve used to offset accumulated deficit	6(23)	-	-	(1,065,297)	-	1,065,297	-
Capital surplus used to offset accumulated deficit	6(22)(23)	-	(1,927,965)	-	-	1,927,965	-
Acquisition of ownership interests in subsidiaries	6(22)(32)	-	9,248	-	-	-	9,248
Balance at December 31, 2019		\$ 4,729,918	\$ 1,338,798	\$ -	\$ 3,166,471	(\$ 2,777,929)	\$ 6,457,258
<u>2020</u>							
Balance at January 1, 2020		\$ 4,729,918	\$ 1,338,798	\$ -	\$ 3,166,471	(\$ 2,777,929)	\$ 6,457,258
Loss for the year, net of tax		-	-	-	-	(1,600,087)	(1,600,087)
Other comprehensive income		-	-	-	-	53,202	53,202
Total comprehensive loss		-	-	-	-	(1,546,885)	(1,546,885)
Capital surplus used to offset accumulated deficit	6(22)(23)	-	(1,338,798)	-	-	1,338,798	-
Due to recognition of equity component of convertible bonds issued	6(16)(22)	-	96,153	-	-	-	96,153
Conversion of convertible bonds	6(16)(21)(2) 2)	637	918	-	-	-	-
Balance at December 31, 2020		\$ 4,730,555	\$ 97,071	\$ -	\$ 3,166,471	(\$ 2,986,016)	\$ 5,008,081

The accompanying notes are an integral part of these parent company only financial statements.

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 1,600,089)	(\$ 1,818,472)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit gain	12(2)	(3,896)	(1,434)
Depreciation of property, plant and equipment	6(6)(28)	581,362	550,924
Depreciation of right-of-use assets	6(7)(28)	245,961	237,744
Depreciation of investment property	6(9)	680	556
Amortization	6(10)(28)	15,674	16,137
Share of loss of investments accounted for using equity method	6(5)	15,154	10,407
Interest income		(6,623)	(18,376)
Government grant income	6(25)(33)	(11,590)	(11,396)
(Gain) loss on valuation of financial assets and liabilities at fair value through profit or loss		(11,749)	108
Loss on disposal of property, plant and equipment	6(26)	2,197	44,600
Interest expense	6(27)	100,509	66,425
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in current contract assets		1,066,171	1,006,623
Decrease (increase) in accounts receivable		123,895	(402,492)
Increase in accounts receivable - related parties	(	14,023)	(5,194)
Decrease (increase) in other receivables		74,418	(81,653)
Decrease in other receivables - related parties		1,230	67,127
Increase in inventories	(	524,770)	(486,778)
Increase in prepayments	(	4,634,854)	(3,986,158)
Decrease (increase) in other current assets		8,995	(8,200)
Changes in operating liabilities			
Decrease in financial liabilities at fair value through profit or loss		-	(108)
(Decrease) increase in current contract liabilities	(	2,000,184)	(5,948,100)
Increase in notes payable		8,100	-
Decrease in notes payable - related parties	(	173,812)	(143,364)
Increase in accounts payable		506,003	307,476
Increase in accounts payable - related parties		757	4,233
Increase in accounts payable		115,065	117,129
Decrease in provisions for liabilities - current	(	326,819)	(910,101)
Increase in receipts in advance		5,371	11,745
Increase in net defined benefit liability - non-current		27,473	38,964
Cash (outflow) inflow generated from operations	(	6,409,394)	(554,572)
Interest received		6,714	18,322
Payment of interest	(	77,171)	(56,539)
Income tax refunded (paid)		65	(456)
Net cash flows (used in) from operating activities	(	6,479,786)	(515,899)

(Continued)

CSBC CORPORATION, TAIWAN
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for using equity method	6(5)(32)	(\$ 1,050,000)	(\$ 87,000)
Acquisition of property, plant and equipment	6(33)	(940,273)	(954,592)
Acquisition of intangible assets	6(10)	(26,979)	(11,594)
Increase in refundable deposits		(17,465)	(70,009)
Decrease in refundable deposits		28,418	35,925
Net cash flows used in investing activities		(2,006,299)	(1,087,270)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(34)	3,376,785	532,211
Increase in short-term notes and bills payable	6(34)	999,842	1,699,563
Proceeds from issuance of bonds	6(34)	2,034,775	-
Proceeds from long-term debt	6(34)	-	300,000
Repayments of long-term debt	6(34)	(649,202)	(150,765)
Repayments of principal portion of lease liabilities	6(34)	(228,663)	(214,694)
Increase in long-term deferred revenue	6(34)	-	145,238
Increase in guarantee deposit received	6(34)	189,414	228,360
Decrease in guarantee deposit received	6(34)	(165,144)	(170,710)
Increase (decrease) in other non-current liabilities	6(34)	19,304	(12,409)
Cash capital increase	6(21)	-	2,252,000
Net cash flows from financing activities		5,577,111	4,608,794
Net (decrease) increase in cash and cash equivalents		(2,908,974)	4,037,423
Cash and cash equivalents at beginning of year	6(1)	4,066,638	29,215
Cash and cash equivalents at end of year	6(1)	\$ 1,157,664	\$ 4,066,638

The accompanying notes are an integral part of these parent company only financial statements.

CSBC CORPORATION, TAIWAN
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

- (1) On May 1, 1946, Taiwan Machinery and Shipbuilding Company was established by the government, and then was divided into two companies 'Taiwan Machinery Corporation' and 'Taiwan Shipbuilding Corporation (TSBC)' to split the machinery and shipbuilding business for the purpose of management. In the late 1960s, the government built large shipyards in Xiaogang Kaohsiung which is the current place of business for CSBC CORPORATION, TAIWAN (the "Company").
- (2) In July 1973, China Shipbuilding Corporation was established by the government. In the early days, most of its labour and techniques were supported by TSBC and they were both reverted to become state - owned companies under the Ministry of Economic Affairs. In January 1978, China Shipbuilding Corporation merged with TSBC and China Shipbuilding Corporation became the surviving company. The Company is primarily engaged in the business of building, manufacturing and repairing of various ships and onshore equipment.
- (3) On March 1, 2007, China Shipbuilding Corporation changed its name to CSBC Corporation, Taiwan.
- (4) The Company became a listed company in December 22, 2008.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 18, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020

**CSBC CORPORATION, TAIWAN AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020 AND 2019**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

Year ended December 31, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under IFRS 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

CSBC CORPORATION, TAIWAN

WEN-LON CHENG

March 18, 2021

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000379

To the Board of Directors and Shareholders of CSBC CORPORATION, TAIWAN

Opinion

We have audited the accompanying consolidated balance sheets of CSBC CORPORATION, TAIWAN and its subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards 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 Group in accordance with the Norm of Professional Ethics for Certified Public Accountants 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 judgement, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2020 consolidated financial statements are stated as follows:

Accounting estimates and assumptions for total cost of construction contracts

Description

Please refer to Note 4(28) for a description of the accounting policy on construction contracts. Please refer to Note 5 for critical accounting estimates and assumptions for total cost of construction contracts.

The Group is engaged in the business of designing and building of various ships and cruisers. Assumptions for estimated construction cost include cost for equipment, material, labor and etc. Data used for assumptions involves subjective judgement and accounting estimates and are highly uncertain. As a result, assumptions used are material to the total construction cost and further affects the calculation of construction profit.

As the data used for assumptions involves subjective judgement and accounting estimates are highly uncertain, this may affect the completeness and relevant assertions. Considering that the estimated total cost of construction contracts is material to the financial statements, therefore, we assessed that these accounting estimates and assumptions as one of the key audit matters for this year.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Assessing the effectiveness of CSBC Group's internal control regarding the estimation process of total cost of construction contract. This includes:
 - (1) Whether the data used by management for estimates and assumptions is complete, relevant and accurate.
 - (2) Whether accounting estimates and assumptions have been reviewed and approved by proper management level.
 - (3) Whether the segregation of duties is appropriate.
2. Obtaining the Estimate at Completion Reports, selecting sample reports and verifying the accuracy, completeness and relevance of the data that was used for assumptions and estimations. Checking whether the use of estimates and assumptions in the Estimate at Completion Reports are appropriate.
3. Comparing cost at completion for the same or similar ships and then assessing the reasonableness of the Estimate at Completion Report.

Assessment of construction loss

Description

Please refer to Note 4(28) for a description of the accounting policy on construction contracts.

There is a concern regarding the oversupply in the shipbuilding industry worldwide. Customers tend to behave conservatively which causes a decline in ship prices. Thus, there is a high possibility of total construction cost exceeding total construction revenue. In accordance with the Group's accounting policy on construction contracts, when there is a high possibility of total construction cost exceeding total construction revenue, estimated loss shall be recognised immediately.

The aforementioned estimated loss shall include constructions that have not yet been initiated. As the estimated loss is material to the financial statements, therefore, we assessed estimated loss as one of the key audit matters for this year.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Obtaining calculation table of construction in progress – construction income / loss. Checking whether it includes all the construction contracts including those contracts that have not yet been initiated.
2. Testing the accuracy of calculation table by selecting samples and performing the following audit procedures:
 - (1) Reviewing construction contracts and checking the contractual price and foreign exchange rates in order to verify the accuracy of calculation.
 - (2) Verifying estimated total construction cost to management's calculation in order to check the consistency of estimates and assumptions used.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of CSBC CORPORATION TAIWAN, as at and for the years ended December 31, 2020 and 2019.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management of the Company 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 Group'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 Group 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 Group's 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 generally accepted auditing standards 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 generally accepted auditing standards in the Republic of China, we exercise professional judgement 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 Group'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 Group'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 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 Group 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 appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.

TIEN, CHUNG-YU

WANG, KUO-HUA

For and on behalf of PricewaterhouseCoopers, Taiwan

March 18, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,237,845	3	\$ 4,122,363	12
1140	Current contract assets	6(20)(24) and 7	4,793,876	13	5,798,947	17
1170	Accounts receivable, net	6(2)(20) and 7	1,194,927	3	1,301,669	4
1200	Other receivables		26,464	-	100,795	-
1210	Other receivables - related parties	7	21,945	-	16,633	-
1220	Current income tax assets		1,395	-	1,469	-
130X	Inventories	6(3)(20)	2,349,362	6	1,824,592	5
1410	Prepayments	6(4) and 7	9,902,802	27	5,269,605	15
1479	Other current assets, others		3,768	-	15,631	-
11XX	Current Assets		19,532,384	52	18,451,704	53
Non-current assets						
1550	Investments accounted for under equity method	6(5)	1,059,433	3	29,408	-
1600	Property, plant and equipment	6(6)	11,331,068	31	10,955,512	31
1755	Right-of-use assets	6(7)	3,500,944	9	3,805,463	11
1760	Investment property - net	6(8)(9)	212,918	1	211,506	1
1780	Intangible assets	6(10)	21,476	-	10,121	-
1840	Deferred income tax assets	6(30)	1,533,169	4	1,544,867	4
1920	Guarantee deposits paid		56,174	-	67,606	-
15XX	Non-current assets		17,715,182	48	16,624,483	47
1XXX	Total assets		\$ 37,247,566	100	\$ 35,076,187	100

(Continued)

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 5,279,146	14	\$ 1,822,361	5
2110	Short-term notes and bills payable	6(12)	2,699,405	7	1,699,563	5
2130	Current contract liabilities	6(20)(24) and 7	6,698,791	18	8,707,809	25
2150	Notes payable	6(20)	8,116	-	-	-
2160	Notes payable - related parties	6(20) and 7	111,592	-	285,404	1
2170	Accounts payable	6(20)	1,600,887	4	1,094,303	3
2200	Other payables	6(14)	1,328,903	4	1,192,986	3
2230	Current income tax liabilities		2,909	-	4,915	-
2250	Provisions for liabilities - current	6(15)(20) and 7	1,292,762	4	1,617,584	5
2280	Current lease liabilities	6(7)	272,881	1	265,694	1
2310	Advance receipts		20,460	-	15,089	-
2320	Long-term liabilities, current portion	6(17)	1,280,000	4	500,000	1
21XX	Current Liabilities		20,595,852	56	17,205,708	49
Non-current liabilities						
2500	Non-current financial liabilities at fair value through profit or loss	6(13)(16)	5,995	-	-	-
2530	Bonds payable	6(16)	1,932,301	5	-	-
2540	Long-term borrowings	6(17)	3,918,570	10	5,347,772	15
2570	Deferred income tax liabilities	6(30)	1,324,697	4	1,324,697	4
2580	Non-current lease liabilities	6(7)	3,268,411	9	3,562,819	10
2610	Long-term notes and accounts payable	6(18)	693,347	2	681,757	2
2630	Long-term deferred revenue	6(18)	193,391	-	204,981	1
2640	Accrued pension liabilities	6(19)	3,401	-	42,430	-
2645	Guarantee deposits received		283,392	1	247,941	1
2670	Other non-current liabilities, others		20,128	-	824	-
25XX	Non-current liabilities		11,643,633	31	11,413,221	33
2XXX	Total Liabilities		32,239,485	87	28,618,929	82
Equity attributable to owners of parent						
Share capital						
3110	Share capital - common stock	6(21)	4,730,555	13	4,729,918	13
Capital surplus						
3200	Capital surplus	6(16)(22)(32)	97,071	-	1,338,798	4
Retained earnings						
3320	Special reserve	6(23)	3,166,471	8	3,166,471	9
3350	Accumulated deficit		(2,986,016)	(8)	(2,777,929)	(8)
31XX	Equity attributable to owners of the parent		5,008,081	13	6,457,258	18
3XXX	Total equity		5,008,081	13	6,457,258	18
Significant contingent liabilities and unrecognised contract commitments		7 and 9				
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		\$ 37,247,566	100	\$ 35,076,187	100

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Items	Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(24) and 7	\$ 25,296,629	100	\$ 16,540,899	100
5000	Operating costs	6(3)(10)(28)(29) and 7	(26,706,103)	(105)	(17,731,280)	(107)
5900	Net operating margin		(1,409,474)	(5)	(1,190,381)	(7)
	Operating expenses	6(10)(28)(29)				
6100	Selling expenses		(67,767)	-	(77,936)	-
6200	General and administrative expenses		(339,995)	(1)	(339,252)	(2)
6300	Research and development expenses		(94,017)	(1)	(99,847)	(1)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	3,858	-	1,276	-
6000	Total operating expenses		(497,921)	(2)	(515,759)	(3)
6900	Operating loss		(1,907,395)	(7)	(1,706,140)	(10)
	Non-operating income and expenses					
7100	Interest income		6,699	-	18,907	-
7010	Other income	6(8)(18)(25)	431,928	2	101,339	1
7020	Other gains and losses	6(26)	(9,096)	-	(125,507)	(1)
7050	Finance costs	6(6)(7)(18)(27)	(100,911)	(1)	(66,425)	(1)
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(5)	(19,975)	-	(31,084)	-
7000	Total non-operating income and expenses		308,645	1	(102,770)	(1)
7900	Loss before income tax		(1,598,750)	(6)	(1,808,910)	(11)
7950	Income tax expense	6(30)	(1,337)	-	(6,608)	-
8200	Loss for the year		(\$ 1,600,087)	(6)	(\$ 1,815,518)	(11)
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gain on defined benefit plan	6(19)	\$ 66,502	-	\$ 90,902	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	(13,300)	-	(18,180)	-
8300	Total other comprehensive income for the year		\$ 53,202	-	\$ 72,722	-
8500	Total comprehensive loss for the year		(\$ 1,546,885)	(6)	(\$ 1,742,796)	(11)
	Profit (loss), attributable to:					
8610	Owners of the parent		(\$ 1,600,087)	(6)	(\$ 1,818,470)	(11)
8620	Non-controlling interest		-	-	2,952	-
	Total		(\$ 1,600,087)	(6)	(\$ 1,815,518)	(11)
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		(\$ 1,546,885)	(6)	(\$ 1,745,748)	(11)
8720	Non-controlling interest		-	-	2,952	-
	Total		(\$ 1,546,885)	(6)	(\$ 1,742,796)	(11)
	Basic earnings per share	6(31)				
9750	Total basic earnings per share		(\$ 3.38)		(\$ 3.91)	

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

Notes	Share capital - common stock	Equity attributable to owners of the parent					Non-controlling interest	Total	Total equity
		Capital surplus	Legal reserve	Special reserve	Accumulated deficit	Retained earnings			
2019									
Balance at January 1, 2019	\$ 3,729,918	\$ 2,005,515	\$ 1,065,297	\$ 3,166,471	(\$ 4,025,443)	\$ 5,941,758	\$ 43,796	\$ 5,941,758	\$ 5,985,554
Profit (loss) for the year, net of tax	-	-	-	-	(1,818,470)	(1,818,470)	2,952	(1,818,470)	(1,815,518)
Other comprehensive income	-	-	-	-	72,722	72,722	-	72,722	72,722
Total comprehensive income (loss)	-	-	-	-	(1,745,748)	(1,745,748)	2,952	(1,745,748)	(1,742,796)
Cash capital increase	1,000,000	1,252,000	-	-	-	2,252,000	-	2,252,000	2,252,000
Legal reserve used to offset accumulated deficit	-	-	(1,065,297)	-	1,065,297	-	-	-	-
Capital surplus used to offset accumulated deficit	-	(1,927,965)	-	-	1,927,965	-	-	-	-
Acquisition of ownership interests in subsidiaries	-	9,248	-	-	-	-	(46,748)	9,248	(37,500)
Balance at December 31, 2019	\$ 4,729,918	\$ 1,338,798	\$ -	\$ 3,166,471	(\$ 2,777,929)	\$ 6,457,258	\$ -	\$ 6,457,258	\$ 6,457,258
2020									
Balance at January 1, 2020	\$ 4,729,918	\$ 1,338,798	\$ -	\$ 3,166,471	(\$ 2,777,929)	\$ 6,457,258	\$ -	\$ 6,457,258	\$ 6,457,258
Loss for the year, net of tax	-	-	-	-	(1,600,087)	(1,600,087)	-	(1,600,087)	(1,600,087)
Other comprehensive income	-	-	-	-	53,202	53,202	-	53,202	53,202
Total comprehensive loss	-	-	-	-	(1,546,885)	(1,546,885)	-	(1,546,885)	(1,546,885)
Capital surplus used to offset accumulated deficit	-	(1,338,798)	-	-	1,338,798	-	-	-	-
Due to recognition of equity component of convertible bonds issued	-	96,153	-	-	-	96,153	-	96,153	96,153
Conversion of convertible bonds	637	918	-	-	-	-	-	-	-
Balance at December 31, 2020	\$ 4,730,555	\$ 97,071	\$ -	\$ 3,166,471	(\$ 2,986,016)	\$ 5,008,081	\$ -	\$ 5,008,081	\$ 5,008,081

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31,	
	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(\$ 1,598,750)	(\$ 1,808,910)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit gain	12(2)	(3,858)	(1,276)
Depreciation of property, plant and equipment	6(6)(28)	585,453	552,089
Depreciation of right-of-use assets	6(7)(28)	245,961	237,744
Depreciation of investment property	6(9)	680	556
Amortization	6(10)(28)	15,710	16,158
Share of profit (loss) of investments accounted for using equity method	6(5)	19,975	31,084
Interest income		(6,699)	(18,907)
Government grant income	6(25)(33)	(11,590)	(11,396)
(Gain) loss on valuation of financial assets and liabilities at fair value through profit or loss		(11,749)	108
Loss on disposal of property, plant and equipment	6(26)	2,197	44,602
Interest expense	6(27)	100,911	66,425
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in current contract assets		1,007,494	856,247
Decrease (increase) in accounts receivable		108,177	(400,968)
Decrease (increase) in other receivables		74,237	(81,649)
(Increase) decrease in other receivables - related parties		(5,312)	67,127
Increase in inventories		(524,770)	(486,778)
Increase in prepayments		(4,633,197)	(3,991,275)
Decrease (increase) in other current assets		11,863	(13,562)
Changes in operating liabilities			
Decrease in financial liabilities at fair value through profit or loss		-	(108)
(Decrease) increase in current contract liabilities		(2,009,018)	5,956,541
Increase in notes payable		8,116	-
Decrease in notes payable - related parties		(173,812)	(143,364)
Increase in accounts payable		506,584	381,041
Increase in other payables		119,296	124,915
Decrease in provisions for liabilities - current		(324,822)	(909,975)
Increase in receipts in advance		5,371	11,745
Increase in net defined benefit liability - non-current		27,473	38,964
Cash (outflow) inflow generated from operations		(6,464,079)	517,178
Interest received		6,793	18,861
Payment of interest		(77,572)	(56,539)
Income tax (paid) refund		(4,871)	750
Net cash flows (used in) from operating activities		(6,539,729)	480,250

(Continued)

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31,	
	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for using equity method	6(5)(32)	(\$ 1,050,000)	(\$ 49,500)
Acquisition of property, plant and equipment	6(33)	(947,448)	(974,462)
Acquisition of intangible assets	6(10)	(27,065)	(11,668)
Increase in refundable deposits		(21,458)	(73,203)
Decrease in refundable deposits		32,890	36,347
Net cash flows used in investing activities		(2,013,081)	(1,072,486)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings	6(34)	3,456,785	532,211
Increase in short-term notes and bills payable	6(34)	999,842	1,699,563
Proceeds from issuance of bonds	6(34)	2,034,775	-
Proceeds from long-term debt	6(34)	-	300,000
Repayments of long-term debt	6(34)	(649,202)	(150,765)
Repayments of principal portion of lease liabilities	6(34)	(228,663)	(214,694)
Increase in long-term deferred revenue	6(34)	-	145,238
Increase in guarantee deposit received	6(34)	202,062	236,469
Decrease in guarantee deposit received	6(34)	(166,611)	(173,456)
Increase (decrease) in other non-current liabilities	6(34)	19,304	(12,409)
Acquisition of ownership interests in subsidiaries	6(32) and 7	-	(37,500)
Cash capital increase	6(21)	-	2,252,000
Net cash flows from financing activities		5,668,292	4,576,657
Net (decrease) increase in cash and cash equivalents		(2,884,518)	3,984,421
Cash and cash equivalents at beginning of year	6(1)	4,122,363	137,942
Cash and cash equivalents at end of year	6(1)	\$ 1,237,845	\$ 4,122,363

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

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

- (1) On May 1, 1946, Taiwan Machinery and Shipbuilding Company was established by the government, and then was divided into two companies 'Taiwan Machinery Corporation' and 'Taiwan Shipbuilding Corporation (TSBC)' to split the machinery and shipbuilding business for the purpose of management. In the late 1960s, the government built large shipyards in Xiaogang Kaohsiung which is the current place of business for CSBC CORPORATION, TAIWAN (the "Company").
- (2) In July 1973, China Shipbuilding Corporation was established by the government. In the early days, most of its labour and techniques were supported by TSBC and they were both reverted to become state - owned companies under the Ministry of Economic Affairs. In January 1978, China Shipbuilding Corporation merged with TSBC and China Shipbuilding Corporation became the surviving company. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the business of building, manufacturing and repairing of various ships and onshore equipment, ship coating, anti-corrosion coating on large steel structure, surface treatment and professional coating.
- (3) On March 1, 2007, China Shipbuilding Corporation changed its name to CSBC Corporation, Taiwan.
- (4) The Company became a listed company since December 22, 2008.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 18, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020

Annex 4

CSBC Corporation, Taiwan Deficit Compensation Statement 2020

Unit : NT\$

Items	Dollars	
	Subtotal	Total
Beginning deficit to be compensated		(\$1,439,130,862)
+: Other comprehensive income of 2020	53,201,231	
-: Net loss of 2020	(1,600,087,396)	
Accumulated deficit at the end of 2020		(\$2,986,017,027)

Chairman:
CHENG, WEN-LON

President:
CHENG, WEN-LON

Accounting Manager:
Hsu, Yu-Chen

Annex 5

Corporate Social Responsibility of CSBC Corporation, Taiwan 2020 Annual Strategic Action Planning

Implementation and Tracking Statement of Corporate Governance and Sustainable Operational Promoting Team

Agenda Item	Implementation and Tracking
1. Enterprise culture and promotion Implementation unit: Planning Department ■ Goal Establish a faithful with disciplines, efficiency, honor and missions. ■ Action planning (1) Keep promoting EP-10 and management and test. (Planning) (2) Conduct omni-directional employee satisfaction survey, and keep improving. (3) Conduct omni-directional employee satisfaction survey, and keep improving. (Quality assurance/ship repair/warship building project control office/offshore engineering PMO/business) (4) Establish special areas of enterprise culture promotion and learning. (Management)	■ EP10 promotion, and management and test (1) 2020 EP10 upgrade project still focused on strengthen to add profit and reduce cost, set the goal of adding profit was 0.18 billion NT dollars and the goal of reducing cost is 0.17 billion NT dollars, the sum of the annual goal of adding profit and reducing cost was 0.35 billion NT dollars, and combined the performance assessment of each level unit by monthly to control and manage. (2) As of the end of October in 2020, 76 items in total of EP10 upgrade project have been in process of tracking and control and the achievement rate was 89.18%, the goal of adding profit and reducing cost reached the goal, and the follow-up will keep implementing to add profit and reduce cost. ■ Employee and customers satisfaction survey: (1) Business Department completed the results of annual customers satisfaction survey, we retrieved 11 questionnaire in total, and the total scores were 82.2. The open opinions of shipowners therein, after consolidated and audited, and the opinions shall be submitted to related units at the same time for reference and improvement, and the company shall reply to customers and constantly show consideration for opinions of customers. (2) Management Department completed the annual employees' work satisfaction survey, and regarded it as the reference of constantly improving in the future. The scope of survey includes the following five facets: A. Satisfaction of the work itself B. Satisfaction of supervisors C. Satisfaction of salaries and benefits D. Satisfaction of promotion E. Satisfaction of getting along with colleagues ☆ Sent out 120 sample questionnaires of satisfaction survey in total, retrieved 115 questionnaires, and the recovery rate was 95.83%, as statistically analyzed and consolidated results, the scores of the overall work satisfaction was 74, and it was classified under moderate satisfaction; the scores of promotion satisfaction was 66.8, and salaries satisfaction was 70.4, and the scores of these two items were on the low side. ☆ Improvement suggestions about the survey were

	separately sent to related unit discuss for improvement. ☆ Report on questionnaire survey of employees' work satisfaction (detail is as the attachment). (2) <u>As of the convention of the committee, other units have not accordingly reply yet.</u> ■ Establish special areas of enterprise culture promotion and learning: Management Department drives enterprise culture promotion and consolidates learning results as follows: (1) Produce promotional posters and brochures of enterprise culture, and post them near by all card readers of the company, let all the staff read the concepts of CSBC enterprise culture when they clock in and clock off. (2) Shoot three promotional videos about enterprise culture (pop up version, the version of a handsome guy making the quiz game, the version of a beauty making the quiz game), and upload the intranet of the company to communicate to all colleagues with more active ways different from the past, and understand the enterprise culture of CSBC. (3) On on-line learning platform of CTMS, establish a special area of enterprise culture learning, and provide all supervisors and colleagues of the company to constantly receive the related latest news of enterprise culture.
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2. Business transformation and reorganization of Keelung Factory Implementation unit: Planning Department ■ Goal 1. In 2020 (1) Shipbuilding revenue ratio is 40% or less (2) Warship building revenue ratio is 50% or more (3) Offshore engineering revenue ratio is 8% or more ■ Action planning (1) Constantly promote and market intelligent/energy saving/environmental protection ships, and create customers' value. (Design/information technology) (2) Introduce intelligent plants, decrease production costs and increase efficiency. (Environmental engineering/information technology) (3) Actively market to strive for batches of order of competitive ship types. (Business Department) (4) Constantly strive for the order of unity of building and repair from Ministry of National Defense and Coast Guard Administration. (Business Department) (5) Constantly strive for manufacture and coating of steel structure of underwater foundation used by offshore win power. (Business Department)	1) To adapt intellectualization trend, the company constantly promotes 4IntShip planning (Intranet、Internet、Integration、Intelligent), bases on improvement of internet of vessels, and gradually completes system integration of big data industry 4.0, provides ship intellectualization projects, and markets and promotes for shipowners: A. Presently complete product developments of intelligent ships gradually, and ShipWAP and big data collection system of Yang Ming Marine Transport Corporation and CSC completed, and installation of ballast regulating system of heavy-lift ships (including training machines) in wind power industry was completed, the present performance is two ships: CSBC No. 15 barge (HNO.1110) and Jong Shyn barge (JY-148). B. In implementing of projects: The enhancement of AOE wheel control system, installations of a satellite of a barge in total of H1154 series, automatic water transfer system and alarm monitoring system of four barges in total of LPD(HNO.1103), including collection of big data, and continuous installations of six 1,000-ton frigates in total of Coast Guard Administration. C. Constantly collect experiences and needs of users in the future, and enhance to develop related products and services. (2) Take transformation of production digital as main force of development, and develop towards the facets of engineering safety, environmental protection, energy saving of resources , such as water, electricity and natural gas, productive force increase, work process shortening and automation, etc., through driving and integration of information technology, the concrete results are as follows: A. Information collection of aerial lift vehicles: installation of on-line operation on two vehicles was completed in 2020, as evaluated to apply, the following vehicles will be continued to conduct in 2021 to make information big digitalized, and reach the management of operational efficiency of vehicles, prevent malfunction, and other measures to increase utilization rate of vehicles. B. Information collection management of cranes: LLC in the whole plant has saved sample value of related information in the industrial computer, after remote transmission was completed, analysis and management of working status can be proceeded immediately. C. Energy consumption management of air compressor: as adapted the annual reducing cost policy of the company this year, postponed to carry out this item, and delayed to implement until
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2. 2020 Completion of reorganization and positioning of Keelung Factory ■ Action planning (1) Complete H1 reorganization and operational strategic planning in 2020. (Planning/administration/Keelung) (2) Implement reorganization and operational strategies in the end of year 2020. (Planning/administration/Keelung)	the next year, after future installation completed, the company can monitor the air compressor, and will operate current, start frequency and other information to analyze for implementing measures of energy saving control and management. D. Power management of Chun Ying Building: completion of intelligent electric meter monitoring installation, will generate power consumption information about each monitoring unit and electricity bill as reference of charging in the future. (3) The main promotional merchant ship type of the company is feeder (1,800 TEU, 2,800 TEU), and bulk carriers of 0.208 million tons and 0.1 million tons. As the influence of COVID-19, shipbuilding willingness of shipowners significantly declines; Business department will continue to keep in touch with shipowners, and understand shipowners' future shipbuilding plans to strive for batches of order. (4) As the company builded warships for Ministry of Defense and Coast Guard Administration, afterward utilized the overall logistics operation to establish software and hardware, constantly strive for long-term open contracts of five years arranged by the authority, so that the company can strive for the order of unity of building and repair, reach prompt supply and mobile manpower utilization, and ensure appropriateness of equipments and safety of warships. (5) Steel structure items of main promotional underwater base of the company: A. Underwater pin pile B. Single-pile underwater base and transfer section C. Duct underwater base and transfer section D. Auxiliary steel structure of other offshore engineering ☆ The business of underwater pin pile has contracted 60 piles of Ørsted big Changhua project, the businesses which the company presently strives for include CIP project, Zhong Neng project and Hai Long project. The business of underwater base transfer section has contracted 2+20 bases of Sing Da Marine Structure Ørsted project, and present businesses which in preceding of striving for include CIP project of Century Iron & Steel Industrial Co., Ltd., Zhong Neng project of Sing Da Marine Structure and Hai Long project. ☆ Localization of offshore wind power industry is expected to extend to 2035. (6) As of the end of November, the revenue percentage of the three major businesses is as follows: <u>A. Shipbuilding revenue ratio is 25%.</u> <u>B. Warship building ratio is 59%.</u>
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	<u>C. Offshore engineering and other revenue ratios are 16%.</u> ■ The annual concrete results are as follows: (1) As of November, Keelung Factory has continuously completed the integrations of many items of ERP operational system, decreased system maintenance and personnel training cost, and increased system applicability of Keelung and Kaohsiung factories. (2) After Engineering Design Department of Keelung Factory emerged with Design Department, and Keelung Ship Repair Workshop merged with Keelung Business Department, restarted merging operation of Public Utilities Department and Occupational Safety and Health Department of Keelung Factory in August, 2020, 13 secondary units of Keelung Factory was reduced to 10, and implemented lean organization and purpose of reform. (3) For purchasing operations and financial accounting operations of new ship materials, it is gradually centralized conducted by Kaohsiung Factory, and decreases expenditure cost of manpower, and will gradually show benefits of operational performance. (4) 8 items in total of reorganization control and management plan of Keelung Factory audited in December, 2019, as of the end of November, 7 items were completed to implement, the achievement rate was 87.5%, and remained partial operation of material management system is still needed to proceed at the local side of Keelung, so the system has not been completely integrated yet, this item is expected to transfer to work report for proceeding tracking in 2021. ■ Various reorganization mentioned in the preceding paragraph, in addition, the business transformation strategy of Keelung Factory, the company makes all-out efforts to strive for various building and repair of official ships and production businesses of offshore engineering steel structure, businesses of present orders held by Keelung Factory are scheduled to October, 2027, and the company implements reform and achieves operational strategies. ■ In addition, utilize owned and idled land of Keelung Factory, and proceed to activate plants with a low usage rate, develop a production park of important equipments for national warships made by the country, the groundbreaking was held in December 10, 2020, and the completion was expected in the end of June, 2021, and the effectiveness will gradually show in 2021.
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3. Introduce information security management system Implementation unit: Information Technology Department ■ Goal Annual passing of ISO 27001 information security management system ■ Action planning (1) Adapt Readiness Level of Level A Information Security of Ministry of Defense, set up an engine room and a key core system for introducing the verification scope. (2) Outsource for introducing and guiding from October 25, 2019, to September 30, 2020. (3) Pass verification and register on October 30, 2020.	■ As of November, 2020, the results are as follows: (1) Entrust Business Continuity Computing System Inc. to guide. (2) Complete 18 documents in total of first and second phases, and 40 amendments of lists. ■ Important guidance process of the second half of the year is as follows: (1) Complete 8 documents of the third phase before the end of June, and convene a risk review meeting of information security committee. (2) All documents and lists are officially issued and online to use before the end of July. (3) List record of August is made. (4) Conduct internal audit in September, and convene a department management review meeting. (5) Conduct external audit in October and approved by external verification of Afnor on October 26, and applied to TAF for a certificate, we expect to receive the certificate on December 23, the valid period shall not exceed three years (from December 23, 2020 to December 22, 2023), and reevaluation shall be made each year.
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Corporate Social Responsibility of CSBC Corporation, Taiwan |
2020 Annual Strategic Action Planning

Implementation and Tracking Statement of
Operational Environment and Security Promoting Team

Theme, goal/KPI and strategy	Implementation and tracking
1. Plan to promote respirator program. ※ Implementation unit: Department of Occupational Safety ■ Goal: Complete a respirator protection program in July, 2020, and implement in accordance with the program. ■ Strategy: 1. Regulation-Measures of Occupational Safety and Hygiene Facilities provides that the number of workers in a business unit is 200 persons or more, the company shall set a respirator protection program, and it has been implemented from July 1, 2020. 2. Establish a usage list of respirator protective equipments. 3. Make a respirator protection program. 4. Selection criteria of respirator protective equipments 5. Implementation of training and audit of each unit	Establish a management plan of respirator protective equipment usage: ■ Phase one (from July to September) 1. Make a respirator protection program and bidding, and sign purchasing contracts. (1) Make a respirator protection program. (2) Budget a fit test of respirator protective equipments. (3) Bidding of a fit test of respirator protective equipments (4) Sign a service purchasing contract for a fit test of respirator protective equipments. (5) Education training outline of a respirator protection program, and seeded teacher training of the qualitative fit test. (6) Wearing roster survey of respirator protective equipments of each unit. ■ Phase two (from November to December): 1. Implement a qualitative fit test of respirator protective equipments, including hull factories, outfitting factories, Hai Chang Factory, Department of Materials, and 927 persons in total. 2. Result data integration and analysis of the fit test.
2. Constantly promote measures of fall prevention in the work environment, and decrease occupational injury occurrence rate. ※ Implementation unit: Department of Occupational Safety ■ Goal: decrease the occurrence of fall accident in the work environment, and frequency-severity indicator maintains below 0.88.	(1) As of the end of December, frequency-severity indicator was 0.76. (2) Measures of fall prevention in the work environment shall adopt the following necessary measures: A. Establish a consultative organization, and appoint the person in charge of the work environment who shall have duties of direction, supervise and coordination. B. Take responsibilities of contact and adjustment. C. Make an inspection tour around the work environment.
Theme, goal/KPI and strategy	Implementation and tracking

Corporate Social Responsibility of CSBC Corporation, Taiwan
2020 Annual Strategic Action Planning

Implementation and Tracking Statement of
Social Service and Care Promoting Team

Theme, goal and strategy	Implementation
1. Promote help the disadvantaged project ✕ Implementation unit: Management Department (Public Relations Department), Keelung Factory ■ Goal: Integrate internal charities of the company with external charities, sponsor to hold activities of consoling and helping disadvantaged groups, and increase corporate image of the company. ■ Action planning: 1. Integrate with internal charities of the company (Dawn Club and Love Boat), and hold the activities in consoling and helping the disadvantaged families each time in first and second half of the year. 2. Integrate with external charities near by the company, cooperate with festival activities to console low-income families or participate in elderly living alone activities. 3. Integrate corporate union of the company with the welfare committee and retired employees association, actively care about employees and provide mutual assistance resources.	1. Internal charity of the company Dawn Club held charitable activities of care and consolation for the disadvantaged families (November 28), due to the influence of COVID-19, the Charity of Love Boat did not hold any charitable activity this year. 2. Sponsored Genesis Social Welfare Foundation (January 19), The Garden of Hope Foundation (March 22), Syin-Lu Social Welfare Foundation (March 28), Kaohsiung Municipal Social Education Center (March 28) , Eden Social Welfare Foundation (October 20), and Kaohsiung Municipal You Jen Culture and Education Association (December 31) to hold charitable activities of caring the disadvantaged groups, caring for vegetables, homeless and elderly people living alone, donating blood, etc. 3. Welfare committee provides employees scholarship and bursary, funeral condolence money and the application of wedding gift; in addition, Wen Sang Center of the welfare committee and surrounding outdoor sports facilities of the swimming pool are open to use for employees, dependents, contractors and shipowners in holidays.

Theme, goal and strategy	Implementation
2. Actively market the company, and increase corporate image ※ Implementation unit: Management Department (Public Relations Department) ■ Goal: To adapt cultural relics display area of the company, and integrate with the neighborhood, actively market the company, and increase corporate image of the company and service value. ■ Action planning: 1. Recruit a volunteer team, invite employees, dependents, retired people or contractors to join, utilize the opportunity to market the company, and shape a good corporate image. 2. Hold shipbuilding workshop for four times, invite 100 excellent junior high school students near by the company to visit, make a professional presentation and provide a tour of the cultural relics display area, and increase corporate image of the company. 3. Invite the neighborhood and charities to visit the shipyard of the company and the cultural relics display area for two times, and implement the policy of being neighborly. 4. Actively invite domestic groups of universities and colleges or higher educational degree to visit for three times.	1. The team leader of the volunteer team of CSBC shall be the manager of Management Department, and team members shall be all the staff of Public Relations Department and their dependents, and subcontractors, as the influence of COVID-19, the company did not externally participate in any charitable activities this year. 2. Due to the influence of COVID-19 this year, only 40 persons in total of an echelon of teachers and students from Qian Zhen Junior High School visited shipbuilding workshop (June 11). 3. To adapt the delivery and naming ceremony of the company's new ship, invite 24 village chiefs in total of four echelons from Xiaogang District to attend the ceremony, and visit the shipyard and the cultural relics display area of the company. 4. In 2020, 1,098 persons in total of 8 universities and colleges visited the shipyard and the cultural relics display area of the company.
3. Guard the ocean, cleaning the beach and the coast ※ Implementation unit: Management Department (Public Relations Department), Keelung Factory ■ Goal: Integrate with groups in the neighborhood of the company, sponsor to hold activities of cleaning the beach and the coast, and collectively guard marine resources. ■ Action planning: 1. Kaohsiung Factory and Keelung Factory integrate with the neighborhood and groups, and hold activities of cleaning the beach and the coast for each time in the first and second half of the year. 2. Keelung Factory cooperates with local groups to collectively adopt the beach and the coast of the side of Chung Shan Tsai. 3. Keelung Factory integrates with charities near by the company, hold activities of fry releasing for each time in the first and second half of the year.	1. Kaohsiung Factory cooperated with Fishermen Development Association of Feng Pi Tou County, Kaohsiung City to hold charitable activity of ocean maintenance, beach cleaning, and pollution control promotion at Feng Pi Tou Beach of Xiaogang District on April 25, 2020, and around 50 persons participated; cooperated with Bliss & Wisdom Foundation of Culture and Education to hold an activity of "2020 embrace the ocean with love ! Charitable activity for beach cleaning by hundreds of enterprises in Kaohsiung" at the north shore of estuary of Agongdian River on September 19, and around 130 persons participated. 2. Keelung Factory and Ping Liao Village of Hoping Island collectively conducted to adopt the activity for beach cleaning at the beach and the coast of the side of Chung Shan Tsai on January 22, 2020; conducted the Dragon Boat Festival Event of coast and beach cleaning on June 23, and 30 persons in total participated, held an activity of 2020 guard (by hands) the ocean and make Keelung good (clean)-beach cleaning of autumn environmental education, and 60 persons in total participated. 3. Cooperate with Bliss and Wisdom Buddhism Foundation to hold activities for fry releasing at Keelung Factory of Chung Shan Tsai Beach for 18 times in total.
4. Promote industry-academia cooperation project, and cultivate professional talents of shipbuilding and offshore engineering	1. Select excellence and employ students of industry-academia cooperation class, 14 persons from the category of technology, and 5 persons from the category of

Theme, goal and strategy	Implementation
※ Implementation unit: Management Department (College of CSBC) ■ Goal: 1. Select excellence and employ students of industry-academia cooperation class, 6 persons from the category of technology, and 4 persons from the category of industrial management to become permanent employees of the company. 2. 90 students in total of industry-academia cooperation class did an internship in the factory. ■ Action planning: 1. From May to July, 2020, conducted selection of internship expiry for 9 students of welding special class in Fortune Institute of Technology of school year 2016, and 6 students of electrical engineering special class in National Kaohsiung University of Science and Technology of school year 2019, and selected excellence and employed 6 students from the category of technology, and 4 students from the category of industrial management to become permanent employees of the company. 2. Expected to conduct industry-academia cooperation projects in 2020, including continuously conducted three special classes and two new-conducted special classes, and five special classes in total and around 90 persons did an internship in the factory, details are as follows: (1) May: 40 students of shipbuilding special class of Chung-Cheng Industrial High School and National Kaohsiung University of Science and Technology, and 15 students of special class of Tung Kang Maritime & Fishery Vocational High School. (2) July: 20 students of special class of Department of Occupational Safety and Hygiene, Fooyin University. (3) August: 5 students of electrical engineering special class of Kao-Yuan Vocational High School of Technology & Commerce. (4) September: 10 students of practice special class of Department of Metal Materials, Fortune Institute of Technology. After personnel training mentioned above completed, do an internship of production in hull factory, outfitting factory, Design Department and Department of Environmental Protection and Public Facilities, etc.	industrial management. (1) January, 2020: 5 persons obtaining the selection and accepting terminated the period of internship in advance, and were employed at Technology Department. (2) June, 2020: 9 students of welding special class in Fortune Institute of Technology of school year 2016 obtained the selection and were accepted and employed at Technology Department in July, 2020. (3) August, 2020: 5 students of electrical engineering special class in National Kaohsiung University of Science and Technology of school year 2019 obtained the selection and were accepted and employed as electrical engineer in August, 2020. 2. There were two special classes in 2020 industry-academia cooperation project, and 48 persons in total entered in the factory, including 40 students of special class of Chung-Cheng Industrial High School and National Kaohsiung University of Science and Technology in May, 2020, and 8 students of welding special class of Fortune Institute of Technology in September, 2020, etc. After personnel training mentioned above completed, an internship was done by distributing 32 persons to hull factory, 13 persons to outfitting factory, and 3 persons to Design Department. 3. As other industry-academia cooperation class did not obtain approval of Ministry of Education, no personnel entered in the factory.

Corporate Social Responsibility of CSBC Corporation, Taiwan
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Implementation and Tracking Statement of
Environmental Protection and Environment Committee Information
Promoting Team

Theme, goal and strategy	Implementation and tracking
1. Application of green ships and technology ✧ Implementation unit: Design Department ■ Goal: completion of developments of the following ship types: 1. Traditional merchant ship 2. Official ship 3. Marine related ships ■ Action planning: The company has many innovative technologies in the scope of merchant ships, as the recession of the market, and adapt the government's policy of national warship made by the country, unless constantly increases basic design energy of traditional merchant ships, and progressively researches and develops the ship types with market potentials (such as official ships and marine related ships), and expects to show the designing ability of the company's diversification.	■ Traditional merchant ship (1) To adapt increase of large water tank energy, and proceed a ship model test for new version of EEDI-40 ship type. (2) Explore a main mechanism of new version of anti-storm ship type. ■ Official ship (1) Contracting of 100-ton level revenue cutter from Customs Administration (2) Preparation of bidding and business contract for Anhui program (3) Preparation of bidding and business contract for Hsin Tai Peng Ship ■ Marine related ships (1) Business contract of Green Jade (2) Collaborative development of TORI manned underwater vehicles

2. Plan to promote pollution control ※ Implementation unit: Department of Environmental Public Facilities, Keelung Factory ■ Goal: Unless strive for enterprise growth and breakthrough, in order to increase environmental protection and social value, the company will constantly implement management of environmental protection affairs, and expect that business operation can be symbiosis and co-prosperity with the environment. ■ Strategy: 1. Waste sorting and air pollution control 2. Promotion and response to clean electricity 3. Prevention and drill of marine pollution	■ Waste sorting and air pollution control of Kaohsiung and Keelung factories: (1) Volume of garbage generated per capita per day of year 2020 in Kaohsiung was 2.49 kg/person/day, and decreased to 2.29 kg/person/day. Volume of garbage generated per capita per day of year 2020 in Keelung was 2.44 kg/person/day, and decreased to 2.16 kg/person/day. (2) The maximum source of air pollution in Kaohsiung is volatile gas emissions of VOCs, the company sets six coating factories P1-P6 as a reduction goal, and expects that the reduction volume can reach 30% of emissions volume of the whole factory, the construction period is from 2020 to 2023, and the budget is 245 million NT dollars. (3) Kaohsiung Factory received a fine of 6,000 NT dollars from Department of Environmental Protection in June, 2020, it caused as the garbage was delivered to the incinerator, the fabric with waste oil resulted in exceeding standard of VOCs, and the follow-up is implementing measures, such as bag breaking, stirring and water sprinkling, etc., to stop recurrence. Waste, marine pollution, water pollution and air pollution and other pollution of Keelung Factory are under normal management and working, no violations occurred. ■ Promotion and response to clean electricity: Grid-connection of 69kV Yuan Hai-CSBC line of solar power plant and Taiwan Power Company was completed on December 29, 2019, in the present phase, the installation of solar energy generation module was 13,837.16Kw, and all device capacity was put in power generation, as of the end of November, 2020, the accumulated power generation exceeded 16.72 million kW, and according to the contract, the lowest volume of power consumption is 17.30 million kilowatt each year. ■ Prevention and drill of marine pollution: Kaohsiung and Keelung Factories regularly take a tour of inspection around the sea area and make a record for reference, and regularly complete a drill of marine pollution; no violation of marine pollution occurred from year 2019 to November 30, 2020.
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Corporate Social Responsibility of CSBC Corporation, Taiwan
2020 Annual Strategic Action Planning

Implementation and Tracking Statement of Corporate Governance and
Sustainable Operational Promoting Team

Theme	Goal/KPI and Strategy
1. Promote EP-10 and adding profit and reducing cost program, and develop three main businesses, integrate with performance appraisal of units Implementation unit: Planning Department Business Department Shipbuilding Project Control Department Ship Management Department	■ Goal Constantly promote EP-10 and adding profit and reducing cost program. ■ Action planning (1) Rolling draft EP-10, and management and test. (2) Constantly promote adding profit and reducing cost program. (3) Develop three main businesses, establish concrete and specific KPI management and test. (4) Implement to integrate with performance appraisal of units.
2. Reorganization and transformation of Keelung Factory Implementation unit: Planning Department Co-organizer: Keelung Factory Ship repair factory Management Department Financial and Accounting Department Information Technology Department	■ Goal Completion of reorganization and transformation of Keelung Factory in 2023 ■ Action planning (1) 12 items of reorganization strategy and action planning for rolling discussion (2) Business transformation: 1. Focus on niche market of small and medium official ships. 2. Strive for business of unity of building and repair. 3. Manufacturing park of important equipments. 4. Invest in production of offshore engineering TP. (3) Lean organization and administrative unification: 1. Lean organization and reform. 2. Administrative unification. (4) Human resource: 1. Scale and allocation of manpower. 2. Multi-skill training. 3. TP welder training. (5) Decrease of cost sharing: decrease to share overhead fee of Kaohsiung.

3. Strengthen corporate governance and ethical management Implementation unit: Planning Department Financial and Accounting Department Management Department Legal Affairs Office	■ Goal 1. To adapt corporate governance 3.0, strengthen corporate governance and ethical management. 2. According to the audit committee and the remuneration committee, establish risk management committee (corporate governance 3.0, strengthen the competence of the board of directors, and plan designate as corporate governance index in 2022). ■ Action planning (1) According to corporate governance, disclose the development blueprint, appoint supervisors of corporate governance, and review and strengthen corporate governance. (2) Make a propaganda to prevent insider trading made by insiders for directors/managerial officers, new employees and employees, and disclose executive performance in the annual report and the website of the company. (3) Conduct a propaganda of corruption, anti-bribery, violated ethical management and violations, and disclose executive performance in the annual report, corporate social responsibility report and the website of the company, and the reports shall be submitted to the board of directors when it's necessary. (4) Prepare and establish the risk management committee for making an overall plan to supervise the risk management of the company.
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Corporate Social Responsibility of CSBC Corporation, Taiwan
2021 Annual Strategic Action Planning

Implementation and Tracking Recommendation Statement of
Operational Environment and Labor Safety Promoting Team

Theme	Goal/KPI and Strategy
1. Amendment and management of respirator protection program ※ Implementation unit: Department of Occupational Safety	■ Goal: improvement of respirator protective equipment, and occurrence decrease of occupational disease ■ Action planning: 1. Review the respirator protection program and make amendments. 2. Exposure assessment of working in dusty environment 3. Section and adjustment of respirator protective equipment 4. Fit test of operators in the high risk area
2. Implementation of fire prevention measures in the work environment ※ Implementation unit: Department of Occupational Safety	■ Goal: enhancement of check points for ventilated cabin work environment of forming ships and various control measures, and occurrence decrease of occupational accidents ■ Action Planning: 1. Supervise control items, such as ship smoking, fire application, and etc. 2. Inspect ventilation equipment, setting of warning signs in the control area, installation of hazard announcement, and safety check points, and other items.

Corporate Social Responsibility of CSBC Corporation, Taiwan
2021 Annual Strategic Action Planning

Implementation and Tracking Recommendation Statement of
Social Service and Care Promoting Team

Theme	Goal/KPI and Strategy
1. Promote help the disadvantaged project ※ Implementation unit: Management Department	■ Goal: Integrate internal charities of the company with external charities, sponsor to hold activities of consoling and helping disadvantaged groups, and increase corporate image of the company. ■ Action planning: 1. Integrate with internal charities of the company (Dawn Club and Love Boat), and hold the activities in consoling and helping the disadvantaged families each time in first and second half of the year. 2. Integrate with external charities near by the company, cooperate with festival activities to console low-income families or participate in elderly living alone activities. 3. Integrate corporate union of the company with the welfare committee and retired employees association, actively care about employees and provide mutual assistance resources.
2. Actively market the company, and increase corporate image ※ Implementation unit: Management Department	■ Goal: To adapt cultural relics display area of the company, and integrate with the neighborhood, actively market the company, and increase corporate image of the company and service value. ■ Action planning: 1. Recruit a volunteer team, invite employees, dependents, retired people or contractors to join, utilize the opportunity to market the company, and shape a good corporate image. 2. Hold shipbuilding workshop for four times, invite 100 excellent junior high school students near by the company to visit, make a professional presentation and provide a tour of the cultural relics display area, and increase corporate image of the company. 3. Invite the neighborhood and charities to visit the shipyard of the company and the cultural relics display area for two times, and implement the policy of being neighborly. 4. Actively invite domestic groups of universities and colleges and government-industry-university-institute groups to visit for three times. 5. Integrate with internal charities of the company (Dawn Club and Love Boat) to hold activities of blood donation with passion.
3. Guard the ocean, cleaning the beach and the coast ※ Implementation unit: Management Department, Keelung Factory	■ Goal: Integrate with groups in the neighborhood of the company, sponsor to hold activities of cleaning the beach and the coast, and collectively guard marine resources. ■ Action Planning: 1. Kaohsiung Factory and Keelung Factory integrate with the neighborhood and groups, and hold activities of cleaning the beach and the coast for each time in the first and second half of the year. 2. Keelung Factory cooperates with local groups to collectively adopt the beach and the coast of the side of Chung Shan Tsai.

4. Promote industry-academia cooperation project, and cultivate professional talents of shipbuilding and offshore engineering ※ Implementation unit: Management	■ Goal: 1. Select excellence and employ 32 industry-academia cooperated interns to become employees of Technology Department. 2. Constantly conduct industry-academia cooperation project, and expect that 38 interns enter in the factory. ■ Action planning: 1. Conduct excellence selection to early employ interns in the internship and end of the internship. 2. Set up industry-academia special classes in <u>vocational high schools, colleges and universities</u>, industry-academia cooperated special classes, tiered cooperative education classes, and etc., and students of three special classes can be intern in the factory.
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Corporate Social Responsibility of CSBC Corporation, Taiwan
2021 Annual Strategic Action Planning

Implementation and Tracking Recommendation Statement of
Environmental Protection and Environment Committee Information
Promoting Team

Theme	Goal/KPI and Strategy
1. Application of green ships and technology ※ Implementation unit: Design Department	■ Goal: 1. Apply existing energy saving technology to warships made by the country and policy ships of offshore wind power. 2. Apply existing technologies to energy saving modification business of traditional merchant ships. 3. Provide existing customers technical consulting and service. ■ Action planning: 1. To adapt business contract of new ships, actively provide technologies of energy saving and R&D to apply to real ships, and create added value of shipowners and customers. 2. To adapt business contract of repairing ships, actively provide technologies of energy saving and R&D to apply to installation of real ships, and create added value of shipowners and customers. 4. Accept appointments of shipowners and customers to innovate technology R&D, and provide consulting service. 5. Cross-domain cooperation for technology R&D
2. Reduction of VOCs pollution, and solar photovoltaic green energy ※ Implementation unit: Department of Environmental Public Facilities	■ Goal: 1. Completion of coating factories P1-P2 in the end of year 2021: reduce 10% emission of VOCs. 2. Roof of newly built factory added solar photovoltaic equipments, and capacity installation of 270KW will be completed in 2021. ■ Action planning: 1. To adapt total mass based control of Kaohsiung and Pingtung, reduce emission of O₃ which precursor of VOCs, and coating factories P1-P2 are in process of airtight enclosure and installation of control equipment engineering. 2. Roof of newly built factory 2A of Hull factory will be installed solar photovoltaic module and inverter, and it's expected to complete in the end of year 2021, reach capacity installation of 270KW.

Annex 6

CSBC Corporation, Taiwan “Rules of procedure for shareholders' meetings”

Revision	Befor Revision	Explanatory Notes
3、 The first, second and third items are omitted. The election or dismissal of directors, or amendments to the Articles of Association, or dissolution, merger, or division of the Company, or matters in the provisions of Article 185 of the Company Law, Articles 26.1 or 43.6 of the Securities Exchange Act, or Articles 56.1 or 60.2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed in the reasons for convening the meeting and shall not be brought up as extraordinary motions. Skip below.	3、 The first, second and third items are omitted. The election or dismissal of directors, or amendments to the Articles of Association, or dissolution, merger, or division of the Company, or the provisions of Article 185 of the Company Law, Articles 26.1 or 43.6 of the Securities Exchange Act, or Articles 56.1 or 60.2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be listed in the reasons for convening the meeting and shall not be brought up as extraordinary motions. The main content can be put on the website of the competent authority or put on the website of the designated by the company, and the website should be stated in the notice. Skip below.	Adjust the announcement method according to the regulations of the competent authority
9. The first items is omitted. The chairperson shall call the meeting to order at the scheduled meeting start time, <u>and announce relevant information of the number of non-voting rights and the number of shares present at the time.</u> If the attending shareholders do not represent a majority of the total number of shares issued, the chairperson may announce a postponement, provided that no more than two such postponements for a	9. The first items is omitted. The chairperson shall call the meeting to order at the scheduled meeting start time. If the attending shareholders do not represent a majority of the total number of shares issued, the chairperson may announce a postponement, provided that no more than two such postponements for a combined total length of no more than 1 hour may be made. If after two postponements the attending	In order to improve corporate governance and safeguard the rights of shareholders, the second item has been revised.

Revision	Befor Revision	Explanatory Notes
combined total length of no more than 1 hour may be made. If after two postponements the attending shareholders still represent less than one third of the total number of issued shares, the chairperson shall announced the meeting aborted. Skip below.	shareholders still represent less than one third of the total number of issued shares, the chairperson shall announced the meeting aborted. Skip below.	
14. If there is an election of directors in the shareholders' meeting, the election shall be handled in accordance with the election related regulations of the Company, and the results shall be announced on the spot, <u>contains the list of elected directors and the number of voting rights and the list of unsuccessful directors.</u> The second items are omitted.	14. If there is an election of directors in the shareholders' meeting, the election shall be handled in accordance with the election related regulations of the Company, and the results shall be announced on the spot. The second items are omitted.	In order to improve corporate governance and safeguard the rights of shareholders, the first item has been revised.

Annex 7

CSBC Corporation, Taiwan “Procedures for Acquisition or Disposal of Assets” Comparison of Articles Before and After Amendments

Revision	Before Revision	Explanatory Notes
No. 18, Paragraph 1, Subsection 1, Item 5 The total amount of contracts and the maximum loss limit: 1. The total amount of derivative contracts, such as forward exchange, exchange rate option and currency exchange, etc., shall be restricted to <u>expected total amount of foreign exchange receipts and payment</u> in the next <u>two</u> years, and the total amount of interest rate swap, shall be restricted to the total amount of the company's long-term liabilities.	No. 18, Paragraph 1, Subsection 1, Item 5 The total amount of contracts and the maximum loss limit: 1. The total amount of derivative contracts, such as forward exchange, exchange rate option and currency exchange, etc., shall be restricted to <u>50% of accumulated expected net exposed position of foreign exchange revenue and expenditure</u> in the <u>next</u> year, and the total amount of interest rate swap, shall be restricted to the total amount of the company's long-term liabilities.	Due to the present main point of the regulation and the inconsistency of actual hedging operating needs, after considered hedging costs and time risks, drafted to make related amendments, in order that the company assesses and conducts hedging operations, can keep more flexibilities and more correspond with the needs of the present status.

Annex 8

CSBC Corporation, Taiwan

“Operational Procedures for Loaning Funds to Others”

Comparison of Articles Before and After Amendments

Revision	Before Revision	Explanatory Notes
Article 4 The company's total amount of loans shall not exceed 40% of the company's net worth. The limit of loaning funds to a single party of the company, <u>shall not exceed 10% of the company's net worth as a restriction, except for subsidiaries where the company directly or indirectly has 100% shareholding.</u>	Article 4 The company's total amount of loans shall not exceed 40% of the company's net worth. The limit of loaning funds to a single party of the company: 1. As the business needs, subsidiaries of the company or reinvestment companies have a necessity of short-term financing facility: shall not exceed 10% of the company's net worth as a restriction, but except for subsidiaries where the company directly or indirectly has 100% shareholding. 2. Except for subsidiaries where the company directly or indirectly has 100% shareholding, the amount of loaning funds to a single enterprise of the company shall not exceed 10% of net worth in the financial statement of the most recent year of the loaning party.	In response to the business nature, the present operating status and future business development needs of the reinvestment company, deleted the restrictions of net worth of relevant loaning funds to parties in the limit of loaning funds to a single party mentioned in number 4, item 2, paragraph 2 of the original operating procedures.

Appendix

Appendix 1

Rules of Procedure for Shareholders' Meeting CSBC Corporation, Taiwan

Passed in the 1st extraordinary shareholders' meeting of 2002 on December 9, 2002

Passed in the 1st extraordinary shareholders' meeting of 2008 on March 24, 2008

Passed in the general shareholders' meeting of 2008 on June 20, 2008

Passed in the general shareholders' meeting of 2012 on June 13, 2012

Passed in the general shareholders' meeting of 2014 on June 26, 2014

Passed in the general shareholders' meeting of 2015 on June 29, 2015

Passed in the general shareholders' meeting of 2020 on June 17, 2015

1. Except as otherwise provided in the laws and regulations, the procedure of the shareholders' meetings of CSBC Corporation, Taiwan (hereinafter referred to as the Company) shall be handled in accordance with these Rules.
2. The shareholder referred to in these Rules means the shareholder him/herself or the representative appointed by the shareholder or the shareholder's proxy for attending the meeting.
3. Except as otherwise provided in the laws and regulations, the shareholders' meeting of the Company shall be convened by the board of directors.

The Company shall, 30 days before a general shareholders' meeting or 15 days before an extraordinary shareholders' meeting, produce the shareholders' meeting notice, the power of attorney form, and the information about items for recognition and discussion and election or dismissal of directors into an electronic file for upload on the MOPS. In addition, the Company shall, 21 days before a general shareholders' meeting or 15 days before an extraordinary shareholders' meeting, produce the rules of procedures for the shareholders' meeting and supplementary materials into an electronic file for upload on the MOPS. The Company shall, 15 days before a shareholders' meeting, prepare the shareholders' meeting agenda handbook and supplementary materials and make them available for the shareholders to obtain and review at any time. In addition, the handbook shall be displayed at the Company and its stock registrar and transfer agent, and distributed on-site at the meeting.

The meeting notice and announcement shall contain the reasons for

convening the meeting. The notice delivery may be done electronically with the consent of the counterparty.

Election or dismissal of directors or supervisors, amendments to the articles of incorporation, reduction of capital, application for the approval of ceasing its status as a public company, approval of competing with the company by directors, surplus profit distributed in the form of new shares, reserve distributed in the form of new shares, the dissolution, merger, or demerger of the corporation, or any matter under Article 185, paragraph 1 of the Company Act, Articles 26-1 and 43-6 of the Securities Exchange Act, Articles 56-1 and 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be set out and the essential contents explained in the notice of the reasons for convening the shareholders meeting. None of the above matters may be raised by an extraordinary motions; the essential contents shall be kept in custody in the competent securities authority or the website appointed by the company, and the website shall be specified in the notice.

Where re-election of all directors as well as their inauguration date is stated in the notice of the reasons for convening the shareholders' meeting, after the completion of the re-election in said meeting such inauguration date may not be altered by any extraordinary motion or otherwise in the same meeting.

A shareholder holding one percent or more of the total number of issued shares may submit to the company a proposal for discussion at a regular shareholders meeting. The number of items so proposed is limited to one only, and no proposal containing more than one item will be included in the meeting agenda. When the circumstances of any subparagraph of Article 172-1, paragraph 4 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 a regular shareholders' meeting is held, the company shall publicly announce its acceptance of shareholder proposals in writing or electronically, and the location and time period for their submission; the period for submission of shareholder proposals may not be less than 10 days.

The shareholder's proposal shall be no more than 300 words. Proposals more than 300 words will not be included as motions. The shareholder making the motion proposal shall be present at or appoint a proxy to attend the shareholders' meeting and participate in the discussion of the motion.

The Company shall notify the shareholder making the motion proposal of the results of the processing before the notice of convening the shareholders' meeting, and include in the meeting notice the motions meeting the criteria of the Article. For a shareholder's proposal not included in the motions, the board of directors shall state the reasons in the shareholders' meeting.

4. The shareholders shall, at each shareholder's meeting, issue a power of attorney in the form printed by the Company, specify the scope of authorization, and appoint a proxy to attend the shareholders' meeting.

Each shareholder is limited to issuing one power of attorney and appointing one proxy only. The power of attorney shall be delivered to the Company 5 days before the shareholders' meeting. If the power of attorney is duplicated, the first one that is delivered shall prevail. This requirement does not apply to a statement revoking the former power of attorney.

Upon the delivery of the power of attorney to the Company, the shareholder who wishes to attend the shareholders' meeting in person or wishes to exercise the voting right in writing or electronically shall notify the Company in writing to the cancel the proxy appointment 2 days before the shareholders' meeting, otherwise the voting right exercised by the appointed proxy who attends the meeting shall prevail.

5. The time and place of the shareholders' meeting shall be determined by the board of directors, and the meeting shall be held at the place where the head office of the Company is located or a place convenient for the shareholders' attendance and suitable for holding the shareholders' meeting. The meeting start time shall not be earlier than 9:00 am or later than 3:00 pm.
6. The Company shall prepare a rules-of-procedure handbook for the shareholders' meeting and announce the rules-of-procedure handbook and other relevant information before the shareholders' meeting.

The measures concerning the time, manner and main matters in the rules of procedure handbook in the aforesaid announcement and other matters to be followed shall be determined by the securities regulatory authority.

The attendance at the shareholders' meeting shall be determined by the submission of the attendance card to the Company by either the shareholder or the proxy appointed by the shareholder.

The Company shall deliver the rules-of-procedure handbook, annual report, attendance certificate, speech slip, vote and other meeting information to the shareholders present at the shareholders' meeting. If there is an election of directors, the election ballot shall also be delivered

The shareholder shall attend the shareholders' meeting by attendance certificate, attendance card or other attendance documents. The Company shall not arbitrarily add any other supporting documents to prove the identity of the shareholders. The solicitor for the power of attorney shall carry identity documents for verification.

If the government or a legal person is a shareholder, the representative for the shareholders' meeting is not limited to one person only. If a legal person is appointed to attend the shareholders' meeting, only one representative shall be sent.

7. If a shareholders meeting is convened by the board of directors, the meeting shall be chaired by the chairperson of the board. If the chairperson of the board is on leave or for any reason and unable to exercise the powers of a chairperson, the chairperson shall appoint one of the directors to act as the chairperson for the meeting. If the chairperson does not make such an appointment, then the chairperson for the meeting shall be elected among the directors.

If the shareholders' meeting is convened by a party other than the board of directors, the chairperson of the meeting shall be the convening party. If there are two or more convening parties, one of them shall be elected as the chairperson.

For a shareholders' meeting convened by the board of directors, the chairperson shall personally presided over the meeting, and shall have more than half of the directors of the board and at least one member from each functional committee attend the meeting. The attendance shall be recorded in the meeting minutes.

The Company may appoint its lawyer, accountant or related persons to attend the shareholders' meeting in a non-voting capacity.

8. The Company shall audio-record or video-record the whole process of the shareholders' meeting, and shall retain the recording together with the attending shareholders' sign-in register and the powers of attorney for at least one year. For any lawsuit filed by a shareholder in accordance with Article 189 of the Company Law, such documents shall be kept until the

end of the proceedings.

9. The attendance of the shareholders' meeting shall be on a share basis. The number of shares represented by the attending shareholders shall be based on the sign-in register or the attendance cards submitted, plus the number of shares with the voting rights exercised in writing or electronically.

The chairperson shall call the meeting to order at the scheduled meeting start time. If the attending shareholders do not represent a majority of the total number of shares issued, the chairperson may announce a postponement, provided that no more than two such postponements for a combined total length of no more than 1 hour may be made. If after two postponements the attending shareholders still represent less than one third of the total number of issued shares, the chairperson shall announced the meeting aborted.

If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, then pursuant to Paragraph 1 of Article 175 of the Company Law, a tentative resolution may be adopted with the consent of the attending shareholders with the majority voting rights. The shareholders shall be informed of the tentative resolution, and another shareholders' meeting shall be convened within a month.

For the shareholders' meeting reconvened, shareholders representing one third or more of the total number of issued shares still have to attend, and the consent of the attending shareholders with the majority voting rights shall be obtained. A formal resolution shall be made.

- 10.If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. Votes shall be cast on each separate proposal in the agenda (including extraordinary motions and amendments to the original proposals set out in the agenda). 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 declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs

(including extraordinary motions), except by a resolution of the shareholders' meeting.

After the meeting is adjourned, the shareholders shall not elect another chairperson to continue the meeting at the original site or another place. However, if the chairperson declares the meeting adjourned in violation of the rules of procedure, with the consent of the attending shareholders with the majority voting rights, a new chairperson may be elected to continue the meeting.

The chairman shall allow ample opportunity during the meeting for explanation and discussion of proposals and of amendments or extraordinary motions put forward by the shareholders; when the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, and may announce to suspend the discussion when it's necessary. As announced to close the discussion or stop the agenda item of the discussion, the chair shall call for a vote, and schedule sufficient time for voting.

11. Before speaking, an attending shareholder must write down on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance certificate number), and account name. The order in which the shareholders speak shall be set by the chairperson.

An attending shareholder who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

Except with the consent of the chairperson, a shareholder may not speak for more than twice on the same motion, and a single speech may not exceed 5 minutes. If a shareholder's speech violates the rules or exceeds the scope of the agenda item, the chairperson may terminate the speech.

At the time a shareholder is speaking, the other shareholders shall not speak and interfere except with the consent of the chairperson and the speaking shareholder, otherwise the chairperson shall stop this interfering behavior.

Where a legal-person shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives may speak on the same motion.

After an attending shareholder has spoken, the chairperson may respond in

person or appoint a relevant person to respond.

12. The vote calculation of the shareholders' meeting shall be on a share basis. If the government or a legal person is a shareholder, its representative shall exercise the voting rights on behalf of the shareholder.

For the resolution of the shareholders' meeting, the shareholdings of shareholders with no voting rights shall not be included in the total number of shares issued.

Shareholders are not allowed to participate in the voting on matters with their own interests involved in that are potentially harmful to the interests of the Company, and shall not act on behalf of other shareholders to exercise their voting rights.

The number of shares with no voting rights in the preceding paragraph shall not be included in the number of voting rights of the shareholders who have attended the meeting.

A shareholder may entrust a proxy to attend the shareholders' meeting. Except trust businesses or stock agents approved by the competent authority, if a proxy is entrusted by two or more shareholders, the voting rights of the proxy shall not exceed 3% of the total number of voting rights of the issued shares, otherwise the voting rights exceeding the percentage shall not be counted.

13. Shareholders have one voting right for each share, except restricted shares or shares with no voting rights as listed in Item 2 of Paragraph 179 of the Company Law.

In the Company's shareholders' meeting, an electronic method shall be adopted for the exercise of voting rights, which may also be exercised in writing. The notice of the shareholders' meeting shall stipulate whether the voting rights are exercised in writing or electronically. Shareholders who exercise their voting rights either in writing or electronically are deemed to be present at the shareholders' meeting in person. However, they shall be deemed to abstain from extraordinary motions and amendments to the original motions of the shareholders' meeting.

For a shareholder who exercises the voting rights in writing or electronically in the preceding paragraph, the shareholder's decision shall be delivered to the Company 2 days before the date of the shareholders' meeting. If the decision is duplicated, the first one that is delivered shall

prevail. This requirement does not apply to a statement revoking the former decision.

After a shareholder exercises the voting rights in writing or electronically, if the shareholder wishes to attend the meeting in person, he/she shall, in the same way as the exercise of the voting rights, cancel the decision on the exercise of the voting rights in the preceding paragraph 2 days before the date of the shareholders' meeting. If the cancellation is not made before the deadline, the voting rights exercised in writing or electronically shall prevail. If a shareholder exercises the voting rights in writing or electronically and entrusts a proxy by a power of attorney to attend the shareholders' meeting, the voting rights exercised by the entrusted proxy shall prevail.

Unless otherwise provided in the Company Law and the Articles of Association of the Company, a motion is subject to the consent of the majority of the shareholders' voting rights. When voting, the shareholders shall vote on a case-by-case basis after the chairperson or his/her designated person announces the total number of voting rights of the attending shareholders case-by-case basis, and the results of the shareholders' consent, objection and abstention shall be entered into the MOPS on the day after the shareholders' meeting.

At the time of the vote, if there is no objection after the chairperson's inquiry, the motion shall be regarded as passed, and it shall bear the same effectiveness as that of voting. If there is any objection, the voting method shall be adopted in accordance with the provisions of the preceding paragraph.

In the case of an amendment or an alternative to the same motion, the chairperson shall combine it with the original motion and determine the order of voting. If one of the motions is passed, the other motion shall be deemed to be vetoed and no further voting shall be required.

The scrutineer of the motion and vote counting personnel shall be designated by the chairperson, but the scrutineer shall be a shareholder.

The results of the vote shall be announced on the spot and recorded accordingly.

14. If there is an election of directors in the shareholders' meeting, the election shall be handled in accordance with the election related regulations of the Company, and the results shall be announced on the spot.

The electoral votes for the preceding election shall be sealed and signed by the scrutineer and kept for at least one year. For any lawsuit filed by a shareholder in accordance with Article 189 of the Company Law, such documents shall be kept until the end of the proceedings.

15. The resolutions of a shareholders' meeting shall be recorded in the shareholders' meeting minutes to be signed or sealed by the chairperson, and be distributed to the shareholders within 20 days after the meeting. The preparation and distribution of the meeting minutes may be carried out electronically.

The distribution of the aforesaid meeting minutes may be carried out by way of a public announcement.

The meeting minutes shall accurately record the year, month, day, and place of the meeting, the chair's full name, the methods by which resolutions were adopted, and a summary of the deliberations and their voting results (including the number of voting rights), and disclose the number of voting rights won by each candidate in the event of an election of directors or supervisors. The minutes shall be retained for the duration of the existence of the company.

The resolution of the preceding paragraph is based on the chairperson's inquiry with the shareholders. If the shareholders have no objection to the motion, it shall be recorded that "the motion is passed with no objection after the chairperson's inquiry with all the attending shareholders". However, if the shareholders object to the motion, it shall be recorded that the voting method was adopted as well as the number of voting rights for the motion and the ratio of such voting rights.

16. The number of shares solicited by the solicitors and the number of shares represented by the proxies shall be clearly disclosed in the prescribed statistical form and posted in the venue of the shareholders' meeting on the day of the shareholders' meeting.

In case a resolution of the shareholders' meeting belongs to major information specified in the decree and by the competent authority, the Company shall transmit the contents to the MOPS within the prescribed time.

17. The chairperson may direct the proctors (or security personnel) to help maintain the order at the meeting. When the proctors (or security personnel)

help maintain the order at the meeting, they shall wear an identification card.

For shareholders who violate the rules of procedure, do not follow the chairperson's correction and disturb the conduct of the meeting, the chairperson may direct the proctors or security personnel to ask them to leave the venue.

18. During the course of a meeting, the chairperson may announce a break based on time considerations. In case of a force majeure event, the chairperson may rule the meeting temporarily suspended, and announce a meeting resumption time depending on the situation.

If the meeting venue can no longer be used before the end of the meeting agenda (including extraordinary motions), the shareholders may find another venue to continue the meeting.

A meeting resolution may be made to postpone or continue the shareholders' meeting within 5 days in accordance with the provisions of Article 182 of the Company Law.

19. Matters not stipulated in these Rules shall be handled in accordance with the provisions of the Company Law, the Articles of Association of the Company and relevant laws and regulations.
20. The Rules are implemented after the adoption of the resolution in the shareholders' meeting, and the same procedure applies to the amendments.

Appendix 2

CSBC Corporation, Taiwan Articles of Incorporation

Chapter I General Provisions

- Article 1 The Company is organized in accordance with the provisions of the Company Law of the Republic of China, and is known as " CSBC Corporation, Taiwan" .
- Article 2 The businesses of the Company are as follows:
- (1) CA01030 Steel casting business
 - (2) CA02010 Metal structure and construction component manufacturing business
 - (3) CB01010 Machinery and equipment manufacturing business
 - (4) CB01030 Pollution control equipment manufacturing business
 - (5) CD01010 Ship and parts manufacturing business
 - (6) CD01030 Automobile and parts manufacturing business
 - (7) E599010 Piping engineering business
 - (8) E601010 Electrical equipment business
 - (9) E603120 Sandblasting engineering business
 - (10) E604010 Mechanical installation business
 - (11) E901010 Painting business
 - (12) EZ15010 Insulation installation works
 - (13) EZ99990 Other engineering business
 - (14) F401021 Telecommunications-control RF equipment import business
 - (15) I599990 Other design business
 - (16) J101040 Waste disposal business
 - (17) CD01070 Business port ship repair business
 - (18) G301011 Shipping business
 - (19) G302010 Boat operation business
 - (20) G402011 Sea shipping contracting business
 - (21) G403010 Ship rental industry

- (22) G406040 Business port ship barging business
- (23) G406051 Business port cargo tally business
- (24) G406061 Business port cargo ship loading and unloading contracting business
- (25) G407010 Salvage business
- (26) G408010 Maritime rescue business
- (27) ZZ99999 Businesses not prohibited or restricted by law, in addition to the permitted businesses.

Article 3 The office of the Company is located in the Kaohsiung City. If necessary, branch offices of the Company may be established with the approval of the board of directors.

Article 4 The Company may undertake external guarantees due to business needs, and the operations shall be handled pursuant to the endorsement and guarantee related measures of the Company.

Article 5 The announcement method of the Company shall be in compliance with the provisions of Article 28 of the Company Law.

Chapter II Shares

Article 6 The total capital of the Company is set at NT\$11,138,997,170 which is divided into 1,113,899,717 shares at NT\$10 per share which are issued in different batches.

Article 7 The stocks printed by the company shall be numbered and shall be comply with provisions of Article 162 of the Company Law. They shall be signed or stamped by the directors representing the company, and after obtaining the bank visa of the stock issuing visa holder in accordance with the law.

If the shares issued by the Company are not in printed form, the central depository shall be contacted for registration.

Article 8 The Company's shares are all in registered form, unless the Company issues scriptless shares. The share shall bear the

real name of the shareholder. If the shareholder is the government or a legal person, the address and the real name of the shareholder or its representative shall be recorded in detail in the Company's shareholders' register. If the legal person is owned by two or more persons, one of them shall be appointed as the representative.

Article 9 For title transfer of shares, lost shares or destroyed shares, the matter shall be handled in accordance with the Company Law and the "Criteria Governing Handling of Stock Affairs by Public Companies" promulgated by the competent authority.

Article 10 When a new share is applied for due to share division, defacement or misappropriation, the Company may charge a processing fee.

Article 11 Shareholders shall submit the specimens of their signatures or seals to the Company for registration for the purpose of collecting dividends or exercising their rights.

Article 12 Where a shareholder's seal registered with the Company is lost, damaged or replaced, the matter as well as any other matters relating to the stock affairs of the Company shall be handled in accordance with the "Criteria Governing Handling of Stock Affairs by Public Companies" promulgated by the competent authority.

Article 13 Share title transfer shall be suspended 60 days before the date of the general shareholders' meeting, or 30 days before the extraordinary shareholders' meeting, or 5 days before the date on which the Company decides to distribute dividends, bonuses or other interests.

Chapter III Shareholders' Meeting

Article 14 The shareholders' meeting includes the general shareholders' meeting and the extraordinary shareholders' meeting:

- (1) The general shareholders' meeting is convened at least once a year and is held within 6 months after the end of

each fiscal year.

(2) The extraordinary shareholders' meeting is convened in accordance with the law when necessary.

Article 15 The convening procedures of the shareholders' meeting shall be handled in accordance with the provisions of the Company Law, the Securities Exchange Law and the relevant laws and regulations.

Article 16 Unless otherwise provided in the Company Law, the chairman of the board shall be the chairman of the shareholders' meeting. If the chairman of the board is on leave or for any reason unable to exercise his or her duties, the chairman of the board shall appoint a director as the agent. If the chairman of the board does not make an appointment, the directors shall elect one of them to be the agent.

Article 17 For the passing of a resolution in a shareholders' meeting, unless otherwise provided in the Company Law, the shareholders' meeting shall be attended by more than half of the shareholders, and the resolution shall be approved by more than half of the attending shareholders before its implementation.

Article 18 Each share of the shareholder has one voting right, but the shareholder with any of the circumstances in Paragraph 2 of Article 179 of the Company Law shall have no voting rights.

Article 19 When a shareholder is unable to attend the shareholders' meeting for any reason, he/she shall handle the matter in accordance with the provisions of the Rules Governing the Use of Proxies for Attendance at Shareholder Meetings promulgated by the competent authority.

Article 20 The shareholders' meeting shall be handled in accordance with the rules of procedure of the shareholders' meeting of the Company.

The resolutions of the shareholders' meeting shall be recorded in the meeting minutes which shall be signed or

sealed by the chairman and distributed to the shareholders within 20 days after the meeting. The meeting minutes together with the shareholders' sign-in register and the power of attorneys shall be kept at the Company.

The aforesaid meeting minutes may be produced electronically.

The aforesaid meeting minutes may be distributed by way of a public announcement.

Chapter IV Directors and Audit Committee

Article 21

The Company has 10 to 15 seats of directors, and the candidates shall be nominated by the shareholders from the list of candidates. The term of directors shall not exceed three years, but directors may be re-elected.

According to the provisions of Article 14.2 of the Securities Exchange Law, at least three among the aforesaid directors of the Company shall be independent directors. The professional qualifications, shareholdings, part-time job restrictions, determination of independence and method of nomination of the independent directors and other matters to be followed shall be handled in accordance with the relevant securities management laws and regulations.

Independent directors and non-independent directors shall be nominated separately. The election shall be held jointly, but the seats shall be calculated separately.

The minimum shareholding ratio of all the directors of the Company shall be in compliance with the relevant securities management laws and regulations.

In order to diversify the risk of directors' liabilities, the Company shall, within their term of office, purchase liability insurance for them in respect of their business scopes for the liabilities they shall bear in accordance with the law.

Article 22

The remuneration of the directors of the Company is entrusted to the board of directors to determine, with the consideration

of the value of their participation in the Company's operation, their contribution and the remuneration of the directors of peer companies.

Other benefits may be granted to the chairman of the board in accordance with the relevant provisions concerning the remuneration of practitioners in the business.

Article 23

For a shortfall of one-third of the directors' seats, an extraordinary shareholders' meeting shall be held in accordance with the provisions of the Company Law for an election of the directors.

In the event of a vacancy of a director from the government or a legal person, the government or the legal person shall appoint another representative to make up the original term.

Article 24

The authority of the board of directors is as follows:

1. Approving the Company's business plan.
2. Approving the Company's financial statements.
3. Establishing or amending the internal control system in accordance with the provisions of Article 14.1 of the Securities Exchange Law.
4. Establishing or amending the procedures for major financial activities such as the acquisition or disposal of assets, engagement in derivative transactions, loans to others and endorsements or guarantees according to the provisions of Article 36.1 of the Securities Exchange Law.
5. Fund raising, issuing or private fund raising of securities with the nature of equity.
6. Hiring and dismissal of financial, accounting or internal audit managers.
7. Donations to related parties or significant donations to non-related parties. Public welfare donations due to major natural disasters may be recognized in the next board meeting.

8. Issues which shall be decided in the shareholders' meeting or proposed in the board meeting, or major issues specified by the competent authority as stipulated in Article 14.3 of the Securities Exchange Law and other laws or regulations.

Article 25 The Company has set up the Audit Committee in accordance with the provisions of Article 14.4 of the Securities Exchange Law. The Audit Committee's responsibilities, organization rules and other matters to be followed shall be handled in accordance with the provisions of the Company Law, the Securities Exchange Law, other relevant laws and regulations and the rules and regulations of the Company.

Article 26 For the setup of the board of directors, more than two-thirds of the directors shall be present at the meeting and the consent of the majority of the attending directors shall be obtained. A chairman shall be elected among the directors to perform all the affairs of the Company in accordance with the decrees, articles of association, and the resolutions of the shareholders' meeting and the board meeting. The chairman of the board internally is the chairman of the shareholders' meeting and the board meeting, and externally represents the Company.

If the board meeting is conducted via video, the directors shall be deemed to be present in person via video.

Article 27 Except that the first board meeting of each term of directors shall be convened by the director with votes representing the most voting rights or in accordance with the provisions of the Company Law, the other board meetings shall be convened by the chairman of the board. The notice of the board meeting shall state the date, venue and cause of the meeting, and the directors and supervisors shall be notified in writing or electronically 7 days ago. In case of an emergency, a board meeting may be convened at any time. If

the meeting notice is to be sent by electronic means, it is subject to the consent of the counterparties.

Article 28 The chairman is also the chairman of the board. If the chairman of the board can not perform his/her duty for any reason, he/she shall appoint one of the directors to act as the agent. If the chairman does not make the appointment, then the directors shall elect one of them to be the agent.

Article 29 For the passing of a resolution in a board meeting, except as otherwise provided in the Company Law, the board meeting shall be attended by more than half of the directors, and the resolution shall be approved by more than half of the attending directors before its implementation.

Article 30 The director may, pursuant to Article 205 of the Company Law, issue a power of attorney and list the scope of authorization to appoint another director to attend the board meeting. The appointed director may exercise the voting rights within the scope of authorization, but each director may accept the authorization of one person only. A director living abroad may appoint another director in writing to attend the board meeting on a regular basis.

Chapter V Human Resources

Article 31 The Company has one general manager and several managers. The appointment, dismissal and remuneration of the managers shall be handled in accordance with the provisions of Article 29 of the Company Law.

Article 32 The general manager shall handle the affairs of the Company under the supervision of the board of directors. The managers shall assist the general manager in the duties of the general manager, and shall have the right to sign on behalf of the Company within the scope of the approved regulations or written authorization of the general manager.

Article 33 The general manager may hire other employees required by the Company within the number of employees approved by the board of directors.

Chapter VI Financial Statements

Article 34 At the end of each accounting year of the Company, the following documents shall be prepared by the board of directors for delivery to the audit committee 30 days before the general shareholders' meeting for review and then submission to the shareholders' meeting for recognition:

1. The business report
2. The financial statements
3. The motion concerning earnings distribution or loss make-up

Article 35 If the Company has a profit for the year, it shall distribute an employee bonus of not less than 1 percent and not more than 5 percent of the profit, and the payment may be made in share or in cash. The directors' remuneration shall not be more than 1 percent of the profit. However, if the Company still has an accumulated loss, it shall make up for the loss first.

The profit for the current year in the first paragraph refers to the pre-tax profit for the current year before the deduction of the employee bonus and the directors' remuneration.

For the distribution of the employee bonus and the directors' remuneration, the board meeting shall be attended by more than two-thirds of the directors, and the resolution shall be approved by more than half of the attending directors. The payment shall be made in one go.

Article 35.1 If there is a surplus after the current year's accounts, the Company shall first pay the business income tax according to law and make up for the accumulated loss in the previous years. If there is a balance, the Company shall appropriate 10% of it as the statutory surplus reserve. However, if the

statutory surplus reserve has reached the total amount of paid-in capital, then this requirement does not apply. A special surplus reserve shall then be appropriated according to Article 41 of the Securities Exchange Law. If there is still a balance, the board of directors shall draft a distribution proposal for the resolution of the shareholders' meeting and the distribution afterwards.

The Board of Directors may distribute all or part of the dividends and bonuses, capital surplus or legal reserve in cash, on condition that more than 2/3 of the Board have attended the meeting and more than half of the attendees approved, and a report shall be submitted to the shareholder's meeting. Resolution via shareholder's meeting as mentioned in the preceding paragraph shall not apply.

In accordance with the Company's operating environment, growth, future capital needs and long-term financial planning, as well as to meet the shareholders' cash needs, the Company may appropriate more than 10% of the aforesaid distributable earnings as cash and stock dividend. The proportion of cash dividend shall not be less than 10% of the total dividend.

Chapter VII Supplementary Provisions

Article 36 The Company's organization rules and important rules of business dealing, and the division of responsibilities among the board of directors, the chairman of the board and the general manager shall be approved by the board of directors. The details of the duties of the management department shall be approved by the general manager.

Article 37 If the Company revokes its public offering in future, it shall propose the resolution to the shareholders' meeting and shall not change the provisions during the listing period.

Article 38 Matters not stipulated in the Articles of Association shall be handled in accordance with the provisions of the Company Law and other relevant laws and regulations.

Article 39 The Articles of Association were established on July 27, 1973.

No.	Amendment date	Remarks
1	February 16, 1974	Passed in the 1974 extraordinary shareholders' meeting.
2	November 18, 1975	Passed in the 1975 extraordinary shareholders' meeting.
3	July 16, 1976	Passed in the 1976 general shareholders' meeting.
4	January 27, 1977	Passed in the 1977 general shareholders' meeting.
5	December 20, 1977	Passed in the 1977 extraordinary shareholders' meeting.
6	December 14, 1978	Passed in the 1978 general shareholders' meeting.
7	December 20, 1979	Passed in the 1979 general shareholders' meeting.
8	December 19, 1980	Passed in the 1980 general shareholders' meeting.
9	April 9, 1982	Passed in the 1982 general shareholders' meeting.
10	March 8, 1983	Passed in the 1983 general shareholders' meeting.
11	December 20, 1983	Passed in the 1983 general shareholders' meeting.
12	December 18, 1984	Passed in the 1984 general shareholders' meeting.
13	December 17, 1985	Passed in the 1985 general shareholders' meeting.
14	December 30, 1986	Passed in the 1986 general shareholders' meeting.
15	October 27, 1987	Passed in the 1987 general shareholders' meeting.
16	September 13, 1988	Passed in the 1988 general shareholders' meeting.
17	September 29, 1989	Passed in the 1989 general shareholders' meeting.
18	May 29, 1990	Passed in the first 1990 extraordinary shareholders' meeting.
19	December 10, 1990	Passed in the 1990 general shareholders' meeting.
20	April 24, 1992	Passed in the 1991 general shareholders' meeting.
21	November 5, 1992	Passed in the 1992 general shareholders' meeting.
22	February 11, 1993	Passed in the 1992 extraordinary shareholders' meeting.
23	October 27, 1995	Passed in the 1995 general shareholders' meeting.
24	December 27, 1995	Passed in the second 1995 extraordinary shareholders' meeting.
25	September 20, 1996	Passed in the 1996 general shareholders' meeting.
26	September 30, 1997	Passed in the 1997 general shareholders' meeting.
27	March 25, 1998	Passed in the first 1998 extraordinary shareholders' meeting.
28	June 15, 2000	Passed in the first 2000 extraordinary shareholders' meeting.
29	June 8, 2001	Passed in the 2001 general shareholders' meeting.
30	June 14, 2002	Passed in the 2002 general shareholders' meeting.
31	December 9, 2002	Passed in the first 2002 extraordinary shareholders' meeting.

32	December 9, 2002	Passed in the first 2002 extraordinary shareholders' meeting.
33	June 23, 2003	Passed in the 2003 general shareholders' meeting.
34	June 23, 2003	Passed in the 2003 general shareholders' meeting.
35	September 5, 2003	Passed in the first 2003 extraordinary shareholders' meeting.
36	September 5, 2003	Passed in the first 2003 extraordinary shareholders' meeting.
37	November 28, 2003	Passed in the second 2003 extraordinary shareholders' meeting.
38	November 28, 2003	Passed in the second 2003 extraordinary shareholders' meeting.
39	June 16, 2006	Passed in the 2006 general shareholders' meeting.
40	March 1, 2007	Passed in the first 2007 extraordinary shareholders' meeting.
41	December 14, 2007	Passed in the second 2007 extraordinary shareholders' meeting.
42	March 24, 2008	Passed in the first 2008 extraordinary shareholders' meeting.
43	February 13, 2009	Passed in the first 2009 extraordinary shareholders' meeting.
44	June 23, 2009	Passed in the 2009 general shareholders' meeting.
45	June 13, 2012	Passed in the 2012 general shareholders' meeting.
46	June 26, 2013	Passed in the 2013 general shareholders' meeting.
47	June 26, 2014	Passed in the 2014 general shareholders' meeting.
48	June 23, 2016	Passed in the 2016 general shareholders' meeting.
49	June 26, 2019	Passed in the 2019 general shareholders' meeting.
50	June 17, 2020	Passed in the 2020 general shareholders' meeting.

Appendix 3

CSBC Corporation, Taiwan “Procedures for Acquisition or Disposal of Assets”

Established on July 24, 2008, reference Chuan-Tsai No. 0970003187
Amended on June 7, 2010, letter reference Chuan-Tsai No. 099000128
Amended on June 15, 2012, letter reference Chuan-Tsai No. 1010000964
Amended on June 28, 2013, letter reference Chuan-Tsai No. 1020001052
Amended on July 1, 2014, letter reference Chuan-Tsai No. 1030001079
Amended on June 28, 2017, letter reference Chuan-Tsai No. 1067150089
Amended on January 9, 2018, letter reference Chuan-Tsai No. 1067150169
Amended on July 2, 2019, letter reference Chuan-Tsai No. 1087250128

Chapter I General Provisions

- Article 1 These Key Points are established in accordance with the provisions of Article 6-1 of the Regulations Governing the Acquisition and Disposal of Assets by Public Companies (hereinafter referred to as the Regulations) promulgated by the Financial Supervisory Commission ((hereinafter referred to as the FSC).
- Article 2 The term "assets" referred to in these Key Points includes the following:
1. Investment such as stocks, bonds, corporate bonds, bank indentures, fund securities, depository receipts, call (put) warrants, beneficiary securities and asset-back securities, etc.
 2. Real estate (including land, buildings and fixtures, real estate of an investment nature) and equipment.
 3. Memberships.
 4. Patents, copyrights, trademarks, franchise rights and other intangible assets.
 5. Right-of-use assets.
 6. Derivative products.
 7. Assets acquired or disposed of through a merger, division, acquisition or share exchange in accordance with law.
 8. Other major assets.
- Article 3 The terms in these Key Points are defined as follows:
1. Derivatives: refer to forward contracts, options contracts, futures

contracts, leverage contracts, or swap contracts, whose value is derived from a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable; or hybrid contracts combining the above contracts; or hybrid contracts or structured products containing embedded derivatives. The term "forward contracts" of which definition does not include insurance contracts, performance contracts, after-sales service contracts, long-term leasing contracts, or long-term purchase (sales) contracts.

2. Assets acquired or disposed through mergers, demergers, acquisitions or share transfers in accordance with law: refer to assets that are acquired or disposed through mergers, demergers, acquisitions or share transfers pursuant to Business Mergers and Acquisitions Act, the Financial Holding Company Act, the Financial Institutions Merger Act or other laws, or acceptance of other companies' shares pursuant to Article 156-3 of the Company Act on issuance of new shares (hereinafter referred to as "share transferee").
3. Related party or subsidiary: as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
4. Professional appraiser: this refers to real estate appraisers or other appraisers who carry out appraisals of real estate or equipment in accordance with law.
5. Date of occurrence of the fact: the date of contract signing, the date of payment, the date of consignment trade, the date of title transfer, the date of the boards of directors' resolution, or another date on which the counterparty and monetary amount of the transaction can be confirmed, whichever date is earlier. For an investment for which an approval of the competent authority is required, the earlier of the dates above or the date of receipt of approval of the competent authority shall prevail.
6. Investment in mainland China: an investment in mainland China approved by the Investment Commission of the Ministry of Economic Affairs in accordance with the provisions of the Regulations Governing Permission for Investment or Technical Cooperation in the Mainland Area.

7. Within one year: one year retrospectively from the date of acquisition, disposal or occurrence of the transaction of assets.
8. The term "recent financial statements" means the publicly announced financial statements of the Company that have been audited or certified by a CPA before the acquisition or disposal of assets.
9. The provisions concerning ten percent of the total assets in the Key Points are calculated on the basis of the total amount of assets in the latest individual or respective financial statements as provided in the guidelines for the securities issuer's preparation of financial statements.

Article 4

Professional appraisers and their officers, certified public accounts, attorneys, and securities underwriters that provide the Company with appraisal reports or opinions, shall meet the following requirements:

1. May not have previously received a final and unappealable sentence to imprisonment for 1 year or longer for a violation of the Securities and Exchange Act, the Company Act, the Banking Act, the Insurance Act, the Financial Holding Company Act, the Business Entity Accounting Act, or for fraud, breach of trust, embezzlement, forgery of documents, or occupational crime. However, this provision does not apply if 3 years have already passed since completion of service of the sentence, since expiration of the period of a suspended sentence, or since a pardon was received.
2. May not be a related party or de facto related party of party to the transaction.
3. If the company is required to obtain appraisal reports from two or more professional appraisers, the different professional appraisers or appraisal officers may not be related parties or de facto related parties of each other.

Article 5

Any amendment to these Guidelines or acquisition or disposal of separate assets, which should be approved by the Board of Directors in accordance with these Guidelines or other laws and regulations, any deliberations by the Board of Directors should take into full consideration the views of each Independent Directors. Where an Independent Director raises objection or reserves his or her opinion (including written statement), should be recorded in the meeting minutes of the Board of Directors.

The amendment to these Guidelines and transaction involving major

assets or derivatives shall require the approval of a simple majority of all members of the Audit Committee, with such decisions submitted to the Board of Directors for its approval.

In the event that the proposal as preceding sub-paragraph , which fails to be adopted by a simple majority of all members of the Audit Committee i, such proposal may be implemented, if approved by two-thirds or more of all Directors, and the resolution of the Audit Committee should be recorded in the meeting minutes of the Board of Directors.

Chapter II Disposal Procedures

Section 1 Asset Acquisition or Disposal

Article 6 The practice procedures and the department in charge of for the acquisition and disposal of assets :

1. Assets acquired or disposed of through long-term equity investment on other incorporated or newly incorporated company: carried out in compliance with Paragraphs 7 and 9 of these Guidelines and Guidelines for Re-investment of the Company.
2. Investment on stocks, government bonds, corporate bonds, financial bonds, securities representing interest in a fund, depository receipts, call (put) warrants, beneficial interest securities and asset-backed securities, etc.: carried out in compliance with Paragraphs 7 and 9 of these Guidelines and Procedures for Financial Product Transactions of the Company.
3. Real estate, equipment or its right-of-use assets: carried out in compliance with Paragraph 8 of these Guidelines and Guidelines for Fixed-Asset Management.
4. Other assets: unless regulated otherwise in the Company Act, Business Mergers and Acquisitions Act, other laws or regulations, the Articles of Association of the Company and Sections 3 and 4 of this Chapter, should be submitted for the approval by General Manager after the evaluation by the planning unit.

Article 7 The total amount of investment, limitation on individual items, and total amount of real estate which are not for business use by the Company and its subsidiaries are regulated as follows:

1. The total amount of investment of the Company shall not exceed 40% of the Company's paid-in capital, in which investment in securities that are not long-term re-investments shall not exceed 10% of the Company's paid-in capital.

2. The limitation on individual items concerning long-term re-investment of the Company shall not exceed 35% of the Company's paid-in capital, investment in securities that are not long-term re-investments of which limitation on individual securities shall not exceed 5% of the Company's paid-in capital.

3. Save for Subsidiary with investment as its primary business, the total amount of investment of each Subsidiary shall not exceed 40% of the Subsidiary's paid-in capital, investment of securities that are not long-term re-investments shall not exceed 10% of the Subsidiary's paid-in capital. The long-term re-investment of each Subsidiary is bound by limitation of individual item that shall not exceed 35% of the Subsidiary's paid-in capital, investment in securities that are not long-term re-investments is bound by limitation of individual item that shall not exceed 5% of the Subsidiary's paid-in capital.

4. The total amount of the acquisition of real estate by the Company and each of its subsidiaries which are not for business use shall not exceed 10% of the paid-in capital of each company.

The securities provided in the preceding sub-paragraph do not include the low-risk investment targets acquired or disposed of for purpose of financial planning in accordance with the Procedures for Financial Product Transactions of the Company.

Article 8

In acquiring or disposing of real estate, equipment, or right-of-use assets thereof where the transaction amount reaches NTD 300 million or more, the company, unless transacting with governmental agency, engaging others to build on its own land, engaging others to build on rented land, or acquiring or disposing of equipment or right-of-use assets thereof held for business use, shall obtain an appraisal report prior to the date of occurrence of the event from a professional appraiser and shall further comply with the following provisions:

1. Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the Board of Directors; same procedure applies to any subsequent change to the terms and conditions of the transaction.

2. If the transaction amount exceeds NT\$1 billion, two or more professional appraisers shall be hired for the appraisal.

3. If the appraisal result of the professional appraiser has one of the following circumstances, unless the appraisal result of the assets to be acquired is higher than the transaction amount or the appraisal result of the assets to be disposal of is lower than the transaction amount, a CPA shall be contacted for a specific opinion on the difference and the fairness of the transaction price in accordance with the provisions of the Audit Standards Bulletin No. 20 of the Accounting Research and Development Foundation:

(1) The difference between the appraisal result and the transaction amount is more than 20% of the transaction amount.

(2) The difference between the appraisal results of two or more professional appraisers is more than 10% of the transaction amount.

4. The time lag between the issuing date of the professional appraiser's appraisal report and the contract date shall not be more than three months. However, if the appraisal report applies to the publically announced present value of the same period and is not more than six months, then the Company may request the original professional appraiser to issue an opinion.

For acquisition or disposal other than real estate, equipment, or right-of-use assets thereof provided in the preceding sub-paragraph, the transaction price shall be decided based on the publicly announced value, appraised value, actual closing prices for nearby real estate, etc., or based on the price appraised by two professional appraisers or more..

Article 9

When acquiring or disposing of securities, the Company shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price; and if the transaction amount reaches NTD 300 million or more, the Company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. If the certified public accountant needs to use the report of an expert as evidence, the certified public accountant shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation. This requirement does not apply, however, to publicly

quoted prices of securities that have an active market, or where otherwise provided by regulations of the Financial Supervisory Commission.

The exceptions otherwise regulated by the Financial Supervisory Commission in the preceding sub-paragraph refer to the following conditions:

1. Acquiring securities through cash contribution in incorporation by promotion or by public offering in accordance with the law, and representing the rights in the securities acquired is proportional with the contribution.
2. Securities issued at face value by an underlying company carrying out a capital increased by cash in accordance with relevant laws and regulations, with the Company participating in subscription to such securities.
3. Securities issued by an investee company wholly and directly or indirectly invested by the Company that is carrying out a capital increased by cash, with the Company participating in subscription to such securities, or securities issued by the wholly invested subsidiaries sponsoring each other in carrying out cash capital increase.
4. Securities listed and traded on the stock exchange or on the securities Market and emerging stocks.
5. Domestic government bonds, bonds under repurchase and resale agreements.
6. Public offering of funds.
7. Listed securities acquired or disposed of in accordance with the Taiwan Stock Exchange Corporation and the Taipei Exchange Rules governing the purchase of listed securities by reverse auction or rules governing the auction of listed securities.
8. Securities acquired through the Company's sponsorship of a seasoned equity offering by a public company or subscription of domestic corporate bonds (including financial bonds), when the securities acquired are not privately placed.
9. Subscription to fund shares before the establishment of a fund in accordance with Paragraph 1, Article 11 of the Securities Investment Trust and Consulting Act, or subscription or redemption of domestic private placement funds, provided that the trust agreement for the fund specifies an investment strategy in which, aside from securities

margin transactions and open positions held in securities-related products, the investment scope of the remaining portion is the same as that of a publicly offered fund.

Article 10 Where the acquisition or disposal of intangible assets or right-to-use assets or membership by the Company amounts to NTD 100 million, save for transactions with domestic governmental agency, the Company shall before the date of occurrence of the event, engage certified public accountant to provide opinion on the reasonableness of the transaction price, and the said certified public accountant shall work in accordance with provisions of Statement of Auditing Standards No. 20 published by the Accounting Research and Development Foundation.

Article 11 The calculation of the transaction amounts referred to in the preceding three paragraphs shall be done in accordance with Sub-paragraph 2, Paragraph 28, and "within the preceding year" refers to the year preceding the date of occurrence of the current transaction, items for which an appraisal report from a professional appraiser or a certified public accountant's opinion has been obtained need not be counted toward the transaction amount.

Section II Transactions with Related Parties

Article 13 When the Company engages in any acquisition or disposal of assets from or to a related party, in addition to ensuring that the necessary resolutions are adopted and the reasonableness of the transaction terms is appraised in accordance with the preceding Section and this Section, if the transaction amount reaches 10% or more of the Company's total assets, the Company shall also obtain an appraisal report from a professional appraiser or a certified public accountant's opinion in compliance with the provisions of the preceding Section.

The calculation of the transaction amount referred to in the preceding sub-paragraph shall be made in accordance with Paragraph 11.

Article 14 When acquiring or disposing of real estate or right-of-use assets thereof from or to a related party, or when acquiring or disposing of assets other than real estate or right-of-use assets thereof from or to a related party and the transaction amount reaches NTD 300 million or more, except in trading of domestic government bonds or bonds

under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises, the Company may not proceed to enter into a transaction contract or make a payment until the following documents have been approved by the Audit Committee and the Board of Directors:

1. The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.
2. The reason for choosing the related party as the transaction counterparty.
3. With respect to the acquisition of real estate or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraphs 15 and 16.
4. The date and price of the related party's original acquisition of the real estate, the original transaction counterparty, and the transaction counterparty's relationship with the Company and the related party.
5. The monthly cash flow forecasts for the year commencing from the anticipated month of contract signing, the evaluation of the necessity of the transaction, and the reasonableness of the funds utilization.
6. An appraisal report from a professional appraiser or a CPA's opinion obtained in accordance with the preceding Article.
7. Restrictive conditions and other important agreements associated with the transaction.

The calculation of the transaction amounts referred to in the preceding paragraph shall be made in accordance with the provisions of Article 28.2, and "within one year" used herein refers to the year preceding the date of occurrence of the current transaction. Items that have been approved by the Board of Directors and recognized by the Supervisors need not be counted toward the transaction amount.

With respect to the following types of transactions, when the transactions are to be conducted between the Company and its parent or subsidiaries, or between its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital, the Board of Directors may refer to Paragraph 6 and delegate the Chairman to decide such matters and have the decisions subsequently submitted to and ratified in the next Board of Directors meeting:

1. Acquisition or disposal of equipment or right-of-use assets thereof

held for business use.

2. Acquisition or disposal of real estate right-of-use assets held for business use.

When such matter is submitted for deliberation by the Board of Directors pursuant to Sub-paragraph 1, the Board of Directors shall take into full consideration each independent director's opinions. If an independent director objects to or expresses reservations, it shall be recorded in the meeting minutes of the Board of Directors.

The matters for which Sub-paragraph 1 requires approval by simple majority of all members of the Audit Committee, to which Sub-paragraph 2 of Paragraph 36 shall be applied *mutatis mutandis*.

Article 15 When acquiring real estate or right-of-use assets thereof from a related party, the Company shall evaluate the reasonableness of the transaction costs by the following means:

1. Based on the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. The "necessary interest on funding" is calculated as the weighted average interest rate of borrowing in the year the Company purchases the real estate, provided that it may not be higher than the maximum borrowing rate for non-financial industries as announced by the Ministry of Finance.
2. The total appraised loan value by a financial institution where the related party has previously pledged the asset for a for a loan from the financial institution, provided that the actual cumulative loan amount extended by the financial institution shall have reached 70 percent or more of the financial institution's appraised loan value, and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.

Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding sub-paragraph.

When acquiring real estate or right-of-use assets thereof from a related party, aside from appraising the cost of the real estate or right-of-use assets thereof in accordance with the preceding two

sub-paragraphs, the Company shall also engage a certified public accountant to check the appraisal and render a specific opinion.

The preceding three sub-paragraphs do not apply to each of the following conditions:

1. The related party acquired the real estate or right-of-use assets thereof through inheritance or as a gift.
2. More than 5 years have elapsed from the time the related party signed the contract to obtain the real estate or right-of-use assets thereof to the signing date for the current transaction.
3. The real estate is acquired through a joint development contract with the related party, or construction on the Company's own land or construction on leased land with the construction work commissioned to the related party.
4. The real estate right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100% of the issued shares or authorized capital.

Article 16 When the results of the Company's appraisal conducted in accordance with paragraph 1 and paragraph 2 of the preceding Article are both lower than the transaction price, the matter shall be handled in compliance with Article 17. However, If any of the following circumstances exist, and the objective evidence has been submitted and the specific opinions on reasonableness have been obtained from a professional real estate appraiser and a CPA, this restriction shall not apply:

1. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:
 - (1) The undeveloped land is appraised in accordance with the means in the preceding Article, and the buildings according to the related party's construction cost plus reasonable construction profit, and the valued exceeds the actual transaction price. The "reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the past 3 years or the gross profit margin of the construction industry in the latest period as announced by the Ministry of Finance, whichever is lower.

- (2) Completed transactions by unrelated parties within the preceding year involving other floors of the same target property or neighboring or closely valued parcels of land, where the land area and transaction terms are similar after calculation of reasonable price discrepancies in floor or area land prices in accordance with standard property market sale practices.
2. Where acquiring real estate, or obtaining real estate right-of-use assets through leasing from a related party, the Company provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.

Transactions involving neighboring or closely valued parcels of land in the preceding sub-paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50% of the target property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real estate or the right-of-use assets thereof.

Article 17 Where acquiring real estate or right-of-use assets thereof from a related party and the results of appraisals conducted in accordance with Paragraphs 15 and 16 are uniformly lower than the transaction price, the Company shall take the following steps:

1. A special reserve shall be set aside in accordance with Paragraph 1, Article 41 of the Securities and Exchange Act against the margin between the transaction price of the real estate or right-of-use assets thereof and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares.
2. The Audit Committee shall handle the above in accordance with the provisions of Article 208 of the Company Law.
3. Actions taken pursuant to the preceding two sections shall be reported to the shareholders meeting, and the details of the transaction shall be disclosed in the annual report and prospectus.

After setting aside a special reserve under the preceding

sub-paragraph, the Company may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the Financial Supervisory Commission has approved.

When the Company acquires real estate or right-of-use assets thereof from a related party, if there is other evidence indicating that the acquisition was not an arm's length transaction, the Company shall comply with the provisions of the preceding two sub-paragraphs.

Section III Engagement in Derivative Transactions

Article 18 The trading principle and direction, risk management measures to be adopted and auditing matters for the Company's derivative transactions are as follows:

1. Trading principle and policy:

(1) Business and risk-hedging strategy: The Company's derivative transactions shall be for non-trading purposes only, and shall be for risk hedging in principle. The relevant units shall strictly adhere to the principle and policy, pay attention to risk management and provide periodic reports.

(2) Transaction types: Currently the Company's derivative transactions are limited to foreign exchange forwards, exchange rate options, currency swaps and interest rate swaps which are for risk hedging purposes based on business needs.

(3) Division of responsibility:

A. Finance Department: Finance Department is the unit executing derivative trading. It shall at all times grasp the Company's overall position and domestic and international financial situations, engage in transactions below the authorized limit in an appropriate time, and monitor the cash flow of the existing positions to reduce the settlement risk in the future. Finance Department shall send the vouchers and related information of the transactions engaged in to Accounting Department.

B. Accounting Department: Accounting Department shall make accounting entries based on the vouchers sent from Financial

Department and follow the generally accepted accounting principles.

- (4) Performance evaluation: After the end of each month, Accounting Department shall, according to the current profits and losses arising from the actual settlement of the derivative trading contracts in the month, prepare a statistical report to the Finance Department for its further report to the Deputy General Manager in charge to serve as a reference for performance evaluation.

- (5) Total amount of contracts and maximum amount of loss:

- A. The total amount of derivative contracts of foreign exchange forward, exchange rate option and currency swap shall be limited to 50% of the Company's estimated total net exposure of foreign exchange receipts and payments in the coming year. The total amount of interest rate swap contracts shall be limited to the Company's total long-term liabilities.

- B. For derivative transactions, the maximum loss of all or individual contract shall not exceed 20% of the total or individual contractual amount.

2. Risk management measures:

- (1) The following risks shall be considered in the scope of risk management and avoided in advance:

- A. Credit risk: the risk of loss due to the counterparty's non-performance of the terms of the contract.

- B. Market risk: the risk of loss due to the fluctuation of the derivative's market price in the future.

- C. Liquidity risk: the risk of loss due to the depth of the market and of settlement at a reasonable market price, and the risk of insufficient funding for settlement in the future.

- D. Cash flow risk: In order to ensure the stability of the working capital turnover of the Company, for the funding of derivative transactions the Company shall take into account its cash flow and the estimated future cash receipts and payments.

- E. Operational risk: the risk of loss due to human negligence, poor supervision, fraud and improper control management.

- F. Legal risk: the risk of loss due to a lack of details in the contract, false authorization and difference in the

interpretation of the provisions of laws and regulations.

- (2) The trader and the confirmation and settlement personnel roles shall be taken by Finance Department, and these roles can not be undertaken concurrently. The trader shall forward the transaction certificate or contract (transaction slip) to the confirmation personnel for reconciliation with the bank. The confirmation personnel shall then notify the settlement personnel, and send the transaction details to Accounting Department for accounting entry. Accounting Department shall be irregularly reconcile with the bank or confirm via letter.
- (3) The risk measurement, supervision and control personnel shall be assigned to different departments from those in the preceding paragraph, and shall report to the Board of Directors or to the senior executives who are not responsible for the transactions or the decision-making on positions.
- (4) Authorization limits and levels:

A. According to the Company's business and risk position, the authorization limits are as follows:

Level of authority	Transaction limit	Total daily limit
General Manager	US\$ equivalent of NT\$10 million	US\$ equivalent of NT\$30 million
Deputy General Manager or Assistant Deputy General Manager	US\$ equivalent of NT\$5 ~ 10 million (exclusive)	US\$ equivalent of NT\$10 million (exclusive)
Finance Manager	US\$ equivalent of NT\$0 ~ 5 million (exclusive)	US\$ equivalent of NT\$5 million (exclusive)

B. If the personnel are authorized in accordance with the provisions, the authorization shall be reported in the next board meeting afterwards.

- (5) Periodic evaluation and exception handling:

A. Financial Department shall evaluate the derivative position at least once a week, and at least twice a month for hedge transactions due to business needs. The evaluation report shall

be presented to the senior executives authorized by the Board of Directors.

- B. The senior executives authorized by the Board of Directors shall regularly evaluate the performance of derivative transactions on a quarterly basis in accordance with the established business strategies, and check whether the risks assumed are within acceptable limits. The results of the quarterly performance evaluation shall be recorded in the Finance Department's business report for the board meeting.
- C. The senior executives authorized by the Board of Directors shall regularly evaluate the adequacy of the risk management procedures currently in use, and check whether they are adhered to.
- D. The senior executives authorized by the Board of Directors shall supervise derivative transactions and the profit and loss situation. If they discover in the market price evaluation report that the loss has exceeded the upper limit, they shall take necessary measures and immediately report to the Board of Directors. The board meeting shall be attended by independent directors to express their opinions.

3. Internal audit:

Internal auditors shall regularly check the appropriateness of the internal control system, check the transaction department's compliance with derivative trading regulations, and make an audit report accordingly. If major violations are discovered, they shall notify the Audit Committee in writing.

Article 19 For the Company's derivative transactions, a log book shall be established in which the types and amounts of derivative transactions engaged in, the approval dates and the matters to be evaluated as specified in Articles 18.2(5)A and 18.2(5)B shall be recorded in detail.

Section IV Merger, Division, Acquisition and Share Exchange

Article 20 When conducting merger, demerger, acquisition, or transfer of shares, the Company shall, prior to convening the Board of Directors to resolve on the matter, engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the Board of Directors for deliberation and approval. However, the requirement of obtaining an aforesaid

opinion on reasonableness issued by an expert may be exempted in the case of a merger by the Company of its subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, or in the case of a merger between its subsidiaries in which the Company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.

Article 21 The Company shall prepare a public report to shareholders detailing important contractual content and matters related to a merger, division or acquisition prior to the shareholders meeting, and attach to it the expert opinion referred to in the preceding Article and the shareholders' meeting notice for the shareholders' reference and decision regarding whether to approve the merger, division or acquisition. This requirement shall not apply if the provisions of the law exempt the Company from convening a shareholders meeting to approve the merger, division or acquisition.

Where the shareholders meeting fails to be convened or a resolution fails to be passed due to lack of a quorum, insufficient votes or other legal restrictions, or the proposal is rejected in the shareholders meeting, the Company shall immediately explain to the public the reason, the follow-up measures and the preliminary date of the next shareholders meeting.

Article 22 Every person participating in or privy to the plan for merger, division, acquisition, or transfer of shares shall issue a written undertaking of confidentiality, may not disclose the content of the plan prior to public disclosure of the information, and may not trade, in his/her own name or another person's name, in any stock or other equity-related securities of any company related to the merger, division, acquisition, or share exchange plan.

Article 23 In the Company's participation in a merger, division or acquisition, unless the law provides otherwise or the FSC is notified in advance due to extraordinary circumstances and has granted its consent, the Company shall convene a board meeting and a shareholders' meeting on the same day for a resolution on the merger, division or acquisition related matters.

The companies participating in a share exchange shall, unless the law provides otherwise or the FSC is notified in advance due to extraordinary circumstances and has granted its consent, convene a board meeting on the same day.

When participating in a merger, division, acquisition or share exchange, the Company shall prepare a full written record of the following information and retain it for 5 years for reference:

1. Basic personnel data: including the job titles, names and ID numbers (or passport numbers in the case of foreign nationals) of all persons involved in the planning or implementation of a merger, division, acquisition or share exchange prior to the disclosure of the transaction information.
2. Dates of material events: including the dates of signing any letter of intent or memorandum of understanding, hiring a financial or legal advisor, executing a contract and convening a board meeting.
3. Important documents and minutes: including the merger, division, acquisition or share exchange plan, the letter of intent or memorandum of understanding, material contracts and minutes of board meetings.

The Company shall, within 2 days from the date a resolution is passed in the board meeting, report the information set out in subparagraphs 1 and 2 of the preceding paragraph to the FSC for recordation in the prescribed format and via the Internet-based information system.

Where any of the companies participating in a merger, demerger, acquisition, or transfer of another company's shares is neither listed on an exchange nor has its shares traded on an OTC market, the Company shall sign an agreement with such company and carried out in accordance with the provisions of the preceding two sub-paragraphs.

Article 24 In the Company's participation in a merger, division, acquisition or share exchange, the share exchange ratio or acquisition price may not be arbitrarily altered unless in any of the circumstances below, and if any alteration is made, the circumstances where the alteration is permitted shall be stipulated in the contract for the merger, division, acquisition, or share exchange:

1. The handling of cash capital increase and the issuance of convertible corporate bonds, bonus shares, corporate bonds with stock options, preferred shares with stock options, beneficiary certificates of stock options or other equity-based securities.
2. An act such as a disposal of major assets which may affect the Company's financial operations.
3. An event such as a major disaster or a major change in technology

which may affect the shareholders' interests or share price.

4. Any of the companies participating in the merger, division, acquisition, or share exchange buys back treasury stock.
5. An increase or decrease in the number of entities or companies participating in the merger, division, acquisition or share exchange.
6. Other terms/conditions that the contract stipulates may be altered and that have been publicly disclosed.

Article 25 In the Company's participation in a merger, division, acquisition or share exchange, the contract shall record the rights and obligations of the participating companies as well as the following:

1. Handling of breach of contract.
2. Principles for the handling of equity-based securities previously issued or treasury stock previously bought back by any company that is extinguished in a merger or is divided.
3. The quantity of treasury stock the participating companies are permitted by law to buy back after the record date of calculation of the share exchange ratio, and the principles for handling thereof.
4. The method for handling changes in the number of participating entities or companies.
5. The preliminary timetable for plan execution and the expected completion date.
6. If the plan can not be completed as scheduled, the expected date for convening the legally mandated shareholders meeting and relevant procedures.

Article 26 After public disclosure of the information, if any company participating in the merger, division, acquisition or share exchange intends to carry out another merger, division, acquisition or share exchange with another company, unless the number of participating companies is decreased and the companies' shareholders' meetings have passed resolutions to authorize the board of directors to alter the limits of authority so that the participating companies may be exempted from convening another shareholders meeting to resolve on the matter anew, all of the participating companies shall carry out anew the procedures or legal actions that have originally been completed for the merger, division, acquisition or share exchange.

Article 27 Where any of the companies participating in a merger, demerger, acquisition, or transfer of shares is not a public company, the

Company shall sign an agreement with the non-public company and carries out in accordance with the provisions of Paragraphs 22, 23 and 26.

Chapter III Information Disclosure

Article 28 If any of the following circumstances occurs in the Company's acquisition or disposal of assets, the relevant information shall be declared on the FSC's designated website based on its nature within two days from the date of occurrence of the fact:

1. Acquisition or disposal of real estate or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real estate or right-of-use assets thereof from or to a related party where the transaction amount reaches NTD 300 million or more; provided that this shall not apply to trading of domestic government bonds or bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.
2. The Company's merger, division, acquisition or share exchange
3. The loss of derivative transactions reaches the total or individual contract loss limit specified in Article 18.1(5)(B).
4. Where equipment or right-of-use assets thereof for business use are acquired or disposed of, and furthermore the transaction counterparty is not a related party, and the transaction amount reaches NTD 500 million or more. And if the Company has its paid-in capital reaches NTD 10 billion or more, the transaction amount reaches NTD 1 billion or more.
5. (5) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the company expects to invest in the transaction reaches NTD 500 million or more.
6. In case of asset transaction other than any of those referred to in the preceding five sections, or an investment in Mainland China reaches NTD 300 million or more, however not applicable to the following circumstances:
 - (1) Trading of domestic government bonds.
 - (2) Trading of bonds under repurchase and resale agreements, or

subscription or redemption of money market funds issued by domestic securities investment trust enterprises.

The amount of transactions stipulated in the preceding sub-paragraph shall be calculated as follows, provided that excluding the part which has been regulated and announced in these Guidelines:

1. The amount of each transaction.
2. The total amount of all transactions with the same counterparty in one year for assets of the same nature.
3. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real estate or right-of-use assets thereof within the same development project within the preceding year.
4. The total amount of transactions of the same securities (with acquisition and disposal accrued separately) in one year.

The Company shall enter into the FSC's designated website by the 10th of each month the information about the derivative transactions of the Company and its non-public domestic subsidiaries as of the end of the previous month in accordance with the FSC's prescribed format.

If there is any error or omission in the Company's announcement in accordance with the regulations, then it shall make another announcement of all such information again within two days from the day of awareness of the fact.

The Company shall obtain and keep at its premises the relevant contracts, the meeting minutes, the reference books, the appraisal reports, and the opinions of the accountant, the lawyer and the securities underwriter. Unless otherwise required by law, such documents shall be retained for at least five years.

Article 29 Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with the preceding article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days from the date of occurrence of the event:

1. The contract originally signed for the transaction is changed, terminated or rescinded.
2. The merger, division, acquisition, or share exchange is not completed on the scheduled completion date set forth in the

contract.

3. There is a change to the contents of the public announcement already made.

Chapter IV Supplementary Provisions

Article 30 Subsidiaries that are domestic public companies shall establish their own Guidelines for Handling the Acquisition and Disposal of Assets based on the Regulations; subsidiaries that are not public companies in the Republic of China, shall established their own Guidelines for Handling the Acquisition and Disposal of Assets based on these Guidelines.

Article 31 For an asset acquisition or disposal by a subsidiary which is not a domestic public company, if a public announcement and reporting need to be made in accordance with the provisions of Chapter III for the asset acquisition or disposal, the matters shall be handled by the Company on behalf of the subsidiary.

Article 32 The directors and supervisors dispatched by the Company to its subsidiaries shall supervise the execution of asset acquisition or disposal according to the Key Points.

Regarding the adequacy of a subsidiary's asset acquisition or disposal, in the case the subsidiary is a domestic public company, the audit report of the subsidiary's internal auditors shall be sent to the Company for review. If the subsidiary is not a domestic public company, the Company may appoint its own internal auditor or instructs the subsidiary to appoint an external auditor to conduct an ad hoc audit.

Article 33 The managers and other employees of the Company who violate the provisions of the Key Points, depending on the circumstances, shall be subject to disciplinary action according to the provisions of the Company's personnel management system.

Article 34 Matters not provided in these Guidelines shall be governed by the relevant laws and regulations.

Article 35 Of all guidelines of the Company, in the event of any discrepancy of provisions concerning acquisition and disposal of assets with these Guidelines, these Guidelines shall prevail.

Article 36 These Guidelines and any amendments hereto shall come into force after that approval by the audit committee, submission to the board of directors for a resolution and approval by the shareholders meeting.

Appendix 4

CSBC Corporation, Taiwan

“Operational Procedures for Loaning Funds to Others”

Provided for by Chuan Tsai Tzu letter no. 1030001081 issued on July 1, 2014

- 1 The Procedures was drawn up in accordance with “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” issued by Financial Supervisory Commission, Republic of China (hereinafter referred to as Financial Supervisory Commission).
The company shall comply with the procedures and related regulations when loaning funds to other parties.
- 2 The company’s loaning parties, except the subsidiaries of the company or the reinvestment companies that have business needs and a necessity of short-term financing, shall not loan funds to shareholders or other parties.
The term "short-term" as used in the preceding paragraph means one year, or where the company's operating cycle exceeds one year, one operating cycle.
- 3 Net worth mentioned as referred to in the Procedures means the balance sheet attributable to the equity of the owners of the parent company under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
"Subsidiary" and "parent company" as referred to in the Procedures shall be determined under the Regulations Governing the Preparation of Financial Reports by Securities Issuers.
The term "announce and report" as used in these Regulations means the process of entering data to the information reporting website designated by the Financial Supervisory Commission.
“Date of occurrence” in the Procedures means the date of transaction contract signing, date of payment, dates of boards of directors’ resolutions, or other date that can confirm the counter party of transactions and the date of transaction, whichever date is earlier.
- 4 The company’s total amount of loans shall not exceed 40% of the company’s net worth.
The limit of loaning funds to a single party of the company:
(1) As the business needs, subsidiaries of the company or reinvestment companies have a necessity of short-term financing: shall not exceed 10% of the company’s net worth as a restriction, but except for subsidiaries

where the company directly or indirectly has 100% shareholding.

(2) Except for subsidiaries where the company directly or indirectly has 100% shareholding, the amount of loaning funds to a single enterprise of the company shall not exceed 10% of net worth in the financial statement of the most recent year of the borrower.

- 5 The loaning period of the company shall not exceed one year, but can extend one year after approved by the resolution made at a meeting of the board of directors, and is limited to one time only.

The interest of loaning shall be charged monthly, and the rate shall not less than the average rate when the company made short-term financing from a financial institution then, if encountered a special circumstance, shall be adjusted according to the actual status after approved by the board of directors.

- 6 When the company conducts fund-loaning, a borrower shall fill in an application, specify the use of loaning funds, the amount and the period, attach the information of a company and the financial information, and provide the promissory note and collaterals of the same amount or the guarantees requested by other than the company, and the borrower who provided collaterals shall conduct setting procedure of pledge or mortgage. When the company conducts fund-loaning to other parties, and shall detailedly evaluate and investigate the borrower, evaluation matters shall include:

(1) The necessity of and reasonableness of loaning to others

(2) Borrower credit status and risk assessment

(3) Impact on the company's business operations, financial condition, and shareholders' equity

(4) Appraisal of the value of the collateral

- 7 Before the company loans funds to others, and shall deliberately evaluate whether correspond with the regulations of the Procedures, and the evaluation results shall be agreed by one-half or more of all audit committee members, and furthermore shall be submitted for a resolution by the board of directors, shall not empower any other person to make such decision.

When the company loans funds to others, it shall take into full consideration each independent director's opinions, and independent directors' opinions specifically expressing assent or dissent and their

reasons for dissent shall be included in the minutes of the board of directors' meeting.

- 8 Loans of funds between the company and its subsidiaries, or between its subsidiaries, shall be conducted in accordance with the regulations of the Procedures, and the chairman may be authorized, for a specific borrowing counter party, within a certain monetary limit resolved by the board of directors, and within a period not to exceed one year, to give loans in installments or to make a revolving credit line available for the counter party to draw down.

The "certain monetary limit" mentioned in the preceding paragraph on authorization for loans extended by the company or any of its subsidiaries to any single entity shall not exceed 5% of the net worth on the most current financial statements of the company or its subsidiaries.

- 9 If, as a result of a change in circumstances, an entity for which a loan is made does not meet the requirements of these Regulations or the loan balance exceeds the limit, the company shall adopt rectification plans and submit the rectification plans to the audit committee, and shall complete the rectification according to the timeframe set out in the plan.

- 10 After loan allocation was made, the company shall often pay attention to financial, business and credit statuses of fund-loaning parties, and whether there is any change of the collateral value they provided, when encountered a significant change, the company shall draft a proper management plan and submit it to the chairman for approval, and report it to the most current meeting of the board of directors.

When a fund-loaning party does not pay off principal and interest by agreement, the amount of loaning shall be blocked immediately, and not continue to employ, all unexpired loans are regarded as all due, the company shall negotiate with the fund-loaning party for a repayment plan, and shall adopt preservation measures to ensure the company's creditor's rights when it's necessary.

- 11 The company shall prepare a memorandum book for its fund-loaning matters and record in detail the following information for the record: the entity for which the fund-loaning is made, the amount, the date of passage by the board of directors, the date the fund-loaning is made, and the matters to be carefully evaluated under the regulations of number 6 and the matters shall be recorded in the memorandum book for reference.
- The company's internal auditors shall audit the Procedures and the implementation thereof no less frequently than quarterly and prepare written records accordingly, they shall promptly notify the audit committee in writing of any material violation found.
- 12 The company shall announce and report the previous month's balance of loans of itself and its subsidiaries by the 10th day of each month.
- 13 The company whose loans of funds reach one of the following levels shall announce and report such event within two days commencing immediately from the date of occurrence:
- (1) The aggregate balance of loans to others by the company and its subsidiaries reaches 20 percent or more of the company's net worth.
 - (2) The balance of loans by the company and its subsidiaries to a single enterprise reaches 10 percent or more of the company's net worth.
 - (3) The amount of new loans of funds by the company or its subsidiaries reaches NT\$ 10 million or more, and reaches 2 percent or more of the company's net worth.
- The company shall announce and report on behalf of any subsidiary thereof that is not a public company of the Republic of China any matters that such subsidiary is required to announce and report pursuant to subparagraph 3 of the preceding paragraph.
- 14 The company shall evaluate the status of its loans of funds and reserve sufficient allowance for bad debts, and shall adequately disclose relevant information in its financial reports and provide certified public accountants with relevant information for implementation of necessary auditing procedures.
- 15 Penalty for violation of “Regulations Governing Loaning of Funds and Making Endorsements/Guarantees by Public Companies” issued by Financial Supervisory Commission or the Procedures by managerial officers or personnel in charge of the company, shall be conducted according to the seriousness of the cases and in accordance with the

company's personnel regulations.

- 16 When subsidiaries of the company conduct fund-loaning to others, and the company shall draw up Procedures for Loaning Funds to Other Parties in accordance with "Regulations Governing Loaning of Funds and Making Endorsements/Guarantees by Public Companies" issued by Financial Supervisory Commission and the Procedures.
Subsidiaries of the company shall prepare a memorandum book, and send it to the company for reference by the 3rd day of each month.
Subsidiaries of the company shall report to the company for announcement and reporting on the date of fund-loaning occurrence.
- 17 The Procedures was approved by the audit committee, and furthermore was submitted for a resolution made by the board of directors and an approval made at the shareholders' meeting, where any director expresses dissent and it is contained in the minutes or a written statement, the company shall submit the dissenting opinion to each audit committee member and for discussion by the shareholders' meeting, the same shall apply to any amendments to the Procedures.

Appendix 5

The Impact of Stock Dividend Issuance on Business Performance, EPS, and Shareholder Return Rate

The Company has no right of distribution and does not apply.

Appendix 6

Shareholding of Directors

(Shareholding number of all directors, date as of April 27 2021)

Title	Name or Legal person name	Shareholder no. or Identification number	Number of shares held	Shareholding ratio
Chairman	Ministry of Economic Affairs Representative: CHENG, WEN-LON	1	105,070,366	11.37%
Director	Ministry of Economic Affairs Representative: WEI, CHENG-TZU	1	105,070,366	11.37%
Director	Ministry of Economic Affairs Representative: HUANG, JIH-CHIN	1	105,070,366	11.37%
Director	Ministry of Economic Affairs Representative: LAN, SYU-CING	1	105,070,366	11.37%
Director	Ministry of National Development Fund, Executive Yuan: Wu, Wen-Kuei	174964	136,032,305	14.72%
Director	Ministry of Economic Affairs Representative: Lu, Wen-Tsan	174963	64,603,733	6.99%
Director	Ministry of National Defense Industrial Development Foundation: MO, YOU-MING	188464	53,571,428	5.80%
Director	CPC (Corporation, Taiwan Representative): Yin Ling- Ying	2	23,777,487	2.57%
Director	China Steel Representative: Hwang Chien-Chih	47200	7,751,346	0.84%
Director	Yue-Li Investment Corporation	47215	4,670,922	0.51%
Director	Kaohsiung City Representative of Industrial Labor Union of CSBC: HOU, DE-LONG	47213	801,259	0.09%
Director	Kaohsiung City Representative of Industrial Labor Union of	47213	801,259	0.09%

	CSBC: HSIEH, KUO-JUNG			
Independent Director	LIN, HUI-JENG	X100*****	0	0.00%
Independe nt Director	LIEU, DER-MING	R102*****	0	0.00%
Independe nt Director	CHEN, CHIH-YANG	C120*****	0	0.00%
Total number of shares held			396,278,846	42.88%

Note:1.The Company's paid-up capital of NT \$9,241,464,020 and issued shares of 924,146,402.

2.In accordance with the provisions of Article 26 of the Securities Exchange Act, all directors of the Company shall have a minimum of 36,965,857 shares

3.The ministry of Economic Affairs Representative WEI, CHENG-TZU became director on May 05 2021.

Appendix 7

Other explanations:

The shareholders meeting, shareholder proposal processing instructions:

1. According to Article 172-1 of the Company Act, shareholders holding 1% or more of the total number of outstanding shares of the company may propose to the company a proposal for discussion at a regular shareholders' meeting in writing or by the way of electronic transmission, provided that only one matter shall be allowed in each single proposal, however, a shareholder proposal proposed for urging the company to promote public interests or fulfill its social responsibilities may still be included in the list of proposals to be discussed at a regular meeting of shareholders by the board of directors, and the number of words of a proposal to be submitted by a shareholder shall be limited to not more than 300 words.
2. The Company shareholders' meeting will accept the application for shareholders, the period is 2021/4/16 to 2021/4/26, and has been published in accordance with the law at the Public information observatory.
3. No shareholder's proposal was received before the proposal deadline.