

Discussion Items

- (1) To approve 2008 Business Report and Financial Statements.
- (2) To approve the proposal for distribution of 2008 profits.
- (3) Discussion on the capitalization of 2008 dividend sharing.
- (4) Discussion on amendments to Articles of Incorporation.
- (5) Discussion on amendments to Procedures for Acquisition or Disposal of Assets.
- (6) Discussion on amendments to Procedures for Endorsement and Guarantee.
- (7) Discussion on the removal of the prohibition against the holdings of the same or similar positions in Chung Hung Steel Corporation and etc. for chairman of BOD Chia-Juch Chang.

Agenda 1-proposed by the board of directors

Subject:

To acknowledge 2008 Business Report and Financial Statements.

Resolution:

BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2008		2007		LIABILITIES AND STOCKHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 3,745,041	1	\$ 24,438,159	9	Short-term loans and overdraft (Note 16 and 29)	\$ 8,873,202	2	\$ 10,154,685	4
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	5,605,453	1	1,032,097	-	Commercial paper payable (Note 17)	14,971,593	4	-	-
Available-for-sale financial assets - current (Notes 2 and 6)	3,112,425	1	4,575,126	2	Hedging derivative liabilities - current (Notes 2 and 7)	4,479	-	-	-
Hedging derivative assets - current (Notes 2 and 7)	9,846	-	-	-	Accounts payable (Note 28)	5,550,443	2	5,340,093	2
Notes receivable	2,116,399	1	1,395,555	-	Income tax payable (Note 24)	5,749,662	2	6,682,244	2
Accounts receivable (Notes 2, 8 and 28)	2,895,213	1	2,462,240	1	Accrued expenses (Notes 2, 18 and 21)	6,131,420	2	7,594,208	3
Other receivables (Note 10)	1,443,457	-	521,024	-	Other payables (Note 2)	7,664,719	2	3,155,916	1
Inventories (Notes 2 and 9)	59,114,717	17	38,170,183	14	Purchase commitments payable (Notes 2 and 30)	5,901,525	2	-	-
Deferred income tax assets (Note 24)	4,680,419	1	332,723	-	Long-term debt-current portion (Note 20)	945,490	-	-	-
Restricted assets-current (Note 29)	4,158,424	1	4,160,340	1	Other	1,820,726	-	2,196,886	1
Others	2,370,649	1	2,422,618	1					
Total current assets	89,252,043	25	79,510,065	28	Total current liabilities	57,613,259	16	35,124,032	13
INVESTMENTS					LONG-TERM LIABILITIES				
Available-for-sale financial assets - noncurrent (Notes 2 and 6)	3,111,884	1	2,673,156	1	Hedging derivative liabilities - noncurrent (Notes 2 and 7)	2,055	-	-	-
Hedging derivative assets - noncurrent (Notes 2 and 7)	53,715	-	-	-	Bonds payable (Note 19)	43,300,000	12	13,700,000	5
Financial assets carried at cost - noncurrent (Notes 2 and 10)	5,910,484	2	6,156,803	2	Long-term debt (Note 20)	4,417,638	1	4,445,654	1
Bond investments with no active market - noncurrent (Notes 2 and 11)	103,000	-	5,038,926	2	Total long-term liabilities	47,719,693	13	18,145,654	6
Investments accounted for by the equity method (Notes 2 and 12)	98,144,282	28	67,587,329	24	RESERVE FOR LAND VALUE INCREMENT TAX (Note 14)	8,673,466	3	2,171,124	1
Other financial assets - noncurrent (Note 13)	5,235,840	1	-	-	OTHER LIABILITIES				
Total investments	112,559,205	32	81,456,214	29	Deferred income tax liabilities (Note 24)	1,100,362	-	2,511,507	1
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 14, 28 and 29)					Deferred credits - gain from affiliates (Note 22)	1,791,418	1	1,333,016	-
Land	10,692,043	3	9,803,353	3	Total other liabilities	2,891,780	1	3,844,523	1
Land improvements	4,220,388	1	4,212,123	2	Total liabilities	116,898,198	33	59,285,333	21
Buildings	40,698,022	12	39,773,039	14	CAPITAL STOCK - AUTHORIZED 14,000,000 THOUSAND SHARES AND 12,000,000 THOUSAND SHARES AT NT\$10 PAR VALUE AS OF DECEMBER 31, 2008 AND 2007, RESPECTIVELY (Notes 2 and 23)				
Machinery and equipment	245,473,457	69	237,189,591	84	Common shares - issued 12,557,541 thousand shares and 11,496,335 thousand shares as of December 31, 2008 and 2007, respectively	125,575,411	35	114,963,350	41
Transportation equipment	1,623,659	1	1,500,483	1	Preferred shares - issued 38,270 thousand shares and 38,956 thousand shares as of December 31, 2008 and 2007, respectively	382,700	-	389,560	-
Other equipment	4,389,119	1	4,018,844	1	Total capital stock	125,958,111	35	115,352,910	41
Total cost	307,096,688	87	296,497,433	105	CAPITAL SURPLUS (Notes 2 and 23)	18,410,920	5	1,878,630	1
Revaluation increment	43,775,239	12	17,102,580	6	RETAINED EARNINGS (Notes 2 and 23)	76,427,107	22	98,612,729	35
Cost and revaluation increment	350,871,927	99	313,600,013	111	OTHER EQUITY				
Less: Accumulated depreciation	222,431,707	63	212,987,389	75	Unrealized revaluation increment (Note 14)	21,915,248	6	1,509,155	1
Constructions in progress	128,440,220	36	100,612,624	36	Unrealized gain on financial instruments (Notes 6 and 23)	6,508,005	2	6,473,326	2
Total property, plant and equipment	149,098,005	42	115,656,487	41	Cumulative translation adjustments	358,976	-	283,018	-
INTANGIBLE ASSETS (Note 2)	140,572	-	239,859	-	Net loss not recognized as pension cost	(32,385)	-	(38,083)	-
Assets leased to others (Notes 2 and 15)	3,242,031	1	3,267,367	1	Treasury stock - 384,103 thousand shares and 84,543 thousand shares as of December 31, 2008 and 2007, respectively (Notes 2 and 23)	(10,805,513)	(3)	(1,416,395)	(1)
Refundable deposits	182,807	-	81,673	-	Total other equity	17,944,331	5	6,811,021	2
Restricted assets - noncurrent (Note 29)	8,026	-	33,694	-	Total stockholders' equity	238,740,469	67	222,655,290	79
Unamortized repair costs and others (Note 2)	1,155,978	-	1,695,264	1	TOTAL	\$ 355,638,667	100	\$ 281,940,623	100
Total other assets	4,588,842	1	5,077,998	2					
TOTAL	\$ 355,638,667	100	\$ 281,940,623	100					

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

(With Deloitte & Touche audit report dated February 5, 2009)

CHINA STEEL CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 2, 28 and 32)	\$ 256,358,008	100	\$ 207,918,952	100
OPERATING COSTS (Notes 9, 25, 28 and 30)	<u>205,726,886</u>	<u>80</u>	<u>152,705,397</u>	<u>73</u>
GROSS PROFIT	50,631,122	20	55,213,555	27
UNREALIZED GAIN FROM AFFILIATES	<u>(437,457)</u>	<u>-</u>	<u>(160,520)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>50,193,665</u>	<u>20</u>	<u>55,053,035</u>	<u>27</u>
OPERATING EXPENSES (Notes 25 and 28)				
Research and development	1,347,629	1	1,335,607	1
Selling	2,664,642	1	2,630,294	1
General and administrative	<u>2,370,551</u>	<u>1</u>	<u>2,370,820</u>	<u>1</u>
Total operating expenses	<u>6,382,822</u>	<u>3</u>	<u>6,336,721</u>	<u>3</u>
OPERATING INCOME	<u>43,810,843</u>	<u>17</u>	<u>48,716,314</u>	<u>24</u>
NONOPERATING INCOME AND GAINS				
Interest income (Note 27)	518,450	-	668,868	-
Valuation gain on financial assets (Notes 2 and 5)	58,395	-	133,047	-
Investment income recognized under equity method (Note 12)	1,804,006	1	12,117,747	6
Exchange gain	466,868	-	198,492	-
Others (Notes 10 and 28)	<u>1,514,018</u>	<u>1</u>	<u>1,678,611</u>	<u>1</u>
Total nonoperating income and gains	<u>4,361,737</u>	<u>2</u>	<u>14,796,765</u>	<u>7</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Note 14)	483,631	-	569,884	-
Loss on physical inventory	181,933	-	603,793	1
Provision for loss on inventories (Notes 2 and 9)	11,096,117	4	-	-
Impairment loss (Notes 10 and 11)	5,091,842	2	319,290	-
Others (Note 28)	<u>1,063,726</u>	<u>1</u>	<u>368,438</u>	<u>-</u>
Total nonoperating expenses and losses	<u>17,917,249</u>	<u>7</u>	<u>1,861,405</u>	<u>1</u>
INCOME BEFORE INCOME TAX	30,255,331	12	61,651,674	30
INCOME TAX (Notes 2 and 24)	<u>6,224,925</u>	<u>3</u>	<u>10,387,800</u>	<u>5</u>
NET INCOME	<u>\$ 24,030,406</u>	<u>9</u>	<u>\$ 51,263,874</u>	<u>25</u>

(Continued)

CHINA STEEL CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2008		2007	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 2.55</u>	<u>\$ 2.03</u>	<u>\$ 5.18</u>	<u>\$ 4.31</u>
Diluted	<u>\$ 2.53</u>	<u>\$ 2.01</u>	<u>\$ 5.17</u>	<u>\$ 4.30</u>

Pro forma information (after income tax) assuming the Corporation's shares held by its subsidiaries were accounted for as investments instead of treasury stock is as follows:

	2008	2007
Net income	\$25,634,847	\$51,590,392
Basic earnings per share based on weighted-average number of outstanding common shares aggregating 12,098,548 thousand and 11,979,527 thousand shares for the years ended December 31, 2008 and 2007, respectively	<u>\$ 2.11</u>	<u>\$ 4.30</u>
Diluted earnings per share based on weighted-average number of outstanding common shares aggregating 12,214,656 thousand and 12,018,483 thousand shares for the years ended December 31, 2008 and 2007, respectively	<u>\$ 2.10</u>	<u>\$ 4.29</u>

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

(With Deloitte & Touche audit report dated February 5, 2009)

(Concluded)

CHINA STEEL CORPORATION

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2008 AND 2007
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)**

	CAPITAL STOCK		CAPITAL SURPLUS	RETAINED EARNINGS				OTHER EQUITY					
	Common Stock	Preferred Stock		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Revaluation Increment	Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments	Net Loss not Recognized as Pension Cost	Treasury Stock	Total Stockholders' Equity
BALANCES, JANUARY 1, 2007	\$ 110,537,576	\$ 406,940	\$ 1,548,370	\$ 35,674,700	\$ 8,444,993	\$ 39,309,770	\$ 83,429,463	\$ 1,512,123	\$ 7,533,737	\$ (62,787)	\$ (37,358)	\$ (1,334,892)	\$ 203,533,172
Conversion of preferred stock to common shares	17,380	(17,380)	-	-	-	-	-	-	-	-	-	-	-
Appropriation of 2006 earnings (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	3,914,633	-	(3,914,633)	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(829,292)	829,292	-	-	-	-	-	-	-
Bonus to employees	1,080,539	-	-	-	-	(1,800,898)	(1,800,898)	-	-	-	-	-	(720,359)
Remuneration to directors and supervisors	-	-	-	-	-	(108,054)	(108,054)	-	-	-	-	-	(108,054)
Preferred cash dividends - \$2.78 per share	-	-	-	-	-	(112,815)	(112,815)	-	-	-	-	-	(112,815)
Common cash dividends - \$2.78 per share	-	-	-	-	-	(30,725,312)	(30,725,312)	-	-	-	-	-	(30,725,312)
Preferred stock dividends - \$0.3 per share	12,174	-	-	-	-	(12,174)	(12,174)	-	-	-	-	-	-
Common stock dividends - \$0.3 per share	3,315,681	-	-	-	-	(3,315,681)	(3,315,681)	-	-	-	-	-	-
Net income in 2007	-	-	-	-	-	51,263,874	51,263,874	-	-	-	-	-	51,263,874
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	(687,907)	-	-	-	(687,907)
Adjusted to nonoperating income from disposal of appreciated properties	-	-	-	-	-	-	-	(2,968)	-	-	-	-	(2,968)
Adjustment from changes in equity recognized under equity method	-	-	(340)	-	-	(5,674)	(5,674)	-	(372,504)	-	-	7,234	(371,284)
Foreign exchange gain due to the translation of foreign-currency financial statements	-	-	-	-	-	-	-	-	-	345,805	-	-	345,805
Investees' net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	(725)	-	(725)
Disposal of treasury stock	-	-	(2,263)	-	-	-	-	-	-	-	-	39,531	37,268
Disposal of the Corporation's shares held by subsidiaries	-	-	103,209	-	-	-	-	-	-	-	-	58,934	162,143
Cash dividends declared by the Corporation and received by subsidiaries	-	-	229,654	-	-	-	-	-	-	-	-	-	229,654
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(187,202)	(187,202)
BALANCES, DECEMBER 31, 2007	114,963,350	389,560	1,878,630	39,589,333	7,615,701	51,407,695	98,612,729	1,509,155	6,473,326	283,018	(38,083)	(1,416,395)	222,655,290
Conversion of preferred stock to common shares	6,860	(6,860)	-	-	-	-	-	-	-	-	-	-	-
Appropriation of 2007 earnings (Note 23)	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	5,125,820	-	(5,125,820)	-	-	-	-	-	-	-
Bonus to employees	1,384,702	-	-	-	-	(2,307,837)	(2,307,837)	-	-	-	-	-	(923,135)
Remuneration to directors and supervisors	-	-	-	-	-	(69,235)	(69,235)	-	-	-	-	-	(69,235)
Preferred cash dividends - \$3.50 per share	-	-	-	-	-	(134,274)	(134,274)	-	-	-	-	-	(134,274)
Common cash dividends - \$3.50 per share	-	-	-	-	-	(40,239,244)	(40,239,244)	-	-	-	-	-	(40,239,244)
Preferred Stock dividends - \$0.3 per share	11,509	-	-	-	-	(11,509)	(11,509)	-	-	-	-	-	-
Common stock dividends - \$0.3 per share	3,449,079	-	-	-	-	(3,449,079)	(3,449,079)	-	-	-	-	-	-
Net income in 2008	-	-	-	-	-	24,030,406	24,030,406	-	-	-	-	-	24,030,406
Issuance of stock to acquire subsidiaries' shares (Notes 10 and 23)	5,759,911	-	15,717,185	-	-	-	-	-	-	-	-	-	21,477,096
Adjustments in treasury stock and minority interest arising from subsidiaries' shares	-	-	-	-	-	-	-	-	-	-	-	(6,747,074)	(6,747,074)
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	(1,271,797)	-	-	-	(1,271,797)
Adjusted to nonoperating income from disposal of appreciated properties	-	-	-	-	-	-	-	(4,849)	-	-	-	-	(4,849)
Revaluation increment on land (Note 14)	-	-	-	-	-	-	-	20,410,942	-	-	-	-	20,410,942
Adjustment from changes in equity recognized under equity method	-	-	30,291	-	-	(4,850)	(4,850)	-	404,669	-	-	-	430,110
Foreign exchange gain due to the translation of foreign-currency financial statements	-	-	-	-	-	-	-	-	-	75,958	-	-	75,958
Investees' net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	5,698	-	5,698
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(2,510,843)	(2,510,843)
Change in unrealized gain (loss) on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	901,807	-	-	-	901,807
Disposal of the Corporation's shares held by subsidiaries	-	-	548,063	-	-	-	-	-	-	-	-	287,581	835,644
Cash dividends declared by the Corporation and received by subsidiaries	-	-	236,751	-	-	-	-	-	-	-	-	-	236,751
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(418,782)	(418,782)
BALANCES, DECEMBER 31, 2008	\$ 125,575,411	\$ 382,700	\$ 18,410,920	\$ 44,715,153	\$ 7,615,701	\$ 24,096,253	\$ 76,427,107	\$ 21,915,248	\$ 6,508,005	\$ 358,976	\$ (32,385)	\$ (10,805,513)	\$ 238,740,469

The accompanying notes are an integral part of the financial statements. Additional explanations for stockholders' equity accounts are in Appendix.

(With Deloitte & Touche audit report dated February 5, 2009)

CHINA STEEL CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 24,030,406	\$ 51,263,874
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	11,547,478	11,460,311
Amortization	648,513	616,288
Deferred income tax	(5,758,841)	(365,715)
Provision for loss on inventories	11,211,073	503,602
Loss on purchase commitments	5,901,525	-
Impairment loss	5,091,842	319,290
Unrealized gain from affiliates	437,457	160,520
Cash dividends received from equity - method investees	9,529,839	5,737,767
Investment income under equity method	(1,804,006)	(12,117,747)
Valuation gains on financial assets	(58,395)	(133,047)
Others	310,283	(48,291)
Net changes in operating assets and liabilities		
Notes receivable	(720,844)	(59,277)
Accounts receivable	(432,973)	274,927
Inventories	(32,337,540)	(5,759,315)
Other receivables	(922,433)	(248,474)
Other current assets	51,969	(1,403,438)
Accounts payable	210,350	1,729,307
Income tax payable	(932,582)	999,710
Accrued expenses	(1,486,878)	(300,297)
Other payables	4,257,430	(274,294)
Other current liabilities	(355,215)	360,952
Net cash provided by operating activities	<u>28,418,458</u>	<u>52,716,653</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(16,350,557)	(11,698,265)
Proceeds from disposal of financial assets at fair value through profit or loss	11,835,596	23,115,203
Acquisition of available-for-sale financial assets	(219,575)	(349,389)
Proceeds from disposal of available-for-sale financial assets	250,000	-
Acquisition of financial assets carried at cost	(231,650)	(142,562)
Proceeds from disposal of financial assets carried at cost	-	15,762
Acquisition of investments accounted for by equity method	(21,430,872)	(573,579)
Acquisition of property, plant and equipment	(17,928,526)	(16,754,453)
Increase in refundable deposits	(101,134)	(25,840)
Proceeds of capital reduction on financial assets carried at cost	8,364	18,360
Decrease (increase) in restricted assets	27,584	(510,340)
Increase in other financial assets - noncurrent	(4,391,060)	-
Increase in other assets	<u>(9,940)</u>	<u>(284,343)</u>

(Continued)

CHINA STEEL CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars)

	2008	2007
Net cash used in investing activities	\$ (48,541,770)	\$ (7,189,446)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of bonds payable	29,600,000	-
Cash dividends	(40,356,703)	(30,834,545)
Decrease in short-term loans and overdraft	(1,281,483)	(6,455,304)
Increase in commercial paper payable	14,971,593	-
Cash bonus to employees and remuneration to directors and supervisors	(992,370)	(828,413)
Cash paid for acquisition of treasury stock	(2,510,843)	-
Increase in long-term debt	-	795,335
Proceeds from disposal of treasury stock to employees	-	37,268
Net cash used in financing activities	<u>(569,806)</u>	<u>(37,285,659)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,693,118)	8,241,548
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>24,438,159</u>	<u>16,196,611</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,745,041</u>	<u>\$ 24,438,159</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	\$ 460,029	\$ 556,902
Income tax paid	12,916,348	9,753,805
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Cash Paid for Acquisition of Property, Plant and Equipment		
Acquisition of property, plant and equipment	\$ 18,163,084	\$ 16,943,124
Increase in payable for equipment purchased	(234,558)	(188,671)
	<u>\$ 17,928,526</u>	<u>\$ 16,754,453</u>
Cash Dividends Paid to Stockholders		
Total cash dividends payable to stockholders	\$ 40,373,518	\$ 30,838,127
Increase in dividends payable	(16,815)	(3,582)
	<u>\$ 40,356,703</u>	<u>\$ 30,834,545</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Issuance of stock to acquire Dragon Steel Corporation's shares	<u>\$ 21,477,096</u>	<u>\$ -</u>

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

(With Deloitte & Touche audit report dated February 5, 2009)

(Conclude)

Agenda 2-proposed by the board of directors

Subject:
To approve the proposed earnings appropriation of 2008.

Text:

1. The Company’s earnings distribution, as shown below, is proposed in accordance with the provisions in Article 6 of the Company’s Articles of Incorporation:

Compensation for the Board of Directors and Supervisors	NT\$ 35,193,797
Employee Bonus	1,877,022,516
After-tax earnings of 2008 (A)	24,030,406,094
Add: Undistributed earnings from previous years (B)	70,697,020
Deduct: Adjustment from changes in equity recognized under equity method (C)	-4,850,151
Subtotal of distributable earnings (D) = (A)+(B)+(C)	NT\$ 24,096,252,963
Distribution Items:	
Legal reserve = (A+C) *10%	2,402,555,594
Dividends for preferred shares and common shares	21,603,913,141
Subtotal of distribution items (E)	24,006,468,735
Undistributed earnings = (D)-(E)	NT\$ 89,784,228

2. For year 2008, Compensation for the Board of Directors and Supervisors totaled NT\$35,193,797, and Employee Bonus totaled NT\$1,877,002,516, to be distributed entirely in cash.
3. The proposed dividend appropriation is as follows: (1) preferred shares: cash dividend of NT\$ 1.30 per share and stock dividend of NT\$0.43 per share; (2) common shares: cash dividend of NT\$1.30 and stock dividend of NT\$ 0.43 per share.
4. Upon approval of this earnings appropriation plan by resolution of the meeting of shareholders, the Chairman of the Board will be authorized to set the record date for cash dividend distribution. When distributing cash dividends, the total amount paid to each shareholder shall be in whole NT dollars and any fractional amount less than an NT dollar shall be rounded to the next NT dollar. The resulting difference shall be recognized as a Company expense.
5. To accommodate the implementation of the combined tax rate, when calculating shareholder tax deductible amounts in accordance with Article 66 Item 6 of the Income Tax Law, priority shall be given to distribution of earnings attributable to the years 1998 and thereafter; when calculating the additional levy of 10% profitable enterprise income tax on undistributed earnings in accordance with Article 66 Item 9 of the Income Tax Law, priority shall be given to distribution of earnings from the most recent years.

6. Since the conversion of preferred stocks to common stocks can be made anytime, the aforementioned proposal of earning appropriation is calculated on the basis of 38,270,000 shares of preferred stocks. If the share number of preferred stocks differs from that on the record date, the appropriation amount in the proposal shall be adjusted in accordance with the change under the premise that the dividend per share remains unchanged.

Resolution:

Agenda 3-proposed by the board of directors

Subject:

To approve the proposed appropriation of NT\$ 5,369,758,750 from earnings available for distribution in 2008 toward an increase in equity capital with the issuance of 536,975,875 common shares.

Text:

1. In order to meet the capital requirement for the Company's long term development, it is proposed that (all amounts in NT\$) 5,369,758,750 be appropriated from earnings available for distribution in 2008 toward an increase in equity capital by issuing 536,975,875 common shares, with a par value of 10 per share, in a single stock offering. The rights and obligations of the new common shares are the same as existing common shares.
2. Of this equity capital increase from earnings available for distribution, shareholder stock dividend appropriation is appropriated free-of-charge to shareholders in our Shareholder Register on the dividend record date according to their respective shareholdings percentages. The distribution shall be 43 shares for every 1,000 shares of both special stock and common stock. Fractional shares may be combined into one whole share by the shareholders; otherwise, pro rata cash payments shall be made for fractional shares not combined into one whole share based on its par value. Residual amounts less than one NT dollar shall be rounded to the next dollar and the difference shall be recognized as a Company expense. The Chairman of the Board is authorized to determine the disposal of cumulative fractional shares.

Resolution:

Agenda 4 -proposed by the board of directors

Subject:

To submit the amendment to the Company's Articles of Incorporation.

Text:

To meet future demand of investing in steel-related businesses, the ceiling amount of investment as stated in Article 2-2, is increased from 100% to 180% of the Company's paid-in capital

The amendments to the Company's Articles of Incorporation are as attached:

Resolution:

Attachment 1

Comparison Table of Drafted Amendments to Clauses of the Articles of Association of the China Steel Corporation

Revised clause	Clause in force	Explanation
<p>Article 2-2</p> <p>In case of the Company invests in other companies as one of their limited obligation shareholders, its total amount of investments in such companies shall not <u>exceed 180% of</u> paid-in capital in which the amount of investments in steel unrelated businesses shall be limited up to twenty percent.</p>	<p>Article 2-2</p> <p>In case of the Company invests in other companies as one of their limited obligation shareholders, its total amount of investments in such companies shall not <u>exceed its own</u> paid-in capital in which the amount of investments in steel unrelated businesses shall be limited up to twenty percent.</p>	<p>We revise our ceiling amount of investment from 100% to 180% of the Company's paid-in capital in response to future demand of investing in steel-related businesses,</p>
<p>Article 32-1.</p> <p>The traveling allowance of Directors and Supervisors, <u>remuneration of Independent Directors</u>, and salary of Chairman of Board are discussed and approved by the Board of the Directors referring to the standard payments of related crafts and listing companies. Other payments shall also be given to Chairman of Board pursuant to related by-laws in respect of employee's compensation.</p>	<p>Article 32-1.</p> <p>The traveling allowance of Directors and Supervisors, and salary of Chairman of Board are discussed and approved by the Board of the Directors referring to the standard payments of related crafts and listing companies. Other payments shall also be given to Chairman of Board pursuant to related by-laws in respect of employee's compensation.</p>	<p>Addition for remuneration of Independent Directors.</p>
<p>Article 42.</p> <p>This Articles of Incorporation are agreed and signed on Nov. 2, 1971, firstly amended on Dec. 28, 1973, secondly amended on Jun. 25, 1974, thirdly amended on Oct.</p>	<p>Article 42.</p> <p>This Articles of Incorporation are agreed and signed on Nov. 2, 1971, firstly amended on Dec. 28, 1973, secondly amended on Jun. 25, 1974, thirdly amended on Oct.</p>	<p>The date of amendment and cardinal number of amendment have been revised.</p>

5, 1974, fourthly amended on Jun. 28, 1975, fifthly amended on Jun. 6, 1976, sixthly amended on Jun. 25, 1977, seventhly amended on Oct. 14, 1978, eighthly amended on Oct. 20, 1977, ninthly amended on Sep. 20, 1980, tenthly amended on Sep. 26, 1981, eleventh amended on Nov. 20, 1982, twelfth amended on Sep. 22, 1984, thirteenth amended on Feb. 16, 1985, fourteenth amended on Nov. 23, 1985, fifteenth amended on Dec. 20, 1986, sixteenth amended on Sep. 17, 1988, eighteenth amended on Sep. 27, 1990, nineteenth amended on Sep. 26, 1991, twentieth amended on Sep. 25, 1992, twenty-firstly amended on Sep. 24, 1993, twenty-secondly amended on Sep. 22, 1994, twenty-thirdly amended on May 26, 1995, twenty-fourthly amended on Oct. 20, 1995, twenty-fifthly amended on Nov. 6, 1996, twenty-sixthly amended on Dec. 30, 1997, twenty-seventhly amended on Apr. 30, 1999, twenty-eighthly amended on Jun. 8, 2000, twenty-ninthly amended on May 31, 2001, thirtieth amended on Jun. 20, 2002, thirty-firstly amended on Jun. 18, 2003, thirty-secondly amended on Jun. 17, 2004, thirty-thirdly amended on Jun. 14, 2005, thirty-fourthly

5, 1974, fourthly amended on Jun. 28, 1975, fifthly amended on Jun. 6, 1976, sixthly amended on Jun. 25, 1977, seventhly amended on Oct. 14, 1978, eighthly amended on Oct. 20, 1977, ninthly amended on Sep. 20, 1980, tenthly amended on Sep. 26, 1981, eleventh amended on Nov. 20, 1982, twelfth amended on Sep. 22, 1984, thirteenth amended on Feb. 16, 1985, fourteenth amended on Nov. 23, 1985, fifteenth amended on Dec. 20, 1986, sixteenth amended on Sep. 17, 1988, eighteenth amended on Sep. 27, 1990, nineteenth amended on Sep. 26, 1991, twentieth amended on Sep. 25, 1992, twenty-firstly amended on Sep. 24, 1993, twenty-secondly amended on Sep. 22, 1994, twenty-thirdly amended on May 26, 1995, twenty-fourthly amended on Oct. 20, 1995, twenty-fifthly amended on Nov. 6, 1996, twenty-sixthly amended on Dec. 30, 1997, twenty-seventhly amended on Apr. 30, 1999, twenty-eighthly amended on Jun. 8, 2000, twenty-ninthly amended on May 31, 2001, thirtieth amended on Jun. 20, 2002, thirty-firstly amended on Jun. 18, 2003, thirty-secondly amended on Jun. 17, 2004, thirty-thirdly amended on Jun. 14, 2005, thirty-fourthly

amended on Jun. 15, 2006, thirty-fifthly amended on June 21, 2007, <u>thirty-sixthly amended on June 19, 2008, and thirty-seventhly amended on June 19, 2009.</u>	amended on Jun. 15, 2006, thirty-fifthly amended on Jun. 21, 2007, <u>and thirty-sixthly amended on Jun. 19, 2008.</u>	
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Agenda 5-proposed by the board of directors

To approve amendments to Article 7 of the Procedures for Acquisition or Disposal of Assets

Text:

Comparative table of amended portions of provisions as attached

Resolution:

Attachment

Comparative Table of Amended Portions of Provisions of the Procedures for Acquisition or Disposal of Assets

Amended Articles	Existing Articles	Explanation
<p>Article 7</p> <p>The total amount of reinvestment, the total amount of investment in marketable securities, limits for individual marketable securities, and total amount of real estate for non-business purposes for the Company and its subsidiaries, except that the subsidiaries are public companies and have their own Provisions of the Procedures for Acquisition or Disposal of Assets, are stipulated below, respectively:</p> <p>1. The total amount of the Company's reinvestment must not exceed <u>180% of the Company's paid-in capital</u>. Of the total amount of the Company's reinvestment, non-steel related investment must not exceed twenty percent of the Company's paid-in capital; the total amount of investments in other marketable securities must not exceed forty percent of the Company's paid-in capital, and investments in individual marketable</p>	<p>Article 7</p> <p>The total amount of reinvestment, the total amount of investment in marketable securities, limits for individual marketable securities, and total amount of real estate for non-business purposes for the Company and its subsidiaries, except that the subsidiaries are public companies and have their own Provisions of the Procedures for Acquisition or Disposal of Assets, are stipulated below, respectively:</p> <p>1. The total amount of the Company's reinvestment must not exceed <u>the Company's paid-in capital</u>. Of the total amount of the Company's reinvestment, non-steel related investment must not exceed twenty percent of the Company's paid-in capital; the total amount of investments in other marketable securities must not exceed forty percent of the Company's paid-in capital, and investments in individual marketable</p>	<p>1. Subparagraph 1, Paragraph 1 is revised in accordance with the revision of ceiling amount of investments pursuant to Article 2-2, Articles of Incorporation.</p> <p>2. 100% owned subsidiaries, along with the Company, should be viewed as an economic entity in substance, and thus should be excluded from the provisions as regulated in Subparagraph 1, Paragraph 1.</p> <p>3. Subparagraphs 2-3 of Paragraph 1 remain unchanged.</p>

<p>securities, <u>except those of subsidiaries 100% owned by the Company</u>, must not exceed forty percent of the Company's paid-in capital.</p> <p>2. The total amount of reinvestment for each subsidiary company whose primary business are not investments or transportation must not exceed one hundred percent of the subsidiary company's paid-in capital, the total amount invested in other marketable securities must not exceed forty percent of the subsidiary company's paid-in capital, and investments in individual marketable securities must not exceed forty percent of the subsidiary company's paid-in capital. For subsidiary companies that have investment or transportation as their primary businesses, the total amount of reinvestment must not exceed 250% of the subsidiary's paid-in capital, the total amount invested in other marketable securities must not exceed one hundred percent of the subsidiary company's paid-in capital, and</p>	<p>securities must not exceed forty percent of the Company's paid-in capital.</p> <p>2. The total amount of reinvestment for each subsidiary company whose primary business are not investments or transportation must not exceed one hundred percent of the subsidiary company's paid-in capital, the total amount invested in other marketable securities must not exceed forty percent of the subsidiary company's paid-in capital, and investments in individual marketable securities must not exceed forty percent of the subsidiary company's paid-in capital. For subsidiary companies that have investment or transportation as their primary businesses, the total amount of reinvestment must not exceed 250% of the subsidiary's paid-in capital, the total amount invested in other marketable securities must not exceed one hundred percent of the subsidiary company's paid-in capital, and</p>	
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<p>investments in individual marketable securities must not exceed one hundred percent of the subsidiary company's paid-in capital.</p> <p>3. The total amount of real estate acquired by the Company and each subsidiary company for non-business purposes must not exceed ten percent of each company's paid-in capital.</p> <p>Marketable securities as referred to in the preceding paragraph do not include low-risk investment instruments acquired or disposed of for financial management purposes in Article 6, Paragraph 1, Item 2.</p>	<p>investments in individual marketable securities must not exceed one hundred percent of the subsidiary company's paid-in capital.</p> <p>3. The total amount of real estate acquired by the Company and each subsidiary company for non-business purposes must not exceed ten percent of each company's paid-in capital.</p> <p>Marketable securities as referred to in the preceding paragraph do not include low-risk investment instruments acquired or disposed of for financial management purposes in Article 6, Paragraph 1, Item 2.</p>	
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Agenda 6-proposed by the board of directors

To approve amendments to Procedures for Endorsement and Guarantee

Text:

Comparative table of amended portions of provisions as attached

Resolution:

Amended Articles	Existing Articles	Explanation
<p>Article 1</p> <p>These Regulations are promulgated pursuant to the Procedures for Endorsement and Guarantee as regulated by the Financial Supervisory Commission (FSC), Executive Yuan.</p>	<p>Article 1</p> <p>These Regulations are promulgated pursuant to Paragraph 1, Article 11 of the Procedures for Endorsement and Guarantee as regulated by the Securities and Futures Bureau, (SFB) Ministry of Finance.</p>	<p>Revision for name change of the competent authority.</p>
<p>Article 3</p> <p>The Company may make endorsements/guarantees for the following companies:</p> <p>1. A company that the Company factors its accounts receivables to, but limited to the amount of factoring account receivables resulted from the Company’s credit sales.</p> <p><u>2. A company in which the Company directly and indirectly holds more than 50 percent of the voting shares. However, the percentage of endorsements/guarantees shall not exceed the shareholding percentage by the Company.</u></p> <p>Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry <u>or co-proprietors</u> for purposes of undertaking a</p>	<p>Article 3</p> <p>The Company may make endorsements/guarantees for the following companies:</p> <p>1. A company that the Company factors its accounts receivables to, but limited to the amount of factoring account receivables resulted from the Company’s credit sales.</p> <p><u>2. Subsidiaries of the Company</u></p> <p>Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry for purposes of undertaking a construction</p>	<p>1. To define subsidiaries, and to restrict the percentage of endorsements and guarantees.</p> <p>2. Paragraph 2 is revised in accordance with Paragraph 3, Article 5, Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies</p> <p>3. Paragraph 3 is amended in accordance with Paragraph 4, Article 5, Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>

<p>construction project, or where shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction of the preceding paragraph. However, the Company shall not make endorsements or guarantees for other shareholders that should be liable for their own.</p> <p><u>Where the Company invests in the invested company through a 100%-owned subsidiary, the Company shall be liable to the percentage that the 100%-owned subsidiary holds the invested company.</u></p>	<p>project, or where shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages, such endorsements/guarantees may be made free of the restriction of the preceding paragraph. However, the Company shall not make endorsements or guarantees for other shareholders that should be liable for their own.</p>	
<p>Article 4</p> <p>The term "announce and report" as used in these Regulations means the process of entering data to the information reporting website designated by the <u>Financial Supervisory Commission (FSC), Executive Yuan.</u></p>	<p>Article 4</p> <p>The term "announce and report" as used in these Regulations means the process of entering data to the information reporting website designated by the <u>Securities and Futures Bureau (SFB), Ministry of Finance.</u></p>	<p>Revision for name change of the competent authority.</p>
<p>Article 7</p> <p>Before making an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with the</p>	<p>Article 7</p> <p>Before making an endorsement/guarantee for others, the Company shall carefully evaluate whether the endorsement/guarantee is in compliance with the</p>	<ol style="list-style-type: none"> 1. Revision for name change of the competent authority. 2. Paragraph 2 is amended in accordance with Paragraph 2, Article 7 of Regulations Governing

<p>Company's Procedures for Endorsements/Guarantees and other regulations by the <u>FSC</u>. The Company may make an endorsement/guarantee only after the evaluation results under this paragraph have been submitted to and resolved upon by the board of directors, or approved by the chairman of the board, where empowered by the board of directors to grant endorsements/guarantees within a specific limit, for subsequent submission to and ratification by the next board of directors' meeting.</p> <p><u>Where the Company has established the position of independent director, when it makes endorsements/guarantees for others, it shall take into full consideration each independent director's opinions; 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.</u></p>	<p>Company's Procedures for Endorsements/Guarantees and other regulations by the <u>SFB</u>. The Company may make an endorsement/guarantee only after the evaluation results under this paragraph have been submitted to and resolved upon by the board of directors, or approved by the chairman of the board, where empowered by the board of directors to grant endorsements/guarantees within a specific limit, for subsequent submission to and ratification by the next board of directors' meeting.</p>	<p>Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>
<p>Article 9 Finance Department of the Company shall prepare a memorandum book for its</p>	<p>Article 9 Finance Department of the Company shall prepare a memorandum book for its</p>	<p>Revised in accordance with the addition of Paragraph 2, Article 7.</p>

<p>endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the board of directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under <u>Paragraph 1, Article 7</u>.of the Procedures</p>	<p>endorsement/guarantee activities and record in detail the following information for the record: the entity for which the endorsement/guarantee is made, the amount, the date of passage by the board of directors or of authorization by the chairman of the board, the date the endorsement/guarantee is made, and the matters to be carefully evaluated under Article 7.of the Procedures</p>	
<p>Article 11 Where its loan balance exceeds the limit as a result of changes of condition, the Company shall adopt rectification plans, <u>submit the rectification plans to all the supervisors, and complete the rectification plans as planned.</u></p>	<p>Article 11 Where its loan balance exceeds the limit as a result of changes of condition, the Company shall adopt rectification plans <u>and submit the rectification plans to all the supervisors.</u></p>	<p>Revised in accordance with Article 20, Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>
<p>Article 12 The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month. When the balance of endorsements/guarantees of the Company reaches one of levels as specified in Paragraph 1, Article 25 of</p>	<p>Article 12 The Company shall announce and report the previous month's balance of endorsements/guarantees of itself and its subsidiaries by the 10th day of each month. When the balance of endorsements/guarantees of the Company reaches one of levels as specified in Paragraph 1, Article 25 of</p>	<p>Revision for name change of the competent authority.</p>

<p>Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies as regulated by the <u>FSC</u>, the Company shall announce and report such event within two days from its occurrence.</p> <p>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 the regulations by the <u>FSC</u>.</p>	<p>Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies as regulated by the <u>SFB</u>, the Company shall announce and report such event within two days from its occurrence.</p> <p>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 the regulations by the <u>SFB</u>.</p>	
<p>Article 14</p> <p>Where a subsidiary of the Company intends to make endorsements/guarantees for others, and such subsidiary is a public company of the Republic of China, it shall formulate its own Procedures for Endorsements/Guarantees in compliance with these Regulations by the <u>SFB</u>. While the subsidiary of the Company is not a public company of the Republic of China, it shall <u>formulate and comply</u> with its Procedures for Endorsements/Guarantees in accordance with the procedures of the Company, and shall</p>	<p>Article 14</p> <p>Where a subsidiary of the Company intends to make endorsements/guarantees for others, and such subsidiary is a public company of the Republic of China, it shall formulate its own Procedures for Endorsements/Guarantees in compliance with these Regulations by the <u>SFB</u>. While the subsidiary of the Company is not a public company of the Republic of China, it shall <u>formulate</u> its Procedures for Endorsements/Guarantees in accordance with the procedures of the Company.</p>	<p>Revision for name change of the competent authority.</p>
<p>Article 17</p>	<p>Article 17</p>	<p>Revision for name change of</p>

<p>In regard to all matters not provided for in the Procedures for of Endorsements and Guarantees, shall be in pursuance of related laws or regulations by the <u>FSC</u>.</p>	<p>In regard to all matters not provided for in the Procedures for of Endorsements and Guarantees, shall be in pursuance of related laws or regulations by the <u>SFB</u>.</p>	<p>the competent authority.</p>
<p>Article 18 When making endorsements or guarantees for others, after passage by the board of directors, the Company shall submit the same to each supervisor and for approval by the shareholders' meeting. <u>Where there any director expresses dissent and it is contained in the minutes or a written statement, the Company shall submit the dissenting opinions to each supervisor and for discussion by the shareholders' meeting.</u> <u>The same shall apply to any amendments to the Procedures.</u></p>	<p>Article 18 When making endorsements or guarantees for others, after passage by the board of directors, the Company shall submit the same to each supervisor and for approval by the shareholders' meeting.</p>	<p>Amended in accordance with Paragraph 1, Article 11, Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.</p>

Agenda 7-proposed by the board of directors

Subject:

To discuss the removal of the prohibition against competition by concurrently holding positions in other companies.

For the best interest of the Company, it is proposed that the Company’s Chairman of the Board, Mr. Chia-Juch Chang, shall be allowed to serve at Chung-Hung Steel Corporation and China Ecotek Corporation. The agenda is hereby submitted for shareholder resolution.

Text:

- 1. Mr. Chia-Juch Chang, Chairman of the Board, plans to serve on the Board of Chung-Hung Steel Corporation and China Ecotek Corporation. Information of these companies are listed as below:

<u>Invested Company</u>	<u>Ownership</u>	<u>Position</u>	<u>Business Relationship with CSC</u>
Chung-Hung Steel Corporation	39.08%	director	Steel production & trading
China Ecotek Corporation	49.00%	director	Waste treatment and facility maintenance co-generation plant - planning, design, and construction and feasibility study

- 2. Although the Company is affiliated with the above-mentioned companies in terms of operation, differences still exist in the production and service provided. The Company may benefit from Mr. Chia-Juch Chang’s service in the board of these subsidiaries, since CSC can therefore participate in important operating decisions and monitor the execution of business strategies. The Company’s investment equity is therefore protected.

Resolution: