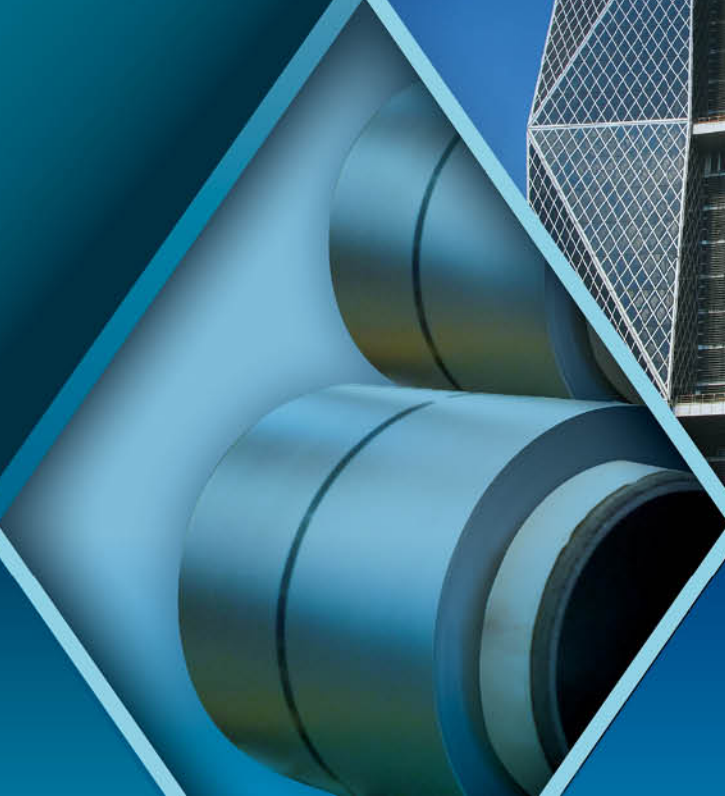




CHINA STEEL

2013

OPERATION
REPORT

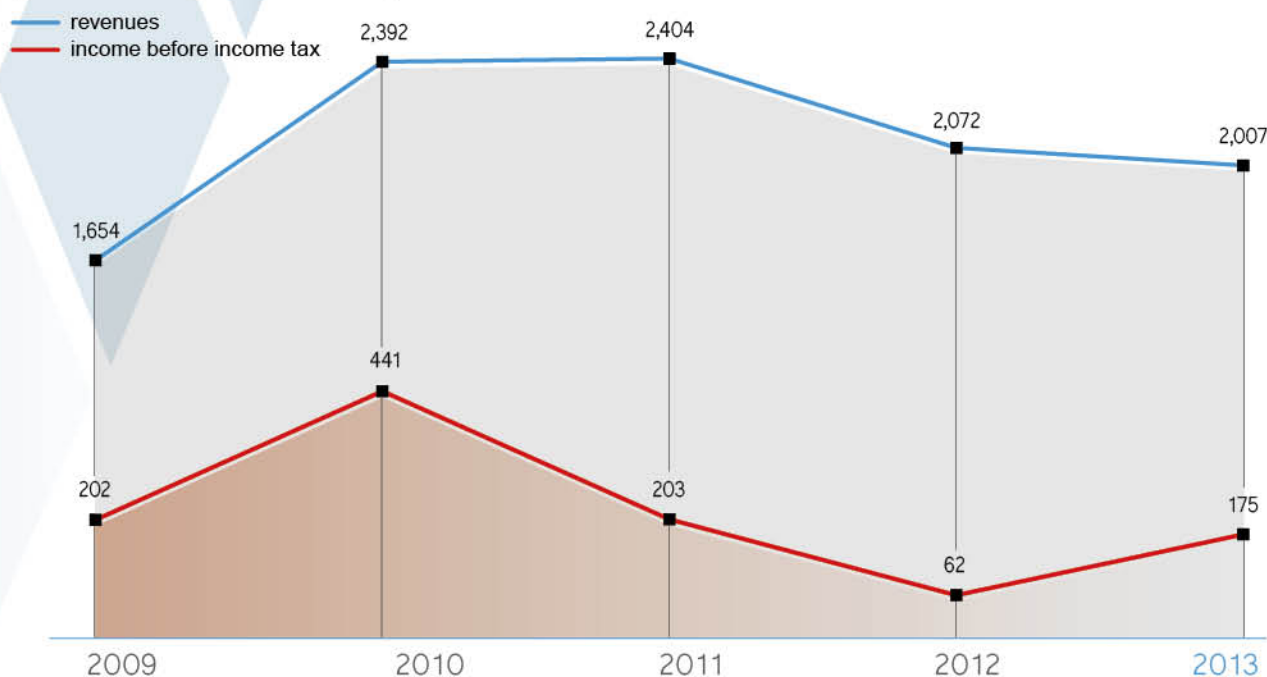


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Highlights of Operating Results¹

Revenues and income before income tax (in hundred million of New Taiwan Dollars)



		2013	2012
Operating revenues	(Millions of New Taiwan Dollars)	200,726	207,193
Operating costs and expenses		191,502	204,414
Profit from operations		9,618	2,743
Profit before income tax		17,507	6,221
Employment costs ²		18,239	15,787
Depreciation		18,857	17,709
Interest expenses net ²		1,388	1,248
Total assets		457,281	429,723
Capital expenditures		22,258	22,077
Equity		289,687	275,871
Output of steel products	(Thousands of metric tons)	8,835	8,383
Sales volume of steel products		9,477	8,793
Number of employees ³		9,946	9,814
Return on sales	(%)	8.72	3.00
Return on equity ⁴		5.65	2.09

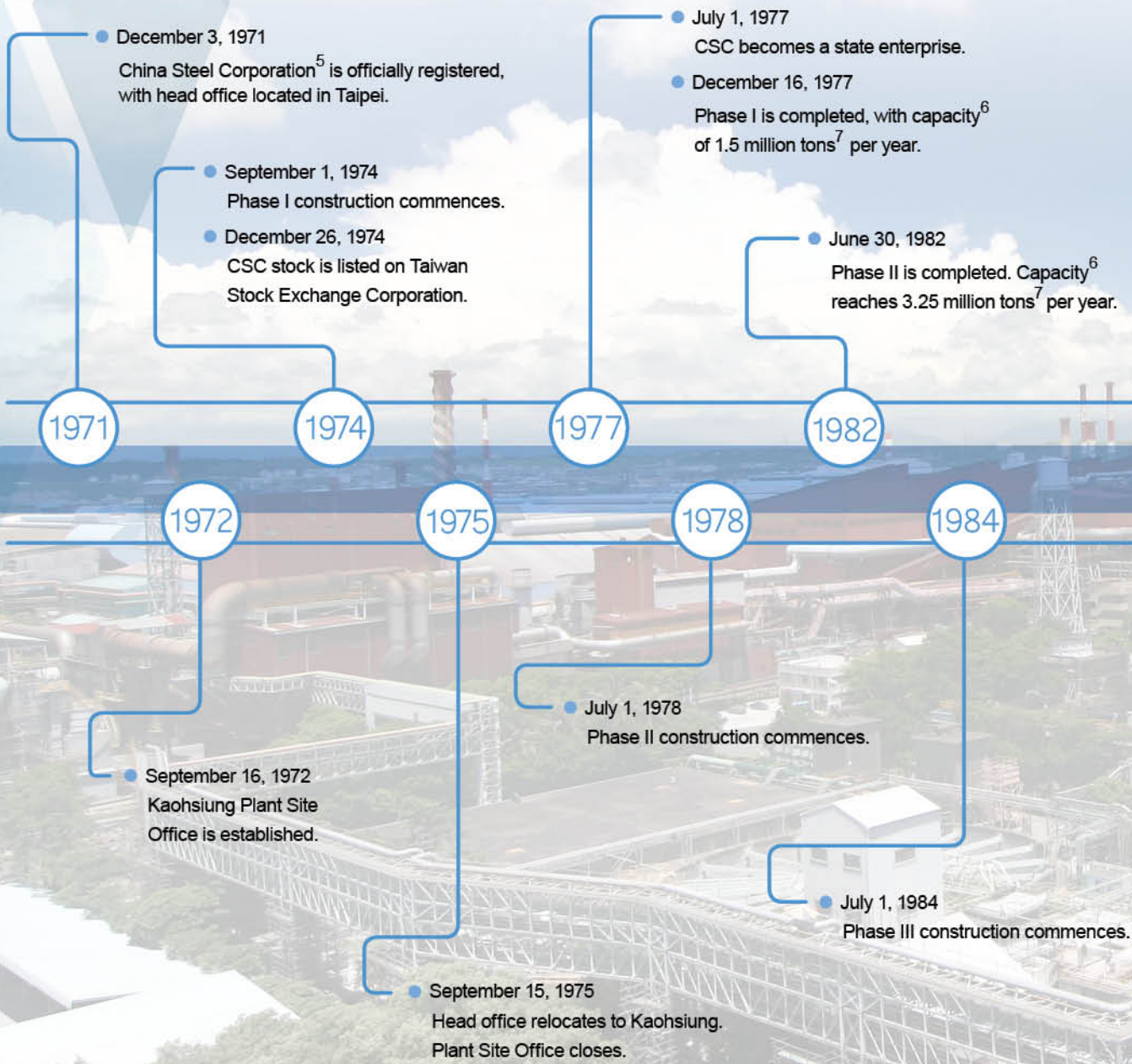
¹ The financial statements between 2009 and 2011 were compiled according to ROC GAAP. Those starting from 2013 were compiled according to IFRS, IAS, IFRIC Interpretations, and SIC Interpretations. The 2012 financial statements were recompiled retroactively.

² Excluding capital expenditures

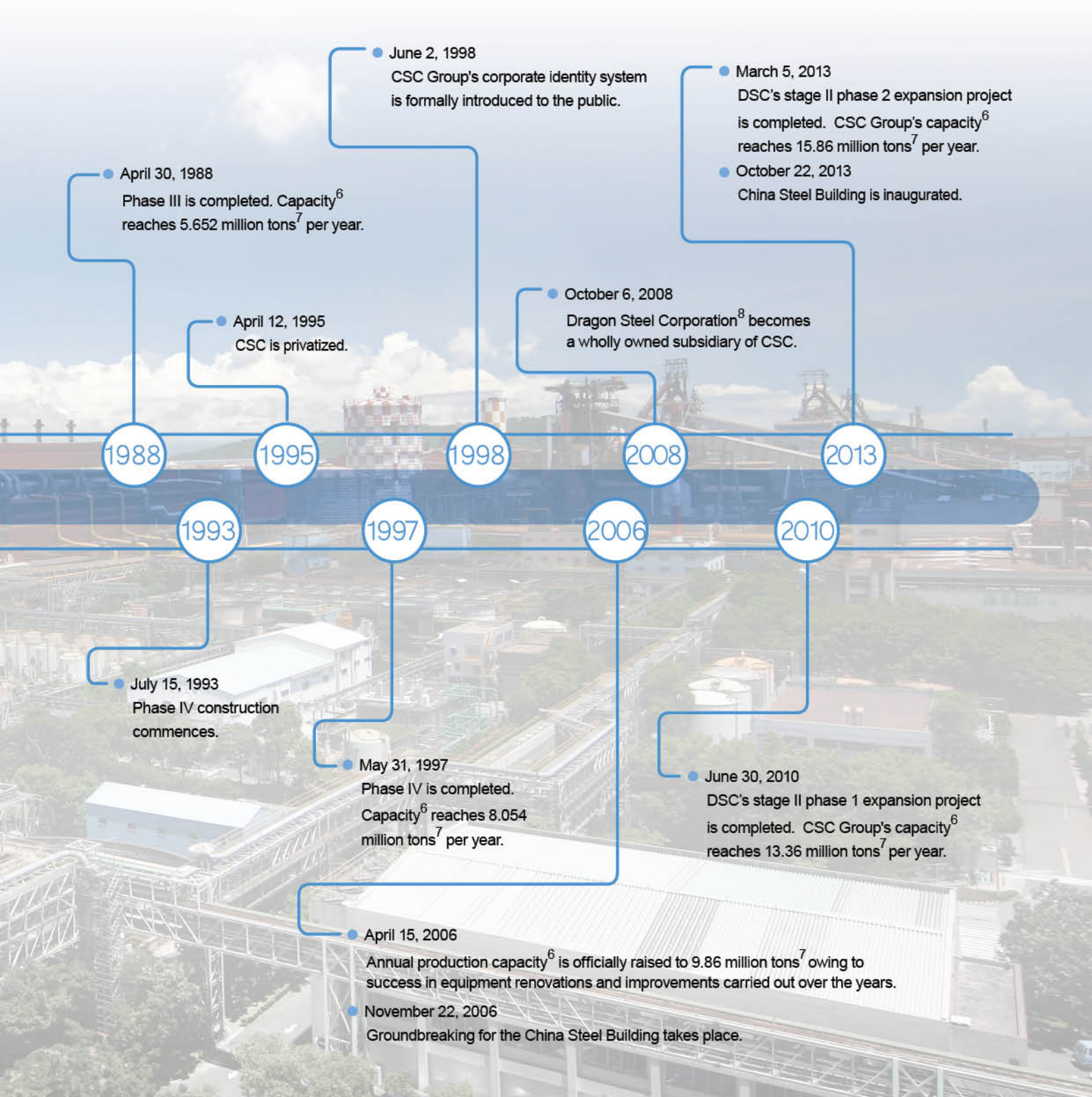
³ As of the end of the calendar year

⁴ Based on net income

Chronology of Major Events



A bird's-eye view of China Steel Corporation



⁵Hereinafter also referred to as "the Corporation", "the Company" or "CSC".

⁶In terms of crude steel.

⁷All references to "tons" mean metric tons of 1,000 kilograms.

⁸Hereinafter also referred to as "DSC".

An Overview of the Business Situation

Chairman

Jo-Chi Tsou



The three major issues that the international steel industry faced in 2013 were :

- (1) Slowing down of the global economy : On January 21, 2014, the International Monetary Fund (IMF) published the 2013 global economic growth rate to be 3%, which was lower than that of 2012 (3.1%).
- (2) Easing of the growth in international steel demand: In March, 2014, World Steel Association (worldsteel) published the statistics that global apparent finished steel use in 2013 was 1,481 million metric tons, which was increased by 3.6% compared with that of 2012.
- (3) Slowing down of the increase of steel production : worldsteel also published on February 20, 2014 that global crude steel production for 2013 was 1,580 million metric tons, which was increased by 3.9% compared with that of 2012.

The main factors which influenced the operation of the steel industry in Taiwan included :

- (1) Stable improvement of the economy : Growth in consumer spending was stimulated due to the improvement of the domestic consumption atmosphere. On February 18, 2014, the Directorate General of Budget and Statistics (DGBAS) published the 2013 economic growth rate in Taiwan to be 2.11%, which was higher than that of 2012 (1.48%).
- (2) Steady demand of steel : According to the statistics published by worldsteel, the apparent finished steel use in Taiwan in 2013 was increased by 4% compared with that of 2012.
- (3) Slight increase of crude steel production : worldsteel published the production of crude steel in Taiwan in 2013 was increased by 7.9%, which was mainly due to the initiation of production of CSC Group's No. 6 blast furnace in March, 2013.

CSC's 2013 sales revenue amounted to NT\$200,726 million, which was 3.1% less than that of 2012 mainly due to the lowering of average selling prices although the amount of sales of steel products slightly

President

Jyh-Yuh Sung



increased. Operating costs and expenses in 2013 were NT\$191,502 million, which was 6.3% less than that of 2012 owing to the reduction of costs of goods sold on account of the decline of raw material prices. The non-operating income in 2013 was NT\$7,889 million, which was 126.8% more than that of 2012 and mainly attributable to the increase of the share of the profits from the subsidiaries and affiliates recognized under the equity method. Pre-tax profits in 2013 amounted to NT\$17,507 million, which were 181.4% more than those of 2012.

CSC's 2013 operating directives included four key points:

(1) Planning of advanced production processes and expansion of product differentiation by value-added: CSC has successfully developed a total of 13 different alloys, including 4 titanium alloys, 8 nickel alloys, and one type of die steel, by the end of 2013 since it went into the specialty alloy business in July, 2011. Sales for high quality steel products, which accounted for 45.2% of the total sales, amounted to 4.95 million metric tons in 2013

and were 10.3% more than those in 2012.

- (2) Continuation of cost reduction and enhancement of efficiency: CSC has continued to reduce its operating costs systematically by using scientific methods, e.g. utilization of raw materials mix, improvement in production processes, research and development of new technology, quality upgrades, and improvement in management. A total of approximately NT\$5,520 million were saved the whole year.
- (3) Expansion of distribution channels and development of new markets: The establishment of Qingdao China Steel Precision Metal Co., Ltd., which will serve as CSC's headquarters in northern China, was completed in the fourth quarter of 2013, and production was initiated. Furthermore, CSC has invested and/or set up coil centers in Indonesia, Thailand, India, etc. as well as established sales offices in Thailand, Vietnam, Mexico, etc. through China Steel Global Trading Corporation (CSGT), which is a wholly-owned subsidiary of CSC.

An Overview of the Business Situation

(4) Determined implementation of energy conservation, environmental protection, and waste reduction and reutilization: CSC has been devoted to the upgrade of production technology and enhanced energy conservation, waste reduction, and reutilization. In collaboration with the government's policy of "zero waste," CSC upholds the principle of 100% reutilization of resources and zero solidified landfill by turning wastes and by-products into useable materials in its factories in order to enhance the value in use.

In prospect, due to the boost of the global economic activities from the second half of 2013, the status of the economy in 2014 will improve further. The recovery of the euro zone has been stronger than expected, and the economic growth is also expected to turn from negative to positive. Since the issues of the debt ceiling and tapering off of QE in the U.S. were resolved, and Mainland China was able to implement soft landing owing to the adjustment measures of the economic structures, the IMF published the global economic growth rate to be 3.7%. The DGBAS also published the 2014 economic growth rate in Taiwan to be 2.82%.

In regard to steel demand, worldsteel estimated that the global apparent finished steel use would

increase by 3.1% in 2014, and that of Taiwan would be 2.0%. In regard to steel supply, World Steel Dynamics (WSD) also published in February, 2014 that global crude steel production would increase by 3.1% to reach 1.659 billion metric tons. After the adjustment period in 2013, the steel market will gradually improve in 2014 as shown in the increase of inventories by downstream users. On the other hand, steel producers in Mainland China controlled their production, which eased the pressure of supply expansion and was beneficial for the operation of the steel industry. Nonetheless, the prices of iron ore, coking coal, and coke still remain at higher levels although their supply exceeds the market demand. Mainland China still poses as a source of pressure for the steel market owing to the oversupply of its steel production.

To enhance CSC's long-term competitiveness, it has mapped out its 2014-2018 operation and development strategies as follows:

- (1) Its corporate culture will be enhanced, knowledge management will be promoted, training and cultivation of human resources will be strengthened, and the corporate image of CSC Group will also be further enhanced.

- (2) Sales channels for export will be expanded, domestic leadership will be firmly maintained, customer services will be upgraded meticulously, and strategic partnerships will be strengthened.
- (3) Upstream raw materials will be secured to increase self-sufficiency ratios, and overall downstream and green industries will be mapped out to reinforce strategic investments.
- (4) Advanced products will be researched and developed, technology and green production processes will be applied to increase the chain value of the steel industry.
- (5) The professional competence of CSC Group will be integrated, engineering businesses will be expanded proactively, and efforts will be made to fully develop its own core technology.
- (6) The supply of CSC Group's products will be expanded, the overall value of its steel production will be raised, energy saving and environmental protection will be implemented diligently, costs will be reduced comprehensively, and industrial safety will be strengthened.

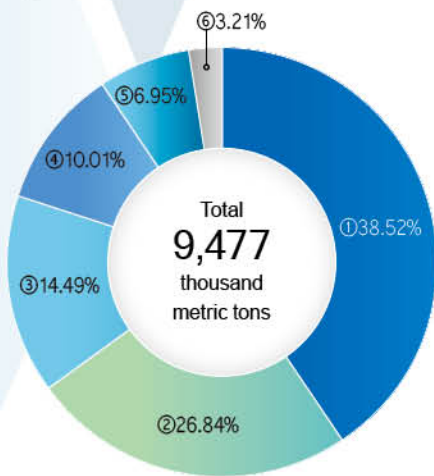
Based on the 5-year operation and development strategy, directives for 2014 include: (1) Overall

reduction of costs and enhancement of efficiency, (2) Expansion of the global market and offering of better customer services, (3) Research and development of high-end products and addition of value by upgrades, and (4) Innovation of green production processes, energy conservation, and reduction of carbon emissions. Targets for 2014 include: (1) Reduction of costs equals to or exceeds NT\$3.7 billion. (2) Delivery of steel products equals to or exceeds 9.26 million tons. (3) Orders for premium products equal to or exceed 5.76 million tons. (4) No cases of major occupational injuries. (5) The intensity of sulfur oxide emissions equals to or is below 1.03 kg/ton of slabs and blooms.

Production and Sales

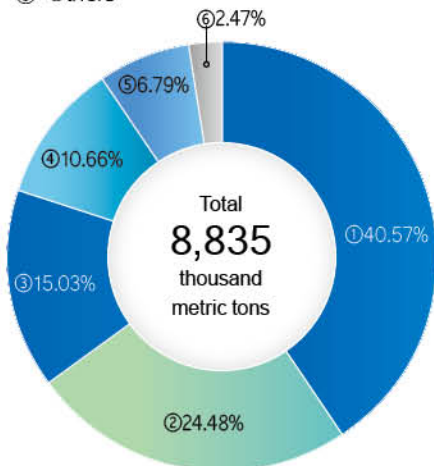
Percentage of steel sales volume by product, 2013

- ① Cold rolled products
- ② Hot rolled products
- ③ Wire rods
- ④ Plates
- ⑤ Bars
- ⑥ Others



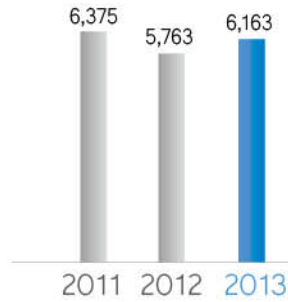
Percentage of steel production volume by product, 2013

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- ⑤ Bars
- ⑥ Others



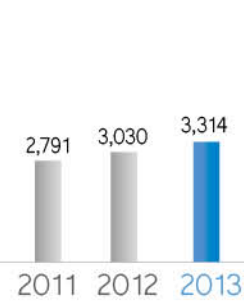
Domestic sales of steel product

(in thousand metric tons)



Export sales of steel product

(in thousand metric tons)



Sales volume of CSC's steel products in 2013 increased by 7.78% from the 2012 level to 9.477 million tons, 65% of which was domestic sales and 35% of which was overseas sales. Production of steel was 8.835 million tons, which was 5.39% more than that of 2012. Production of molten iron (8.656 million tones) and liquid steel (9.073 million tons) were 6.08% and 4.49% less than that of 2012, respectively. The reduction of steel production was mainly because of the revamping of the No.4 blast furnace in the fourth quarter.

In terms of raw materials, because the heavy rain affected the supply of coal in Queensland, Australia in early 2013, the price of coal slightly went up. In order to reduce production costs, coal suppliers there maintained full production; nonetheless, the price was decreased due to the fact that there were no major abnormal weather conditions in the rest of the year, and that the supply was increased. In terms of iron ore, subject to the hurricanes and flooding in the major iron ore producing regions in southern hemisphere such as Australia and Brazil in early 2013, the supply was significantly affected; as a result, its price went up in the first quarter. As the supply became stable afterwards, and the global steel market was not good, its price dropped in the middle of the year. Due to the requirements of



Hot rolled coils

Titanium plates

Titanium coils

Cold rolled coils

Electrical steel coils

Wire rods

environmental protection in China from the second half of the year, the production of pellets and sinter was reduced. Because the steel producers massively imported lump iron which could be added directly to blast furnaces, the prices of pellets and lump ore gradually rose.

CSC generated 51.77% of the electricity it required in 2013; it was 0.35% less than the amount in 2012 because of the revamping of the No.4 blast furnace, which resulted in the decrease of the quantities of self-produced gases for power generation, as well as the consecutive overhaul of boilers 6 and 8 in the power plant. Energy consumption per ton of crude steel (slabs and blooms) was 5,840 million calories, which was 120 million calories more than that in 2012 largely owing to the aforementioned factors. In order to upgrade the efficiency of regional resource utilization, CSC continued to promote regional integration of energy resources within the Lin Hai Industrial Park by selling excess quantities of self-produced gases such as steam, oxygen, nitrogen, and argon, which amounted to NT\$3.05 billion, a 12.1% decrease compared with that of 2012. This was due to the decreased consumption of China Petrochemical Development Corporation's planned production schedule. The quantity of sales of steam in 2013 was 2.201 million tons, which saved 169,000 kiloliters of oil equivalents for the related enterprises at the Lin Hai Industrial Park and represented that 504,000 tons of CO₂, 1,608 tons of SO_x, 1,115 tons of NO_x, and 159 tons of particulate matters were reduced annually if converted to benefits in reduction of air pollution and greenhouse gas emission.

Key tasks and results of quality management in 2013 were listed as follows:

1. New Product Development

A record of 55 new products was completed in 2013,



some highlight of which included:

- (1) Steel plates: SBHS500, 60kg-grade high performance steel for bridge construction with excellent formability, weather resistance, and weldability, is the steel with the highest strength ever developed for building bridge structures. It is estimated that 28% of steel use can be saved when SBHS500 is applied, saving 18% of construction costs.
- (2) Bars and wire rods: 38MnVS6, high-strength hot forged non-quenched and tempered steel for manufacturing hubs or control arms for automobiles, can help downstream customers streamline their production processes in order to save costs.
- (3) Hot rolled products: API 5L X65M/X70M PSL2, 60kg-grade high-strength high-toughness HR steel coils for manufacturing oil and gas line pipes, can assist oil and gas line pipe producers to create markets. HR550LA, 60kg-grade high-strength structural steel with excellent formability, is helpful in reducing car weight and saves the consumption of materials when applied.
- (4) Cold rolled products: JSC440P, non-aging high-strength steel with improved formability, was developed by the establishment of the production technology of IF steel with the highest strength of 440MPa. BH300, belonging to a series of bake hardening steel with high-strength and excellent formability, was also developed.
- (5) Coated products: HX340BD, high-strength bake hardening steel for automobile use, was developed by the establishment of the production capability of a series of bake hardening hot-dip galvanized steel.
- (6) Electrical steel: 50CS1300 with low hardness and suitable for lamination purposes, DC01 with high roughness and a high yield ratio, and 50HE1 ARO, a customized product applied for high-efficiency air-conditioning compressor lamination, were successfully developed to satisfy customers' demand by implementing the

2013 Taiwan Corporate Sustainability Awards 台灣企業永續獎



CSC was granted the 2013 Taiwan Sustainability Award

total solution mode and expand CSC's electrical steel market share.

2. Technological Advancement of Production Processes

- (1) **Steelmaking**: The refining of tire cords adopted the metallurgy of manganese and silicon inclusions and the BOF blowing method; after the assessment of the specific testing, the quality met the demand. CSC's tire cords were supplied to BEKAERT, Indonesia and Sumitomo Electric Industries, Ltd. for trial use. Furthermore, the morphology and amounts of inclusions of high cleanliness steel, which required special inclusions and was applied as bearing steel, hot forged non-quenched and tempered steel and automotive airbag inflator application, were effectively controlled in the casting process, which facilitated CSC to establish key steelmaking processes and control systems as well as to improve the yield rate significantly.
- (2) **Steel rolling**: Billets were enlarged in 2013 by applying Six Sigma activities, the quality of

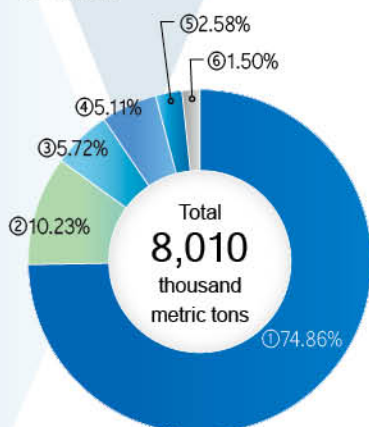
which was noticeably enhanced after improved rolling and inspection. The odds of complaints were reduced drastically, which resulted in the converted annual cost reduction reached NT\$15 million.

- (3) **Hot rolling**: The operation costs of S35CM – S50CM, the types of steel without having to go through the hot rolling and finishing line, were massively reduced. The variations of the amounts of coating oil in the pickled and oiled coils were thoroughly improved by applying Six Sigma method, which in terms solved the problem for the Japanese customers.
- (4) **Cold rolling**: Defects of saw edges of the outer panels for automobiles and sticking defects of box annealed high-precision gauge steel were massively improved, which resulted in the significant reduction of defect rates. There was breakthrough improvement in the coating streaky lines of GA-V, hot-dip galvanized steel for manufacturing automobile

Production and Sales

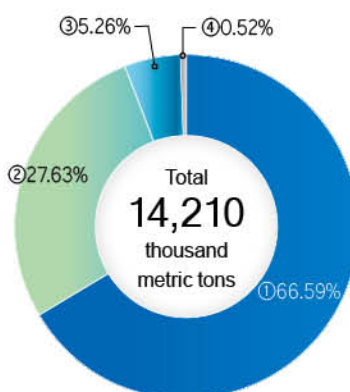
2013 Sources of coking coal

- ① Australia
- ② Canada
- ③ Mozambique
- ④ Indonesia
- ⑤ North Korea
- ⑥ Russia



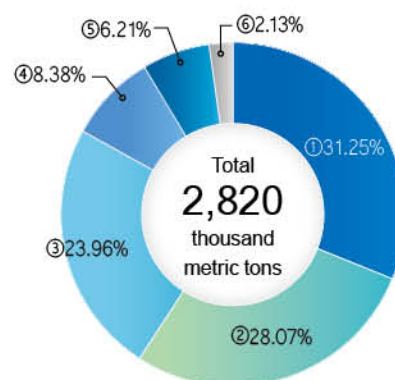
2013 Sources of iron ore

- ① Australia
- ② Brazil
- ③ Canada
- ④ Venezuela



2013 Sources of flux materials

- ① Japan
- ② Domestic
- ③ Philippines
- ④ Mainland China
- ⑤ Vietnam
- ⑥ Thailand



outer sheet materials. In addition, production processes in manufacturing electrical steel 50CS350/35CS300 were innovated; quality problems such as tempering colors, carbon depositions, protruding wraps on coils, were effectively solved. Switching of the second generation chromium-free insulation coating of C6N8, which strengthened CSC's product image in producing electrical steel, was smoothly completed.

3. Certification of Management Systems

- (1) The follow-ups of ISO/TS16949 and QC080000 for steel products were completed; moreover, CSC was also granted the certification of ISO 9001 for specialty alloy products, which provided customers with higher quality guarantee.
- (2) The follow-ups of TISI Thailand, SNI Indonesia,

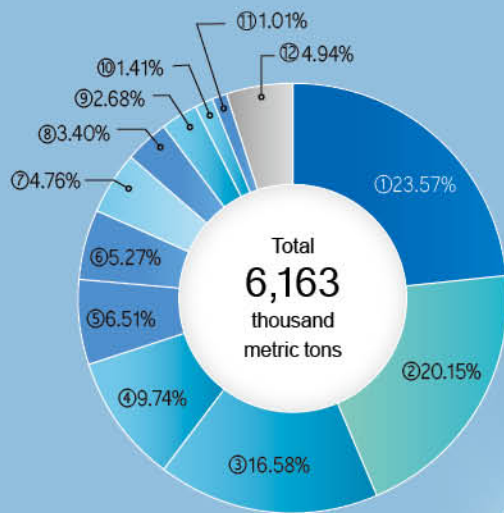
SIRIM Malaysia, FPC Singapore, BIS India, and ELV the Euro Union for vessel steel plates were completed. The certification of BIS India for pure zinc products (GI) was also granted to CSC; the trade barriers were eliminated effectively, and CSC's competitiveness in export was enhanced.

- (3) Regular certification of the JIS Mark was granted, the review extension of the certificate was maintained, and certification for bars and wire rods, which facilitated the expansion of the bar and wire rod market for CSC and promoted the overall competitiveness of the downstream industry, was added.
- (4) Four certifications of the CNS Mark of steel plates were granted favoring CSC and its customers in obtaining public works.

2013

Percentage of domestic sales by industry

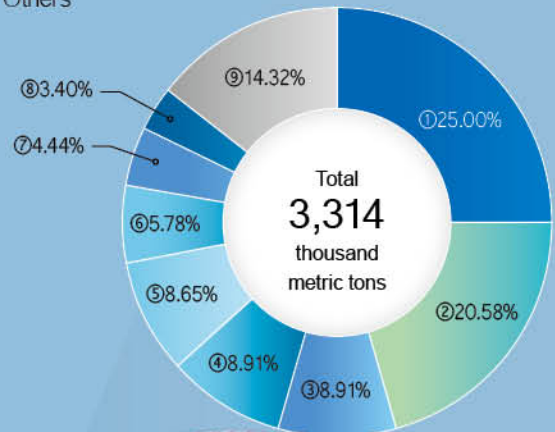
- ① Direct users
- ② Steel service centers
- ③ Nuts and bolts
- ④ Rerollers
- ⑤ Steel structures
- ⑥ Steel piping
- ⑦ Vehicles
- ⑧ Traders
- ⑨ Shipbuilding
- ⑩ Hand tools
- ⑪ Steel wire and cable
- ⑫ Others



2013

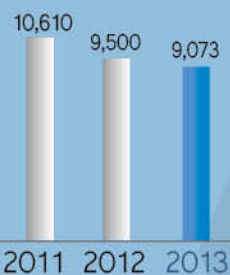
Percentage of export by region

- ① Mainland China (including Hong Kong)
- ② Japan
- ③ Thailand
- ④ Indonesia
- ⑤ Vietnam
- ⑥ Mexico
- ⑦ Malaysia
- ⑧ India
- ⑨ Others



"Cleaning Mt. Jade" - a climbing activity held by CSC Group

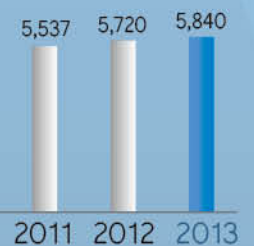
Crude steel production (in thousand metric tons)



Output per employee in terms of crude steel (in metric tons)



Energy consumption per ton of crude steel (in million calories)



Research and Development (R&D)



CSC was granted the 3rd National Industrial Innovation Award (The Annual Role Model Award in Scientific Projects) by MOEA

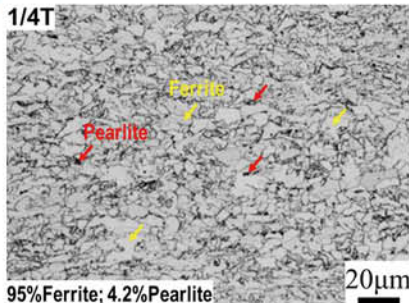
R&D Strategies

To sustain continuous growth, expand CSC Group's scope of operation, and assist the upgrade of the downstream industries, CSC has adopted integrated R&D strategies with depth and breadth. Such strategies are interdisciplinary and cross-organizational so that the effects of extensive planning, deep rooting, great goals, and enormous influence can be achieved when integrated R&D is applied in product metallurgy, production processes, and manufacturing facilities, which in terms will generate the capabilities to develop technology with differentiation.

Significant R&D Achievements

Abundant R&D results in products, production processes, and facility technology had been accomplished in 2013. The more significant ones are listed as follows:

- (1) The development of API X65MO, offshore line pipe steel :
In response to the trend in the development of offshore wind turbines, the demand of offshore structure steel was on the increase. The trial production of API X65MO by applying innovative alloy designation and production technology, which upgraded the quality level of offshore structure steel, was successfully completed. Furthermore, the analytical technology of CTOD, Crack Tip Opening Displacement, was also established and could be applied in the development of future super-strength offshore structure steel.
- (2) The establishment of blowing process of basic oxygen furnace (BOF) to refine high-class tire cords: It used to be difficult to remove hard inclusions when high carbon blowing was applied to refine tire cords; therefore, the metallurgy of manganese and silicon inclusions was proposed. The BOF blowing method (double catch carbon) was first applied to process low phosphorus liquid steel to soften hard inclusions. By promoting this technique and coupling it with liquid iron steel



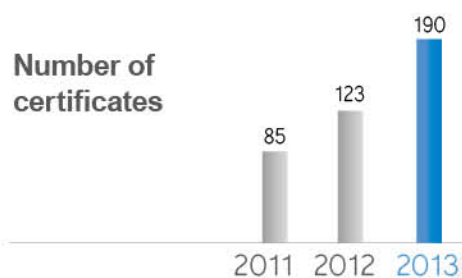
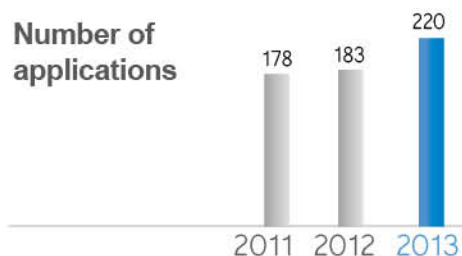
Microstructures of API X65MO

中鋼 研發成果獎暨專利推行績優單位 頒獎典禮



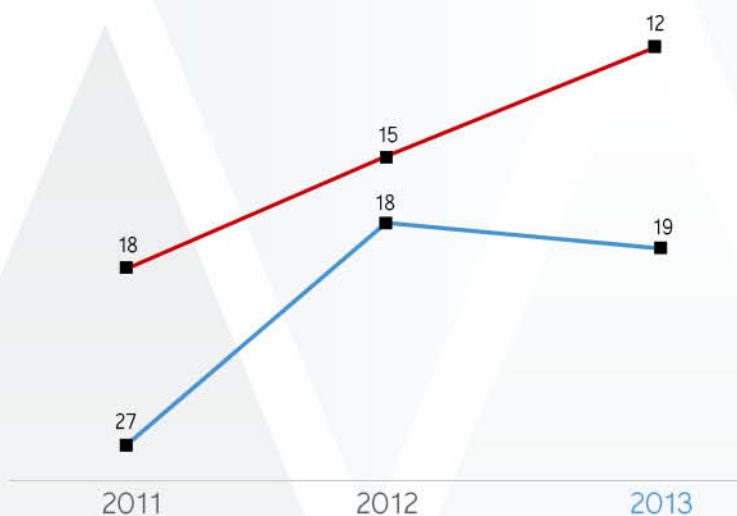
Ceremony for the Awards of R&D Results and Patent Promotion by Excellent Departments

The trends of the patent applications and certification in the past three years



100

— The ranking of the top 100 applicants
— The ranking of the top 100 certificate recipients





The contracting ceremony of the joint laboratory between CSC and TECO

stirring in the secondary refining process, static treatment, and shrouded casting, CSC was able to produce high-class tire cords.

- (3) The development of on-line profilometers: The newly developed on-line profilometers were small in size and easy to assemble and operate; they could accurately measure the shapes of the material surfaces of the whole cross-sections at the furnace top when the blast furnace was in operation. Imported probe type profilometers were large in size, and the space at the furnace top was limited; as a result, only half of the shapes of the material surfaces of the whole cross-sections could be measured. The new measuring devices would make it accurate for the operators to have full grasp of the material layers and their changing conditions in the blast furnace and beneficial for the stabilization of the blast furnace operation.
- (4) The technology of CO₂ capture and storage (CCS) with low energy consumption: The technology of CO₂ capture and storage is the kind of technology that many countries have been developing in order to reduce the emissions of CO₂, which is estimated to be able to reduce 19% of the global CO₂ emissions. CSC designed and developed the first chemical absorption pilot plant in Taiwan in 2010. Although the original designed target of the preliminary absorption rate ($\geq 90\%$) and the captured amount (100 kg/day) was reached, the energy consumption of the system was too high. With the development of the new absorbents and the establishment of the optimal operating conditions, the consumed energy was significantly reduced from 8.2G (G=10⁹) joule/ton CO₂ to 5G joule/ton CO₂. In the future, it is expected to be further reduced to 3G joule/ton CO₂, which is the technological level of the EU.



The cooperative project of the next generation steel, its green production processes, and product innovation and applications between CSC and National Cheng Kung University

- (5) The development of pure titanium thin plates for industrial use : CSC has produced pure titanium thin plates for industrial use since July 2011 and continued to develop a number of products. The thickness of pure titanium medium thick hot rolled plates is between 6mm and 60mm, and the products have been supplied to the users in the domestic petrochemical industry. To expand the range of orders and to satisfy the demand of the downstream customers, CSC has initiated the production of titanium hot rolled coils with the thickness of 3~5mm. With the collaboration of the production processes of pickling, cold rolling, and annealing in outside stainless steel companies, CSC has successfully developed thin plates with the thickness of 0.6mm. Moreover, with the addition of the vacuum annealing furnace in the future, the thickness can be further reduced to 0.3mm.
- (6) The establishment and application of the full-scale membrane bioreactor treatment plant for cold-rolling mill oily wastewater : To reduce the chemical oxygen demand (COD) of CSC's effluent discharge, CSC developed the technology to remove the COD of the cold-rolling mill oily wastewater. The developed technology utilized the membrane bioreactor, which required less man power, to establish self-cultivation of activated sludge, optimization of the operating parameters, monitoring of the efficiency of the COD removal, etc. After the implementation and application of the system of the full-scale membrane bioreactor treatment plant, the COD of the cold-rolling mill oily wastewater was reduced from 150ppm to 80ppm.

Employee Relations and Human Resource Development



A road race for the celebration of the 42nd Anniversary of CSC

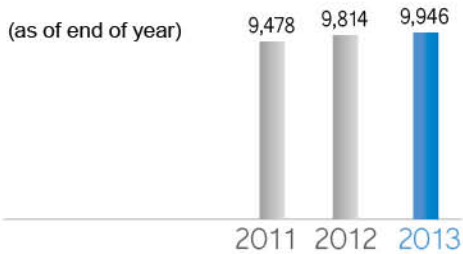
As of the end of 2013, there were 9,946 employees at CSC. Their average age was 49.58 years. Among the 9,946 employees, 9,864 (99.2%) of the employees were eligible for membership in the CSC Labor Union.

It is estimated that approximately 6,200 senior employees will retire in the next fifteen years. Thus, future manpower development will be focused on talent management and succession. The CSC Corporate Culture Committee was established in October, 2010 to promote and implement tasks of succession and advancement related to corporate culture.

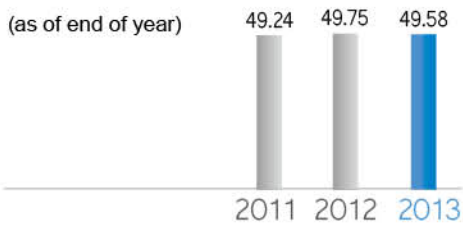
Advancement of the corporate culture

1. One hundred and thirty-four inspirational messages and quotes were selected, translated into English and Japanese, and published in CSC Semimonthly and posted on the CSC Corporate Culture Website.
2. Eighteen corporate culture courses and workshops were held for professionals with 10-13 position levels, team leaders, and employees hired after 1999.
3. Management seminars, including courses related to corporate culture, were held for middle- and high-ranking executives. Monthly humanitarian lectures are regularly held for high-ranking executives. Such courses and seminars related to arts are held in the hope of inspiring innovative thinking regarding corporate culture.
4. To establish a culture of honesty and integrity, the guidelines for accepting gifts, treats, entertainment and banquets, and lobbying are posted on CSC's internal website for all employees. Incidents regarding lobbying are regularly reported to the independent directors and supervisors.
5. To put excellent corporate culture into practice, favorable and unfavorable cases and complaints in regard to corporate culture are dealt with by relevant units and are reported to the CSC Corporate Culture Committee.

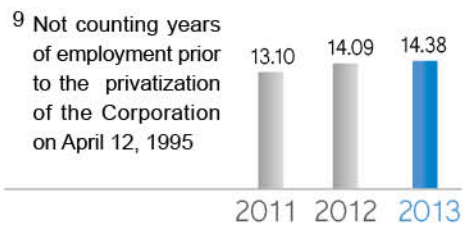
Number of employees



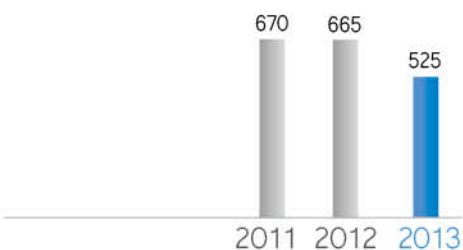
Employees' average age



Employees' years of service⁹



Cases completed by creative development activities



Succession of Manpower

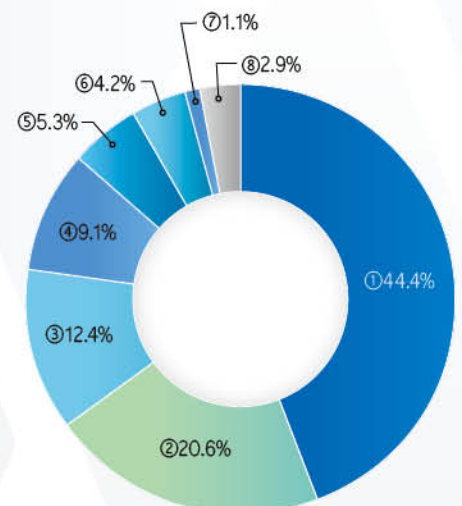
CSC has mapped out appropriate employment plans according to its corporate development strategies and investment plans, supplemented by the retirement and resignation forecasts as well as the periodic manpower requirement reviews by each department. Employees are hired as reserve personnel to facilitate the succession of manpower. Short-term, medium-term, and long-term employment plans have been established; periodic manpower inventory for high-ranking managers is carried out for better succession.

Talent Management

To enhance the nurture of manpower, the Roadmap of CSC Talent Management was established and modularized. It mainly included six items; namely, training and education of the management talents in CSC Group, training and education of personnel stationed abroad, general education, training and education of new recruits, e-Learning and knowledge management, and training and education of expertise and quality control. According to the Roadmap

Cases completed by creative development activities by subject matter, 2013

- ① Safety
- ② Maintenance
- ③ Production
- ④ Cost
- ⑤ Quality
- ⑥ Morale
- ⑦ Energy
- ⑧ Others

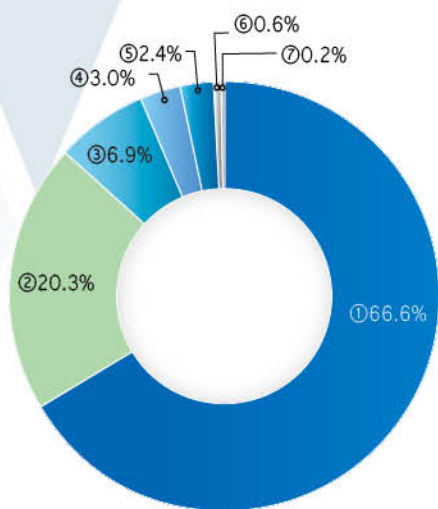


Employee Relations and Human Resource Development

Breakdown by employees' position level

(as of December 31, 2013)

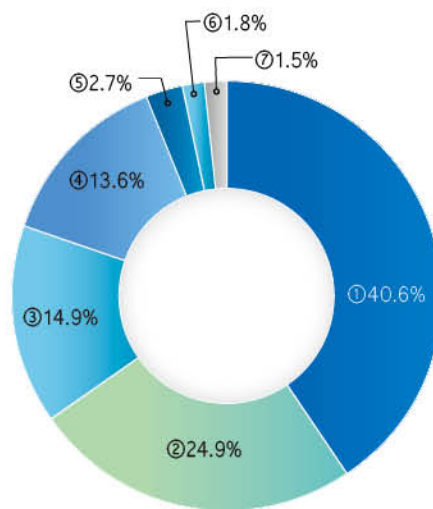
- ① Blue-collar workers
- ② Professional and specialists
- ③ Fourth echelon supervisors
- ④ Third echelon supervisors
- ⑤ Second echelon supervisors
- ⑥ First echelon supervisors
- ⑦ Executives



Educational background of employees

(as of December 31, 2013)

- ① Senior high (vocational) school
- ② Bachelors' degree
- ③ Junior college
- ④ Masters' degree
- ⑤ Junior high school
- ⑥ Elementary school
- ⑦ Doctors' degree

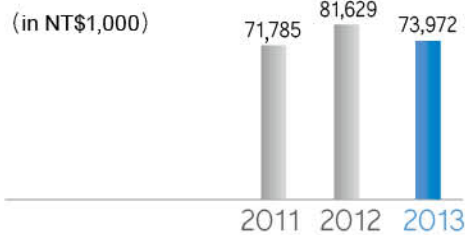


for the cultivation of talents, high-ranking executives of CSC Group took part in the “Wangdao Business Leader Program” held by Stans Foundation, and middle-ranking executives took part in the “Management Training Program” and “Assessment Center.” Language and cultural orientation classes were held for personnel to be stationed abroad while orientation training classes were held for new recruits. Moreover, knowledge management forums, sharing of knowledge after training, and professional training courses regarding quality control, electrical and mechanical, environmental protection, and safety and health were also held. In 2013, each employee averaged 16 hours of classroom work and 1.8 hours of e-Learning. CSC’s program of sending employees overseas to academic

institutions and business organizations for studies is aimed at elevating the corporation’s capabilities in production, R&D, technology, management, and foreign language proficiency. It also aims at fulfilling the manpower needs for CSC’s diversification and globalization. In 2013, 85 employees went to academic institutions and business organizations abroad under this program.

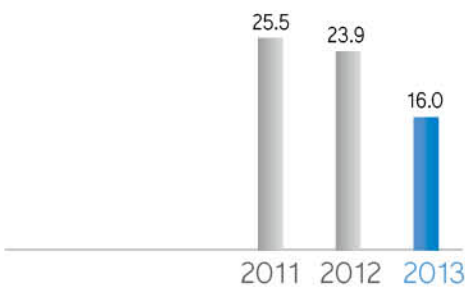
A “Retiree Service Department” was set up in 2010 to serve CSC retirees. There are over 1,400 retirees at present. A hotline was set up to accept retirement consultation appointments to enhance the service and concerns for retirees. Online basic training programs as well as special training about environmental protection for volunteers were offered to retirees

Employee training expense

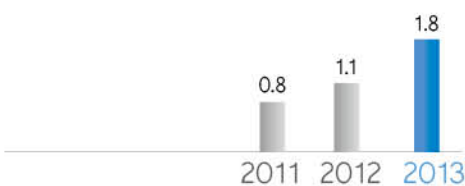


CSC Group Wedding Ceremony

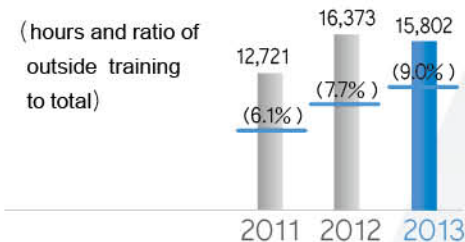
Average hours of classroom training per employee



Average hours of e-learning training per employee



Employee training outside the Corporation



to enhance their abilities and willingness to serve as volunteers. Assistance was also provided for them to obtain volunteer service record manuals and environmental volunteer certificates. CSC Retiree LOHAS Club was established to promote mutual care among retirees of CSC Group, to encourage retirees to serve as volunteers, and to hold activities beneficial to health and spirit.

In 2013, CSC reaped more than NT\$58 million in benefits from its Creative Development Activities (CDA) and more than NT\$110 million in estimated tangible benefits from its Employee Suggestion System. These time-honored activities aim at encouraging employees to discover problems at their workplaces and to make suggestions and offer concrete solutions created by group endeavors. In 2013, CDA involved 591 "quality circles" with 6,230 participants (87% of the blue-collar personnel of the departments concerned). They completed 525 topics. 22,850 suggestions were made, 22,678 (99.2%) of which were adopted.

In order to spell out fair and reasonable working conditions for both the Management and Labor to observe, CSC has maintained a collective agreement with the CSC Labor Union, and multiple communication channels have been provided. The Chairman's Mail Box was established, and face-to-face labor-management communication

meetings between the Chairman/ President and CSC employees have also been held regularly since 2011. A total of 360 employees participated in 36 interaction meetings in 2013. In addition, a committee for handling sexual harassment was also established to deal with complaints.

To offer generous working conditions to satisfy CSC employees' welfare needs, the management of CSC and its employees jointly formed the CSC Employee Welfare Committee. Facilities such as employee canteens, restaurants, dormitories for singles, gyms, 23 lines of shuttle buses, self-service laundry centers, and reading rooms have been established for employees. The Welfare Section is responsible for all the matters related to employee welfare, including clubs and recreational activities, applications of fiduciary loan for employees, allocations of bonuses on the Chinese New Year, Dragon Boat Festival, Mid-Autumn Festival, and Labor Day, birthday cash gifts, marriage subsidies, cash gifts for employees' newborns, scholarships for employees' children, emergency care and subsidies,

leisure outings, year-end gathering subsidies and lucky draws, subsidies of flexible welfare points, etc. As of the end of 2013, 428 activities/group events with 15,740 participants were sponsored by 41 clubs. In addition, to let employees and their family members better understand CSC to enhance a sense of unity and to strengthen the interaction among them, CSC set up the regulations to promote good neighborliness. Each person was granted NT\$400 as the subsidy to take part in activities planned by each department or unit, some of which included mountain climbing, hiking, leisure outings. Employees were encouraged to bring their family members to participate in these activities. A total of 8,940 participants, accounting for 89.9% of all the employees, took part in activities in 2013. To thank the employees for their hard work in 2013, each person was granted NT\$800 as a token of appreciation to attend the year-end dinner party; 9,885 employees, accounting for 99% of all the employees attended those parties.



Slow-pitch Softball Invitational Tournament for the celebration of the 42nd Anniversary of CSC



The CSC Dragon Boat Team was the first runner-up in the male competition category of the 2013 Kaohsiung International Invitational Dragon Boat Race



A jogging activity for the celebration of the 42nd Anniversary of CSC



A donation held by the Tzu Yu Club of the 42nd Anniversary of CSC



A leisure outing



The CSC Choir



Active participation in basic computer application training by retirees



Annual presentation of Six Sigma activities



Memo signing for the cooperative education project between CSC and Kaohsiung Municipal Chung-Cheng Industrial High School



Management seminars for high-ranking executives in CSC Group

Environmental Protection, Industrial Safety and Hygiene, and Fulfillment of Social Responsibilities



CSC was granted the membership for the Climate Action Recognition by World Steel Association (worldsteel)

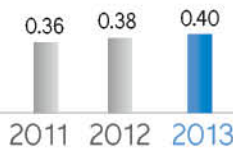
Energy Conservation and Environmental Protection

Key tasks and results of energy conservation and environmental protection in 2013 were listed as follows:

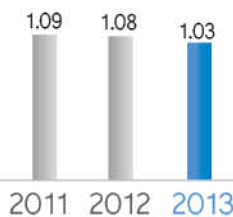
1. Development of green business: The investment of Synergy Integration Technology, Inc. was completed; a pilot plant was established to produce ethanol.
2. Energy conservation services: The CSC Energy Conservation Service Corps was established in 2007 to offer energy conservation services outside CSC. In collaboration with Industrial Technology Research Institute, the CSC Energy Conservation Service Corps provided energy audits and services to Chia-Nan Irrigation Association and Farm Irrigation of Kaohsiung in 2013. It also provided energy conservation services to Goodweld Corporation and KMC Chain. Thirty-four suggestions had been made; the estimated potential saving was NT\$700,000 per annum.
3. Continuous promotion of "Energy Conservation Project 2015": CSC aimed at saving 240,000 kiloliters of oil equivalents between 2011 and 2015. A total of 124 cases were proposed; 150,000 kiloliters of oil equivalents were saved.
4. Water consumption had been decreased from 10.33m³ / ton of crude steel at the establishment of CSC to 5.24m³ / ton; daily recycled cooling water was 7,540,000m³ and the recycling rate was 98.3%. CSC's saving of water consumption was exceptional and was granted awards of excellence by Water Resources Agency, Ministry of Economics Affairs (MOEA) for 12 consecutive years.
5. Continuation of the GHG Inventory and management of internal audit and external certification: The 2013 GHG emissions were 20,970,000 tons; the emission intensity was 2.412 tons CO₂e/ton of crude steel.

Air quality (Kg/mt of crude steel)

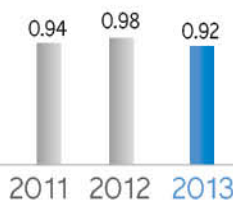
Particulate emission



SO_x emission



NO_x emission





CSC was granted the Outstanding Performance Award for Water Conservation in the industry category by MOEA



CSC was granted the 22nd Enterprise Environmental Protection Award by Vice President Wu Den-yih



CSC was granted the Outstanding Award in Energy Conservation by MOEA

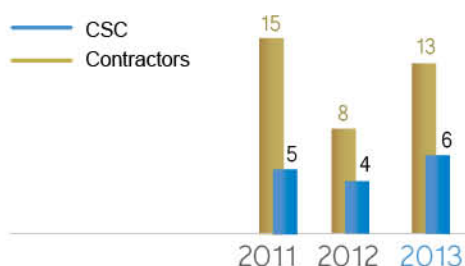
6. Continuous reutilization of CSC's waste resources: The operation of reutilization of the waste resources, including BF/BOF sludge, sludge from hot rolling, sludge from cold rolling, used refractories, waste acid liquids, EP dusts, BF/BOF dusts, IWI fly ash and bottom ash, zinc sludge, chromium sludge, and waste grinding wheels, was carried out.
7. Continuous assistance to the reutilization of the bi-products of the Group: Assistance had been provided to CSC's subsidiaries in reutilizing their bi-products and/or wastes, including crystallized calcium carbonate (from Cheng Ching Lake Water Treatment Plant) from China Ecotek Corporation, waste vessel oil from China Steel Express Corporation, sludge from hot rolling in Chung Hung Steel Corporation, waste acid liquids from China Steel Machinery Corporation, Chung Hung Steel Corporation, and Hung Li Steel Corporation.
8. The tests and reports for Particulate, SO_x, and NO_x were completed. The total emission amounts matched the requirements of the environmental impact assessment in 2013.
9. Honors and awards related to energy conservation and environmental protection: CSC was selected as (1) the industry leader in the Dow Jones Sustainability Indexes (DJSI) and (2) a Green Procurement Corporation by Environmental Protection Agency, Taiwan, and Environmental Protection Bureau, Kaohsiung. Furthermore, CSC was granted (1) the Green Growth Award by BSI, (2) the membership of the Climate Action Recognition and the Leading Company Award by worldsteel, (3) the 2013 Taiwan Sustainability Award by Taiwan Institute for Sustainable Energy, (4) the Outstanding Enterprise Award in voluntary reduction of GHG emissions by Industrial Development Bureau, MOEA, and (5) the Outstanding Award in Energy Conservation by MOEA. Because CSC has been given this award for three consecutive years, it was further granted the "Excellent Enterprise Award" in energy conservation.

Occupational accident record of CSC - past three years



¹⁰ FR = Number of cases with disabling injuries × 10⁶ ÷ Total number of working hours of the entire company

Number of cases with disabling injuries



Industrial Safety

Major tasks and results of industrial safety programs for 2013 were listed as follows:

1. Reviews and inspections: Implementation of (1) the regular inspections of 1,090 pieces of hazardous machinery and equipment, (2) inspections of 21 pieces of hazardous machinery and 17 pieces of hazardous equipment, (3) the five-year reassessment of 15 type-C hazardous workplaces, (4) reviews and inspections of the 6 existing type-C hazardous workplaces and two newly established ones, all of which were qualified.
2. Regulations of Risk Assessment of Safety and Health were revised. The formula for assessment was changed from the quantitative one to a matrix one. Hazard identification of the whole factory as well as risk assessment and control was held again.
3. Exercises and drills: Contingency drills were held according to the risk assessment of the on-site operation. Five corporate-level contingency drills were held in 2013.
4. Educational training : (1) 4 sessions of educational training on traffic safety were held for 288 participants. (2) 15 training classes with 64 sessions of various safety licenses were held for 2,597 licensees.
5. Plans for the 2013 operational environment testing were completed. Items for the testing included noise, integrated WBGT (Wet Bulb Globe Temperature) indices, carbon dioxide, and chemical substances.

Employee Health and Hygiene

Complied with the laws and regulations, CSC continues to hold physical check-ups for its employees. Health management was

conducted to those with abnormal physical check-up results. To promote the health of the employees, CSC has held a series of programs, such as management of health examinations, weight loss, health columns, energetic diet, spiritual re-building, the long-distance health passport project, quarterly lectures on health, and special health campaigns for male and female employees, with approximately 5,800 participants. Among them, 246 employees who took part in the weight loss program lost a total of 715 kg; the average lost weight was about 2.9 kg per person.

Social Responsibilities

CSC, a corporation engaged in environment protection, community care, and charity, has continued to take action to contribute to the society, communities, and disadvantaged groups. Its contributions include: (1) Sponsoring equipment and facility upgrades to enhance the students' learning efficiency and greening of the elementary schools in Siaogang District. (2) The establishment of scholarships for meritorious students and tuition assistance to students from disadvantaged families in Siaogang District. (3) Sponsoring various social activities for the communities, associations, and temples in Siaogang District. (4) The establishment of funds for social relief of emergencies and gifts of money during the Chinese New Year, Dragon Boat Festival, and Mid-Autumn Festival to assist low-income families in Siaogang District. (5) Graduating elementary school students in Siaogang District were invited to participate in the Steel Journey Activity to sense how steel was produced and the measures taken by CSC

in energy conservation, reduction of carbon emissions, and environmental protection. (6) Elementary school students in Siaogang District, especially those from disadvantaged families, were invited to participate in the King of Wisdom Summer Camp.

CSC actively assisted local cultural and artistic activities, some of which included the concert "The Planet and the Orbit – An HD Odyssey," the exhibition "The Divine Michelangelo," "2013 Taipei & Kaohsiung Lion Dance Festival," and the musical "WHO is Wu Song Fighting?!". All of the aforementioned activities injected an impetus into quality arts and culture in Kaohsiung.

Typhoon Morakot seriously hit southern Taiwan in August 2009. CSC donated NT\$500 million to rebuild Hsin-Fa Bridge. The new bridge was given to the Directorate General of Highways. In addition to the donation, CSC has been involved in the rebuilding and caring for the affected communities. Some of the activities include: (1) Four large-scale outings with 1,658 participants had been held for employees of CSC Group and their family members to visit Yonglin Organic Farm and Da-Ai Community in 2013. In addition to experiencing the indigenous culture, the participants also helped boost the local economy and create more job opportunities for the locals. (2) One-day tours of Yonglin Organic Farm are held irregularly by CSC Tours to give employees chances to be one-day farmers. Seventeen tours with 451 participants were held in 2013. (3) In collaboration with CSC's anniversary activities in 2013, over 30 vendors from

Environmental Protection, Industrial Safety and Hygiene, and Fulfillment of Social Responsibilities



"Engineer E-week, Kaohsiung" was held in collaboration with IBM



The Steel Journey Activity for elementary school students from Siaogang

the Wutai Ecotourism Project Area intermediated by the Morakot Post-disaster Reconstruction Council, Executive Yuan and other reconstruction areas from various counties were invited to the community fair. Sales of over NT\$350,000 were generated. (4) CSC Canteen takes action to help the residents from the reconstruction areas by offering organic vegetables and fruit, organic rice, hand-made Chinese steamed bread, and hand-made noodles from Yonglin Organic Farm for sale on a regular basis. There were 14 times of group purchases with the total purchase sum of over NT\$370,000 in 2013. (5) With organic ingredients purchased mostly from Yonglin Organic Farm, CSC Cafeteria offers vegetarian lunch boxes, and CSC Restaurant offers delicious dishes in an effort to help the farmers from the reconstruction areas to be self-reliant. (6) CSC has assisted the implementation of the Wutai Ecotourism Project promoted by the Wutai Township Office. In 2013, the indigenous people there, with guidance, successfully restored the planting and mass-production of djulis, which continuously attracted indigenous young people to return to their hometown to take part in the community development plan. CSC will continue to promote the agricultural products from Wutai Township in its restaurant and cafeteria and help their sales in its anniversary activities, fairs, and outings.

To be involved in social activities in a broader and more diversified





Environment education activities of the Environment Education Touring Bus

manner, CSC established the CSC Group Education Foundation. Activities conducted by the Foundation in 2013 consisted of: (1) Thirteen general lectures for Kaohsiung citizens and 6 seminars on campus jointly organized with United Daily News and the Cloud Gate Foundation attracted approximately 10,000 attendees and students. (2) The Environment Education Touring Bus had been out 36 times with the participation of approximately 8,500 urban and rural school children. (3) "CSC Camps" with steel-related popular science activities were held for approximately 200 university students. (4) "Engineer E-week, Kaohsiung" was held for approximately 1,000 senior high school students in collaboration with IBM for the second consecutive year. (5) An outdoor parent-child concert performed by cellist Chen-Chieh Chang was held with 3,500 participants from Kaohsiung. (6) Four Chinese music and symphony concerts were jointly held by CSC and the Kaohsiung Philharmonic Cultural and Arts Foundation for the opening of the China Steel Building.

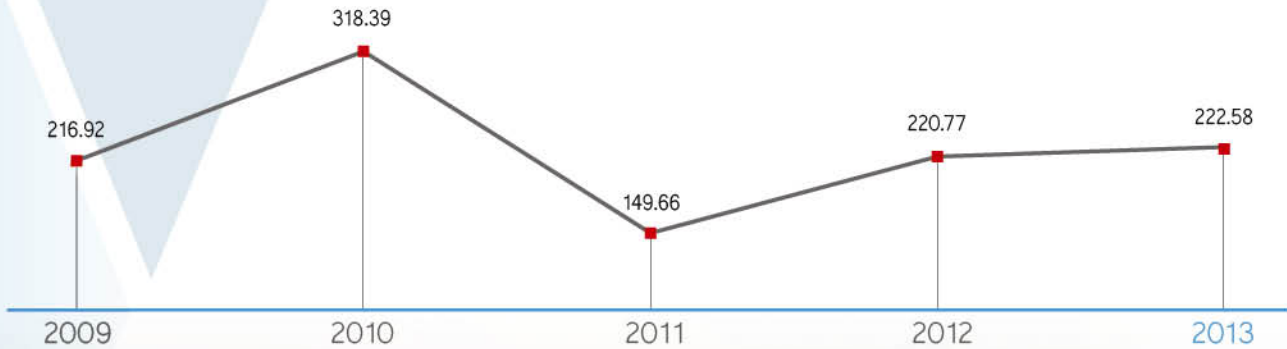


The first trip of the Environment Education Touring Bus

Capital Expenditures and Engineering Business

Capital expenditures

(in hundred million of New Taiwan Dollars)



The opening ceremony of the China Steel Building



Signing of the MOU for "Building of an Offshore Wind Industry Assembly Harbor and Industrial Park" between CSC and port of Taichung

The capital expenditure projects amounted to NT\$22.258 billion in 2013. The projects were listed as follows:

I. Projects related to equipment revamp:

1. Revamp of the first campaign of the No.4 Blast Furnace
2. Revamp of the coke dry quenching equipment for Coke Batteries 5 and 6
3. Revamp of the Nos. 3 and 4 Sinter Plants and installation of the No.7 Stacker/Reclaimer
4. Revamp of the electrical equipment for the shearing line of the Plate Mill
5. Revamp of the welder for the No.2 Pickling & Cold Rolling Mill
6. Revamp of the BIC line of the No.2 Bar Mill
7. Revamp of the No.2 Continuous Annealing Line
8. Revamp of the process control and electronic control systems of the No.2 Hot Strip Mill
9. Partial revamp of the stove cooler of the No.1 Blast Furnace
10. Revamp of the Nos. 1 & 2 heat furnaces of the No.2 Hot Strip Mill
11. Revamp for the extended service of Rod Mill I



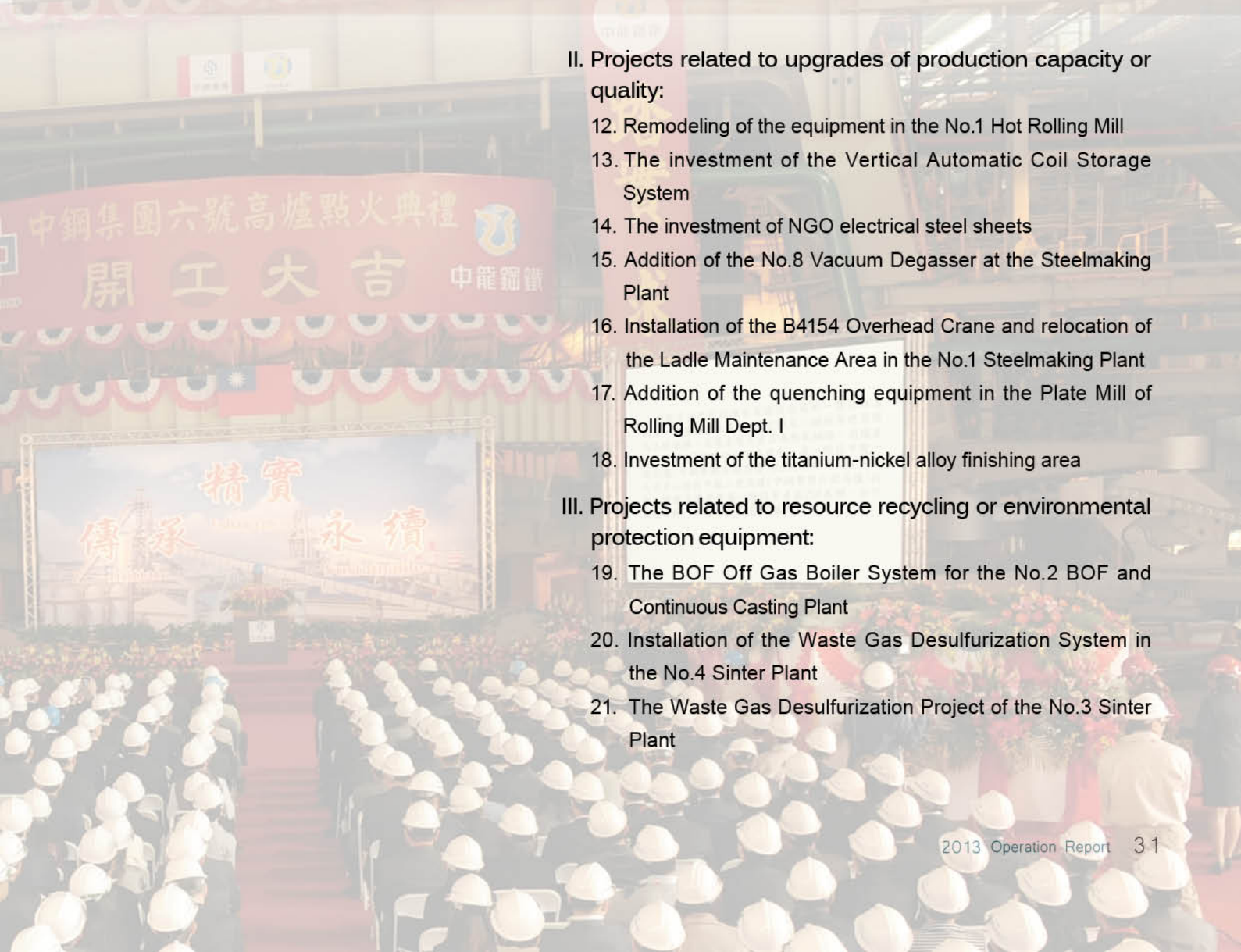
The blow-in ceremony of CSC Group's No. 6 blast furnace

II. Projects related to upgrades of production capacity or quality:

12. Remodeling of the equipment in the No.1 Hot Rolling Mill
13. The investment of the Vertical Automatic Coil Storage System
14. The investment of NGO electrical steel sheets
15. Addition of the No.8 Vacuum Degasser at the Steelmaking Plant
16. Installation of the B4154 Overhead Crane and relocation of the Ladle Maintenance Area in the No.1 Steelmaking Plant
17. Addition of the quenching equipment in the Plate Mill of Rolling Mill Dept. I
18. Investment of the titanium-nickel alloy finishing area

III. Projects related to resource recycling or environmental protection equipment:

19. The BOF Off Gas Boiler System for the No.2 BOF and Continuous Casting Plant
20. Installation of the Waste Gas Desulfurization System in the No.4 Sinter Plant
21. The Waste Gas Desulfurization Project of the No.3 Sinter Plant



Capital Expenditures and Engineering Business

22. The Waste Gas Desulfurization and De-nitrification Project of the No.2 Sinter Plant

23. The Establishment of the Processing Plant for Desulfurization Slag

IV. New buildings and bridges:

24. The establishment of the China Steel Building

Among the aforementioned projects, Projects 2, 4, 5, 12, 13, 20, and 24 were completed in 2013; the rest have been carried out on schedule. Major projects, which were expected to increase production capacity or effectiveness, with the investment amount of over NT\$2 billion were listed as follows:

1	Revamp of the first campaign of the No.4 Blast Furnace	Introduction of the technology of new equipment and upgrading of pollution prevention facilities to promote the quality of the environment
8	Revamp of the program control and electronic control systems of the No.2 Hot Strip Mill	The expected reduction of CO ₂ emissions is 2,989 tons per annum because of the saved electricity consumption and low-temperature rolling which is due to the reduction of delay rates and the enhancement of equipment performance.
12	Remodeling of the equipment in the No.1 Hot Rolling Mill	230,000 tons of cold and hot rolled steel products can be added; the performance of the equipment can be promoted to facilitate the production of premium high-strength steel products.
14	The investment of NGO electrical steel sheets	Products with extremely thin specifications (0.15mm) can be manufactured to promote the sales percentage of CSC's premium products with high added value.
17	Addition of the quenching equipment in the Plate Mill of Rolling Mill Dept. I	The technological threshold to produce online direct-quenched steel plates, which are high value-added products, is high. 17,000 tons of quenched steel plates can be added per annum in this project.
22	The waste gas desulfurization and denitrification project of the No.2 Sinter Plant	The implementation of this project is to ensure that the concentration of the emissions of the sulfur oxides and nitrogen oxides from the chimneys of the No.2 Sinter Plant are below 100ppm, which is in line with the new emission regulations and standards so as to effectively improve the environment quality of the perimeter.

Revenues generated from engineering businesses with outside parties amounted to NT\$1.474 billion, which were 6.2% more than those in 2012, and NT\$228 million of which were from the technical service contract with Dragon Steel Corporation (DSC) for Stage II of the Phase II Expansion Project. DSC's Phase II Expansion Project was commenced in early 2010 and completed on March 5, 2013. After its second blast furnace was blown in, the official production was initiated.



The welder at the No. 2 Pickling & Cold Rolling Mill

Installation of the Waste Gas Desulfurization System in the No.4 Sinter Plant

Investments and Other Equity Interests

CSC's recognized income from invested companies in the past three years
(in hundred million of New Taiwan Dolldrs)



With the steel business as its core business and developing through its technology, production, and commercial relevance, CSC has carried out its diversification strategy and expanded the scale of its investments. In regard to its core business, New Asia Projects, including China Steel Corporation India Pvt. Ltd for the production of electrical steel coils and possibly a comprehensively integrated cold rolling mill, as well as the establishment of marketing offices and coil centers in emerging countries in Asia, will be continuously promoted. To reach the goal of the development for green energy, CSC will strengthen its investment in the green energy industry. In terms of the investments in the sources of coal and iron ore, the goal is set for a 30% raw material self-sufficiency rate.



As of the end of 2013, CSC had invested in holdings of 58 companies. Newly added companies were AMMC (ArcelorMittal Mines Canada), DYNA RECHI Co., Ltd., Sakura Ferroalloys Sdn. Bhd. (Malaysia), and Honley Auto. Parts Co., Ltd., which were engaged in the supply of iron ore raw materials, motor manufacturing, ferro-manganese manufacturing, and automobile part production, respectively.

Operating Performance

Benefitting from the economic rebound in the steel market, the operation of CSC's invested steel-related businesses was noticeably improved compared with that in 2012. The recognized reinvestment gains amounted to NT\$8.82 billion. The operating performance of the subsidiaries was listed as follows:

1. Steel Business: Owing to the economic

improvement in the steel market, the production and sales volume of Chung Hung Steel Corporation were increased. DSC, with the addition of production by its second blast furnace, also increased its operations. Both their operating performances were changed from negative to positive. In regard to CSC's overseas operation, CSC Steel Sdn. Bhd. still maintained its profitability. There were listed losses in China Steel Sumikin Vietnam Joint Stock Company's operational performance because the construction of the plant had just been completed in October 2013 with the initiation of its production. Phase I of China Steel Corporation India Pvt. Ltd for the production of electrical steel coils is expected to complete and put to trial in mid 2014, and Phase II will be expanded to a comprehensively integrated cold rolling mill depending upon the demand of the local market.



The opening ceremony of CSGT 's office in Mexico

Investments and Other Equity Interests

China Steel Sumikin Vietnam Joint Stock Company



The completion ceremony of the expansion project



The opening ceremony of the office in Ho Chih Ming City



QC operation



The production line of hot-dip galvanized steel

2. **Trading and Logistics Business:** Although China Steel Express Corporation was faced with the challenge of the due return of its high-priced chartered vessels, it maintained its stable profitability by clever maneuvering of the other carriers as well as the injection of the insurance claims. Its revenues in 2013 were more than those in 2012. The profits China Steel Global Trading Corporation, which is the export trading agent for CSC, Chung Hung Steel Corporation, and C. S. Aluminium Corporation (CSAC), made in 2013 were less than those in 2012 due to the decrease of the investment gains although there was increase of the business volume due to the economic improvement in the steel market.

3. **Industrial Material Business:** CSAC's pre-tax earnings in 2013 were less than those in 2012 due to the economic downturns of the aluminum market, compressed gross margins on account of fallen sales prices, and decrease of sales. China Steel Chemical Corporation was able to maintain its profitability in 2013 because of the increase of coal tar supply as the production of DSC's second blast furnace was initiated; its pre-tax earnings were NT\$9.6 per share. The sales of CHC Resources Corporation's

pulverized blast-furnace slag in 2013 increased as the production of DSC's second blast furnace was initiated, and its averaged price was more than that in 2012; therefore, it posted positive pre-tax profits in 2013, which were more than those in 2012. Because of the overall reduction of sales in personal computers, HIMAG Magnetic Corporation shifted its sales promotion to calcined powder and iron oxide powder applied in the hard ferrite industry. Although their unit prices and gross profits remained low, their sales were back to normal. Furthermore, the sales of its special chemicals to China Steel Sumikin Vietnam Joint Stock Company had increased. Its sales revenues in 2013 were NT\$780 million and its pre-tax earnings NT\$53 million, which were 2.13% more than those in 2012. Changzhou China Steel Precision Materials Corporation's operating performance was improved from negative to positive because there was obvious growth in its revenues in addition to the injection of refunds from the land purchase by the local government.

4. **Engineering Business:** Because the volume of the domestic engineering business continued to shrink, CSC proactively sought overseas engineering opportunities. The revenues of China Steel Machinery Corporation (CSMC) and China Ecotek Corporation (CEC) continued to increase. CSMC posted the pre-tax profits of NT\$618 million in 2013, and CEC's were NT\$708 million. The revenues and profits of China Steel Structure Co., Ltd. in 2013 were less than those in 2012; it posted the

pre-tax profits of NT\$502 million in 2013 because of the reduction of plant construction projects in the electronic industry, the government's policy to cool real estate speculation, which resulted in the decline of the construction of high-rise buildings, insufficient release of public engineering projects, etc. InfoChamp Systems Corporation has continued to expand in the market of cross-platform integration of ERP in the steel industry in China; its revenues and profits remained stable in 2013. Its pre-tax profits were NT\$299 million, which was 29.54% more than those in 2012 and due to the increase of its investment gains and the exchange gains generated from the appreciation of the U.S. dollars.

5. **Service and Investment Business:** Because the conditions of the stock market were good, Gains Investment Corporation's pre-tax profits were NT\$401 million in 2013, which was 6.02 % more than those of 2012. Because of the changes of the security regulations, China Steel Security Corporation's personnel costs went up. It actively sought to increase the unit prices for stationed guards from its customers, did its best to cut the operational costs, and developed new security businesses. Its pre-tax profits were NT\$124 million in 2013, which was 15.03% more than those in 2012. China Prosperity Development Corporation's rental income was stable. Due to the injection of the investment income and recognized gains from the disposal of real estate, its pre-tax profits were NT\$222 million in 2013, which was 19.99% more than those in 2012.

Development of Business

To expand distribution channels, CSC established processing centers in regions with market potential to serve nearby downstream customers. The construction of Qingdao China Steel Precision Metal Co., Ltd., CSC's first coil center in northern China, was completed in the fourth quarter of 2013, and production was initiated. It is CSC's sales headquarters in northern China; it mainly focuses on customers in the automobile, motor, home appliance and IT industries. CSC will also set up processing and logistics centers in eastern and southern China to serve as the extensions of its production lines so as to meet the demand of local customers.

To be in line with the trend of energy conservation and reduction of carbon emissions, CSC established a joint venture, Dyna Rechi Co., Ltd., with Rechi Precision Metal Co., Ltd. to produce brushless direct current motors in an effort to extend the supply chain to the motor industry and expand markets for its electrical steel coils and HIMAG Magnetic Corporation's iron oxide powder. Furthermore, CSC also invested in Honley Auto. Parts Co., Ltd. to seek sales of steel products for automobile use, link the value chain of the automobile steel industry, and strengthen the cooperative relationship with car makers.

In terms of the investment in raw material sources, CSC seeks investment in valuable raw material sources to increase its self-sufficiency rates in order to ensure the

supply of coal and iron ore. Investment projects in 2013 included: (1) The equity settlement of the investment of AMMC Pellet Project in Canada was finalized in March 2013. CSC's shareholding rate is 3.68%. The maximum tonnage of the purchase of pellets was set at 900,000 tons per annum according to the offtake agreement. (2) CSC holds 19% of Sakura Ferroalloys Sdn. Bhd. (Malaysia). Its production is expected to initiate in January 2016. The maximum tonnage of the offtake agreement was set at 300,000 tons per annum. As of the end of 2013, the self-sufficiency rates of metallurgical coal and iron ore were 1.9% and 15%, respectively. CSC's average self-sufficiency rate of raw materials was 11%.

In terms of the green energy industry, CSC established the Wind Power Business Development Committee in December 2013 to develop its wind power business which involved the operation, planning and implementation of wind power engineering and technology. The main short-term goals are to invest in onshore wind farms and to obtain offshore demonstrative wind farm EPC (Engineering, Procurement and Construction) projects. The medium-term goals are to establish the domestic wind power industry chain as well as regional supply chains and to obtain offshore wind farm EPC projects and their maintenance projects. The long-term goals are to develop offshore wind farms on its own and to enter the international market.



乙醇示範廠流程圖



Synergy Integration Technology, Inc.'s ethanol pilot plant

P3201

Customer Services



The 2013 Steel Engineering and Technology Seminar



The 2013 Seminar on Operation Management of the Steel Industry

Eighty new enterprises became CSC's customers in 2013. New customers accounted for 2.11% of the total revenues while the old ones accounted for 97.89% of the total revenues. On the basis of technical services, CSC not only offers steel products with the appropriate quality, at the adequate amount, and at the appropriate time by providing multi-stage, multi-layer pre-sale, sale, and after-sale services, but also assists customers to solve their problems in material utilization and processing techniques.

CSC obtains feedbacks, which serve as references for improvement or development of marketing policies, from its customers by holding quarterly production and sales confabs with trade associations (or professional groups) in the downstream steel industry, visiting its customers, and holding technological seminars.

Sales Services

In 2013, 36 confabs had been held. Overall sales supporting services are provided through e-business and initiation to the supply chain system. Moreover, executives and personnel in related businesses usually visit CSC's customers actively and promote punctual delivery. To offer even better services, marketing resources from CSC's subsidiaries, e.g. DSC and Chung Hung Steel Corporation, are integrated to mutually support and extend the scope of CSC's services to its customers.

Technical Services

Key activities of technical services in 2013 included: (1) 169 cases of assistance to customers in improving their manufacturing processes and solving problems related to application of raw materials and processing techniques were completed. 22 surveys of market quality feedbacks were obtained to effectively promote quality development improvement. (2) 25 surveys of material application and quality trends according to industries as well as 5 surveys of new products and quality functions development were completed. Certification of 19 items of automobile use materials was granted; furthermore, CSC also secured the supply of steel materials to two newly-added automobile factories. (3) 13 domestic and international technical symposia and seminars were held. Marketing teams specialized in electrical steel plate technology were dispatched

to China, Japan, Europe, and the United States to hold interactive seminars with 40 major customers. (4) Representatives from CSC paid 91 visits to key customers to conduct technical interaction. Employees (a total of 472 man-days) were sent abroad to visit and promote CSC's products.

The Supply Chain System of Production & Sales

The purpose of CSC's Supply Chain System of Production & Sales is to provide timely, reasonable, and effective mechanisms by proper planning in response to its customers' order demands to achieve the overall efficiency.

Operation flexibility and efficiency have markedly increased by the constant optimization and improvement of CSC's Supply Chain System of Production & Sales. Ordinary customers can obtain instant answers in regard to the delivery dates, quantities, and prices of their orders by linking up with CSC's Supply Chain System, which keeps track of the planning of sales and production, quotations, order entries and revisions, production plans and schedules, follow-ups of existing orders, storage and transportation, and delivery in a smooth and fast manner. The results and benefits of the system are listed as follows: (1) In terms of the concept of management at sources, CSC practices cooperative operation in setting reasonable lead time and the standardized operation for orders to enhance the effectiveness of production, shorten delivery, and increase high-grade product fill rates since these products are generally ordered for small amounts and demand variety. (2) Acceleration of leeway sales: Sales systems of finished products as well as leeway online sales systems have been established based on leewaybloom/slab production to increase the values of

products and to enhance inventory control. (3) Sales of electrical steel coils and hot rolled spot products have been conducted electronically, and leeway sales of steel plates have been automated, both of which increased the efficiency of spot orders and delivery. (4) Customized information report mechanisms are offered so that customers can access instant reports of the related information on contracts, orders, payment, and delivery. (5) The linking service of the ERP information systems between CSC and its customers has been offered. The operation of customers' purchases, receipt of their orders, inspection, and requests of reimbursement can be interacted with CSC's information on orders, production, delivery, and invoices. At present, CSC has already completed such linkage with 30 customers.

Customer Satisfaction

CSC always commissions an academic institution to conduct a domestic and overseas customer satisfaction survey every year. Results of the 2013 survey were satisfaction indices of 70.88 points, which was an increase of 0.21 points compared with those of 2012, from domestic customers and 67.24 points, which was a decrease of 3.46 point compared with those of 2012, from overseas customers. The top four items of the domestic satisfaction index were the service attitudes of the salespeople, the speed of the salespeople's response to customers' inquiries, the interaction between the salespeople and customers, and the salespeople's professional knowledge. The top three items of the overseas satisfaction index were the dimensional precision of the products (length, width, thickness, and diameter circle tolerances), the stability of the product quality (dimensions, tolerances, mechanical properties, etc.), and product processability (molding, forging, drawability, weldability, etc.).

Risk Management

An emergency response drill of the leakage in the ammonia storage tank



Mist sprinkler systems, firefighting water jets, and suppression of the leakage of ammonia with mist sprinklers from fire engines



Personnel carrying detectors to confirm the concentration of ammonia after the alarm was lifted

Market Risk Control

To disperse liable risks in the steel market due to declining economic factors, CSC has managed its risk control in two areas. In terms of sales, CSC has adopted the distribution strategy of regarding the domestic market as its principal outlet and supplementing it with export sales and adjusted their ratios according to the changes in the market. New product development and their trial production have been significantly enhanced at CSC. Moreover, CSC has full grasp of the dynamics of related industries, expands the range of its product supplies, seeks investment opportunities in the downstream steel industry or industries which apply steel products, establishes overseas coil centers. In terms of production, on the basis of the amount of estimated orders, sales and production plans are simulated. Concrete measures include coordination of the allocation of slab purchase quotas among the subsidiaries in CSC Group, reduction of production, revamping and campaign adjustments of the blast furnaces, adjustments of the schedules of seasonal/ annual maintenance of the production lines, scheduling of raw material transportation, and planning of commissioned rolling. In a nutshell, production plans can be adjusted by various means whenever necessary.

Risk Control of Raw Material Supply

Procurement of Raw Materials

To avoid the disruptions of the supply of raw materials, such as coal, iron ore, and lime stone, due to the weather or the conditions of the mines, railways, and loading ports, CSC has adopted the following countermeasures: (1) The sources and suppliers are cautiously evaluated. (2) Safe inventory levels are properly maintained. (3) The sources of the raw material supply are diversified; short-, medium- and long-term contracts are signed with various suppliers in different countries. (4) Contracts are executed in good faith; relationships with mutual trust and assistance are maintained with the suppliers. (5) Some of the retained amounts are procured in the spot markets in response to the flexibility in production demand so that opportunities

to reduce costs can be sought. (6) New sources of the raw material supply are actively developed to intensify competition and avoid domination by only a few suppliers. (7) CSC, through one of its wholly-owned subsidiaries, has its own vessels for raw material transportation so that it can control and reduce its transportation costs when there is a price hike in freight; nonetheless, it will also charter vessels for timely raw material transportation when necessary. (8) In line with the tonnage purchase of raw materials in its offtake agreements, CSC will enhance its self-sufficiency rates to ensure the long-term stable supply of raw materials.

Development of Raw Material Sources

1. Cooperative investment projects are carefully carried out only with prestigious miners or partners, including steel plants and trading companies.
2. Miners and mines are investigated on the spot with due diligence.
3. Professional consultants in geology, finance, taxation, and law are commissioned to help carry out feasibility assessment.
4. Overall assessment and reviews are conducted by related departments internally when necessary.
5. The development and operation of investments are closely monitored.
6. Decision-making meetings of joint ventures are attended to protect CSC's investment interests.
7. Overseas offices are established to enhance liaison and grasp of the pulse of investment.

Transportation Risk Control

CSC's ultimate objective in the management of raw material transportation is the uninterrupted supply. Its

weekly review of all material inventories serves as the basis for the determination of the optimum shipping plan. Depending upon the sizes of the needed vessels and their economic benefits, long-lease vessels or provisional chartered ones are flexibly deployed, and their movements are continuously tracked until their discharge is completed. The risks of marine transportation of export products are borne and insured by overseas buyers. As for inland transportation, all of the trucking companies have to present both their signed letters of guarantee and bankers' irrevocable letters of guarantee to CSC to ensure that products will be delivered to CSC's customers according to agreed-upon schedules and in perfect conditions. If the steel products in delivery are damaged, lost, or delayed, CSC maintains the right to deduct the loss from the freight or the guarantee deposits from the transportation companies to control transportation risks.

Risk Control of Utilities

The water, electricity, oil, steam, and gas systems are monitored and dispatched by the Utility Dispatching Center (UDC) at CSC. Besides the implementation of economic dispatching to control system safety by UDC, PDAs are also utilized to facilitate the examination of the facilities in periodic patrol checks. Revamp of pipelines and power distribution facilities has been conducted continuously to ensure the safety of all systems. Emergency drills in regard to facility failures are held every year to reduce the risks of energy supply. The measures in risk control of utilities taken by CSC include : (1) Electricity and gas : (a) The power load shedding system was established, and its improvement is implemented every year. The generator sets used in co-generation will serve as the backup

An emergency response drill of the gas leakage in the converter



The cooling of LDG holder surrounding by spraying water from fire engines



The injured were escorted to the hospital for treatment with the assistance of the medical staff

protection for the main facilities in the plants. (b) Replacement of the old power generation equipment will be continued to promote the reliability of power supply. (c) To cope with the increase of power demand, the 161KV Expansion Project of the Second Power Incoming Feeder was completed in June 2013. (d) Replacement of the old gas pipelines to reduce risks. (e) The 2013 Emergency and Disaster Response Contingency Drill and the Regional Joint Disaster Drill in the Lin-hai Industrial Park were held in coordination with the Industrial Development Bureau, MOEA in October 2013. (2) Water: Emergency limited water usage administrative regulations were established to avoid the damage in the furnaces and coke ovens caused by the tightening of water supply by Taiwan Water Corporation in dry seasons. CSC's goal is to reduce the damage in production or facilities caused by the lack of water supply to the minimum; therefore, it would actively take part in the municipal project of recycling waste water, which could serve as the second source of water supply, to reduce the risk. It is estimated that 19,000 m³/day of recycled water can be generated by the end of 2016, and it will be gradually increased to 45,000 m³/day year by year.

Risk Control of Information Systems

To avoid adverse effects on CSC's business operation due to system irregularities, it has drawn up standard operating procedures and implemented education and training programs as well as instituted the following strict control measures: (1) development and maintenance of application systems, (2) data access, (3) system and information backup mechanisms, (4) prevention of virus and network intrusions, (5) automatic fire suppressing systems covering the entire computer facilities, (6) uninterrupted power supply systems, and (7) entrance control with closed circuit televisions. In addition, drills are held periodically.

Risk Control of Facility Maintenance

Machinery:

- (a) Maintenance of spares: Proper inventory levels of spares are maintained according to past maintenance experience and the amounts of spare consumption. Information systems have been enhancing to control the manufacture of spare parts. Large pieces of replaced machinery can serve as reusable machinery, which is promoted to be preferentially utilized first, after being maintained and qualified to reduce the procurement of new machinery. Overseas purchases can be reduced by the development of domestically manufactured machinery; therefore, delivery of machinery can be controlled. Arrangements of regional storehouses are promoted in order to have sound spare part management.
- (b) Maintenance resumes: Problems in mechanical and electrical equipment and facilities are looked for through downtime management; the periods of downtime are reduced to enhance equipment availability in combination with the records of the equipment resumes. The resumes and costs of equipment repairs and maintenance are collected to conduct analyses and applications of all kinds of production lines in the hope of reaching the goal of zero malfunction/failure.
- (c) Maintaining of manpower and succession: Retiring technicians are assigned special tasks in advance so that their expertise and experience can be passed down to others through apprenticeship.

Information exchange of all units is strengthened on the project management platform, and the implementation resumes of key maintenance are recorded. Knowledge management is enhanced to keep the integrity of maintenance skills and experience.

Electrical Control Facilities:

- (a) To avoid adverse effects on CSC's production operation due to irregularities of the electrical control systems, it has drawn up TS-16949 standard operating procedures for maintenance, which include maintenance of software and hardware, data access, backup mechanisms, management for spares, network protection, uninterrupted power supply systems, entrance control, and response to disasters.
- (b) All of the measures are strictly monitored, and drills are held periodically. Standard operating procedures for the development of the ISO-9000 System were established under the concept that safety came from design. At the onset of the design, risk maintenance was considered, and both internal and external inspection was implemented periodically to maintain the effectiveness of the system.
- (c) In reference to the standards of ISO-17799, Information Safety Management Regulations for the Production Division were established. Periodic promotion of the concepts of information safety

and inspection in the Production Division were implemented to secure information safety.

Risk Control of Construction Management

CSC has established a Capital Expenditure Management Information System and a Contract Management System for all its project-type capital expenditure projects and for DSC's expansion project to exercise strict control over industrial safety, quality, progress and budgets.

In order to have full grasp of the contractors' financial statuses and project execution capability, CSC commissions domestic credit reporting agencies to investigate registered A-level contractors' credit on a regular basis in civil engineering, steel structure construction, machinery and equipment installation, and instrument/electronics engineering annually. The results are disclosed in the Public Works Management Operation Systems (KP) of CSC/DSC and CSC's Supplier Management Operation System (MS). Suspended and/or disqualified contractors and subcontractors are prohibited from bidding. In addition, regular financial credit of related contractors is investigated.

Risk Control of Environmental Protection, Safety, and Hygiene

Hazard identification and risk assessment are thoroughly carried out to promote the culture of industrial safety. Measures are taken to reduce the risks

in the "high" and "major" categories, and emergency drills are held periodically.

CSC is devoted to reducing the emission of air pollutants and the effluent of waste water and to reinforcing water conservation and recycling of waste water.

Risk control of the utilization of recycled resources is enhanced.

CSC has paid close attention to the levies of environment tax and energy tax to help establish a fair, reasonable, and just tax system.

Risk Control of Climate Change

Global warming and extreme climate patterns have posed as global threats which have brought severe impact on human beings and business operations. One of the vital issues for the steel industry is how to conserve energy and reduce carbon emissions to reduce the effect of climate change. CSC has developed the following strategies to reduce the risks caused by climate change:

- (a) Short-, medium- and long-term roadmaps for reduction of carbon emissions are established by the best available technology, the application of new energy development, and expansion of regional energy integration to enhance the effectiveness in reduction of carbon emissions, the intensity of which will reach the level of top-notch international steel plants.
- (b) Steel products which conserve energy consumption and reduce carbon emissions will be developed and their life cycles will be assessed to expand

the effectiveness of external reduction of carbon emissions.

- (c) CSC will be actively involved in the new green businesses, domestic and overseas cooperative projects regarding reduction of carbon emissions, carbon capture and storage (CCS), and operation of carbon rights.
- (d) Low carbon lifestyles and consumption will be promoted within CSC in the hope of developing a low carbon society.

Financial Risk Control

CSC keeps close watch on the daily balance of NT\$/foreign currency transactions. In accordance with its demand on foreign exchange funds and the trends of the foreign exchange market, it adjusts its holdings of strong and weak foreign currencies flexibly to promote the effectiveness of foreign currency manipulation. If there is a demand (mainly in international currencies) in a new foreign investment project or procurement of imported equipment, CSC will hedge against exchange rate risks with forward foreign exchange or engage in an equivalent long-term loan in foreign currencies.

Clear interest rate risk tolerances are set to control floating interest rate debts. When interest rates in the financial markets turn around significantly, CSC will apply early repayments or interest rate swaps (IRS) to convert the interest rates to fixed rates. In regard to the medium- and long-term demand of NT dollars, corporate bonds have been issued to lock in medium-

and long-term capital costs to avoid the risks of the increases of interest rates in the future.

CSC assists its customers to increase their credit lines in banks to utilize the operation of AR (accounts receivable) factoring. By means of e-commerce and digital signature security systems, CSC simplifies the payment procedures for its customers to ensure a smooth flow of delivery. In addition, CSC also keeps close watch to ensure the faultless operation of its electronic business and security mechanisms and the accuracy and timeliness of the information; it raises the degree of customer satisfaction by offering services through the e-commerce financial operation.

Various indicators are regularly used to analyze CSC's and its subsidiaries' financial structures, solvency, operating capability, profitability, cash flow, and degrees of leverage. Early warning mechanisms are set to prevent the occurrence of any risk. The value of CSC's financial assets is monitored in real time; recommendations of investment or reduction of investment are proposed. Moreover, capital allocation among the companies within CSC Group will be strengthened to increase the efficiency of capital utilization.

Corporate Governance



CSC was granted the CSR Green Growth Award by British standards Institution.



CSC's 2013 shareholders' meeting



The paperless meeting management system

Annual Shareholders' Meeting

Starting from the regular annual shareholders' meeting in 2011, every motion was discussed and voted, and the results of all motions were announced at the meeting first and openly posted on the Market Observation Post System and CSC Website afterwards as references for investors. 2013 was the second year when electronic voting, which appealed to more shareholders this year than that in 2012, was adopted. Approximately 12.5% of all the totaled issued shares were voted in such a manner by shareholders when exercising their rights; in particular, over 85% of foreign shareholders also exercised their rights in the same manner.

The Board of Directors

Under the Board of Directors are two functional committees, the Corporate Governance Committee and the Remuneration Committee. The Corporate Governance Committee consists of three directors, one of whom is an independent director who serves as the convener. Two meetings were held in 2013 for the discussion of the related systems of corporate governance, and the minutes of the resolutions were presented to the Board of Directors. The Remuneration Committee consists of three independent directors. Two meetings of the Remuneration Committee were convened in 2013 for the discussion of the performance evaluation system for top executives and the evaluation results in 2013, and the proposals from the resolutions of the meetings were presented to the Board of Directors.

To implement vigorous energy conservation and reduction of carbon emissions, CSC established the paperless meeting system in June 2013. Notices, agendas, information, and proceedings of the meetings of the Board were uploaded to the system; attendees were notified electronically to browse the aforementioned information.



An exchange of opinions regarding the operation of both the boards of CSC and Taiwan Water Corporation

Supervisors

In the Board are three supervisors who sit at each board meeting. The supervisors, chief internal auditor, and certified public accountants (CPA) meet every year to discuss and exchange their views on matters related to CSC's financial statements. After the end of every fiscal year, the certified financial statements, proposals of earning appropriation, and the business reports audited by CPA are reviewed by the supervisors.

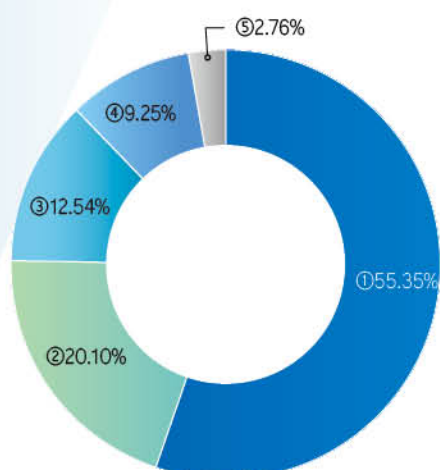


CSC Group's companies were granted the 2013 Taiwan Sustainability Awards

Shareholders' structure¹¹

- ① Domestic natural person and other juristic person
- ② Government (official) institution
- ③ Overseas foreign investment of juristic person, nature person, and trust fund (GDR included)
- ④ Domestic securities investment trust fund
- ⑤ Domestic financial institution

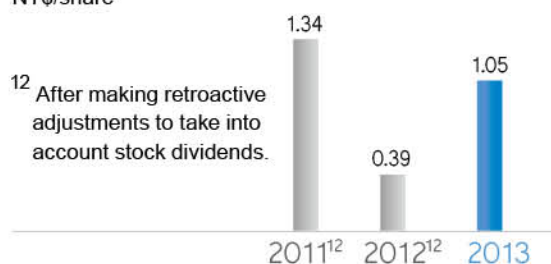
¹¹ As of August 3rd, 2013, the record date for ex-right / dividend.



Earnings per share

NT\$/share

¹² After making retroactive adjustments to take into account stock dividends.



Internal Auditing

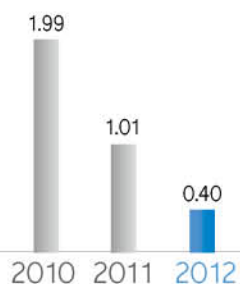
To forestall irregularities and strengthen the effectiveness of corporate administration, key activities of the Internal Auditor for 2013 were to test and assess whether the operational procedures in the 8 operational cycles, which included business of: (1) sales and receivables, (2) procurement and payments, (3) production, (4) R&D, (5) finance, (6) investment, (7) labor and wages, and (8) fixed assets, were adequately comprehensive and precise. Moreover, issues such as whether there were risks involved and whether the systems were designed with a cross-checking function were also assessed.

The Internal Auditor conducted the audits required by Article 8 of the Regulations Governing Establishment of Internal Control Systems by Public Corporations promulgated by the Financial Supervisory Commission, Executive Yuan, on a number of controls, which included the following: (1) asset management, (2) management of the use of seals, (3) management of the receipt and use of negotiable instruments, (4) budget management, (5) management of derivatives, (6) management of endorsements and loans to others, (7) management of liabilities, commitments, and contingencies, (8) authorization and deputy systems, (9) compilation of financial statements, (10) transactions of related parties, (11) supervision and management of subsidiaries, (12) operation of board meetings, (13) information safety checks, (14) prevention of insider trading, and (15) IFRS management. Furthermore, the Internal Auditor also assessed the internal control performances of CSC's 18 subsidiaries with due diligence.

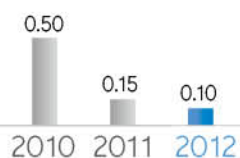
In 2013, 53 audit reports and 486 items for improvement were presented by the Internal Auditor. The audited units and subsidiaries were notified of the items for improvement. The suggestions for improvement were then put into CSC's audit management system; the progress of improvement was

Common stock dividend payout

Cash dividend NT\$/share



Stock dividend NT\$/share



also followed up. Each audit, when completed, is sent to the supervisors and independent directors for examination and perusal according to regulations.

Disclosures of Information

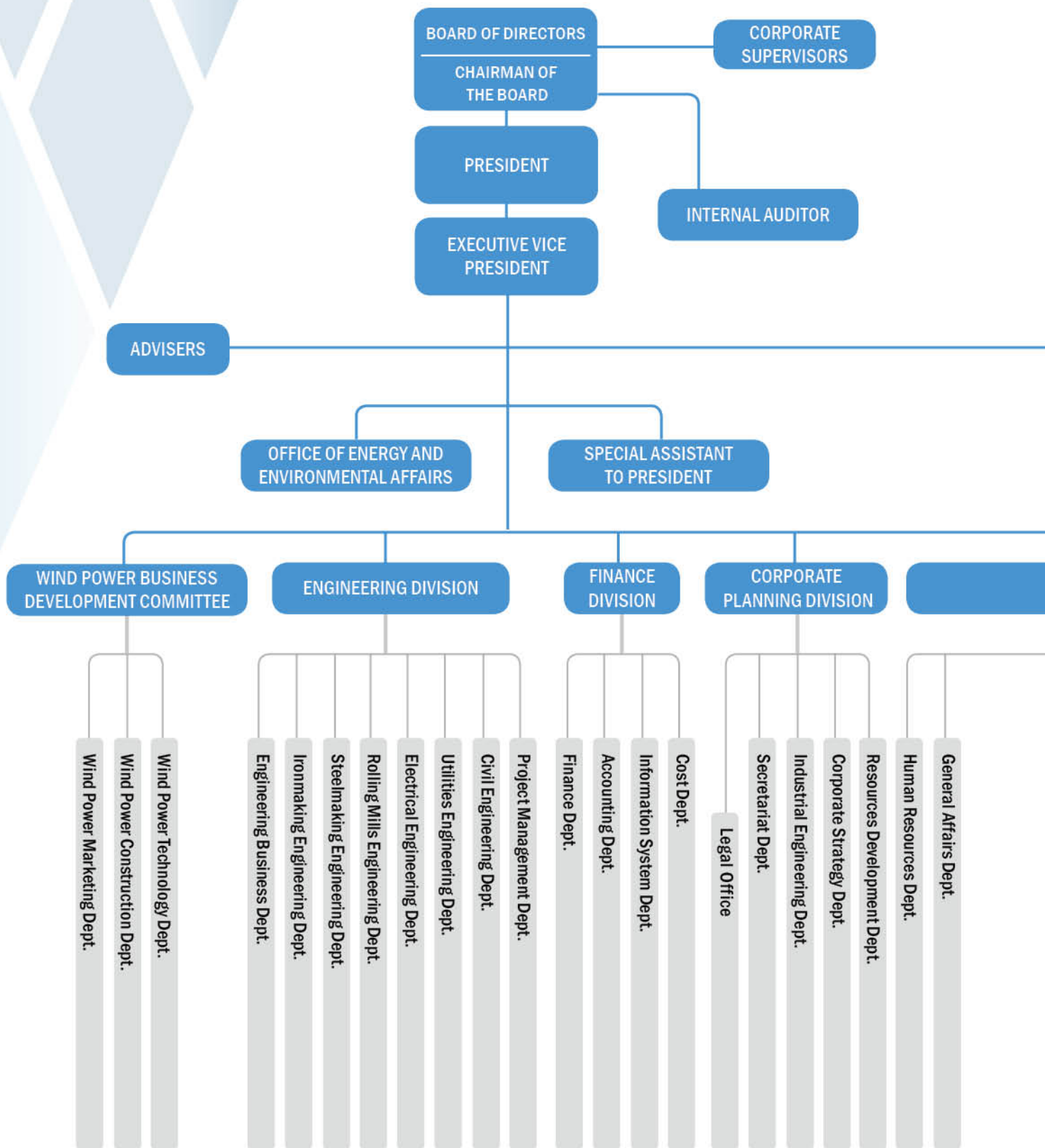
Over the years, CSC has been performing exceptionally well in the Securities and Futures Institute's "Information Disclosure and Transparency Ranking System," and had been granted the A⁺ ranking for four years from 2007 to 2010 in the listed companies of the Taiwan Stock Exchange Corporation (TWSE) and the Gre Tai Securities Market (GTSM). In particular, it was granted the A⁺⁺ ranking in 2011 and 2012, which was among the top rankings of over a thousand listed TWSE and GTSM companies.

IFRSs

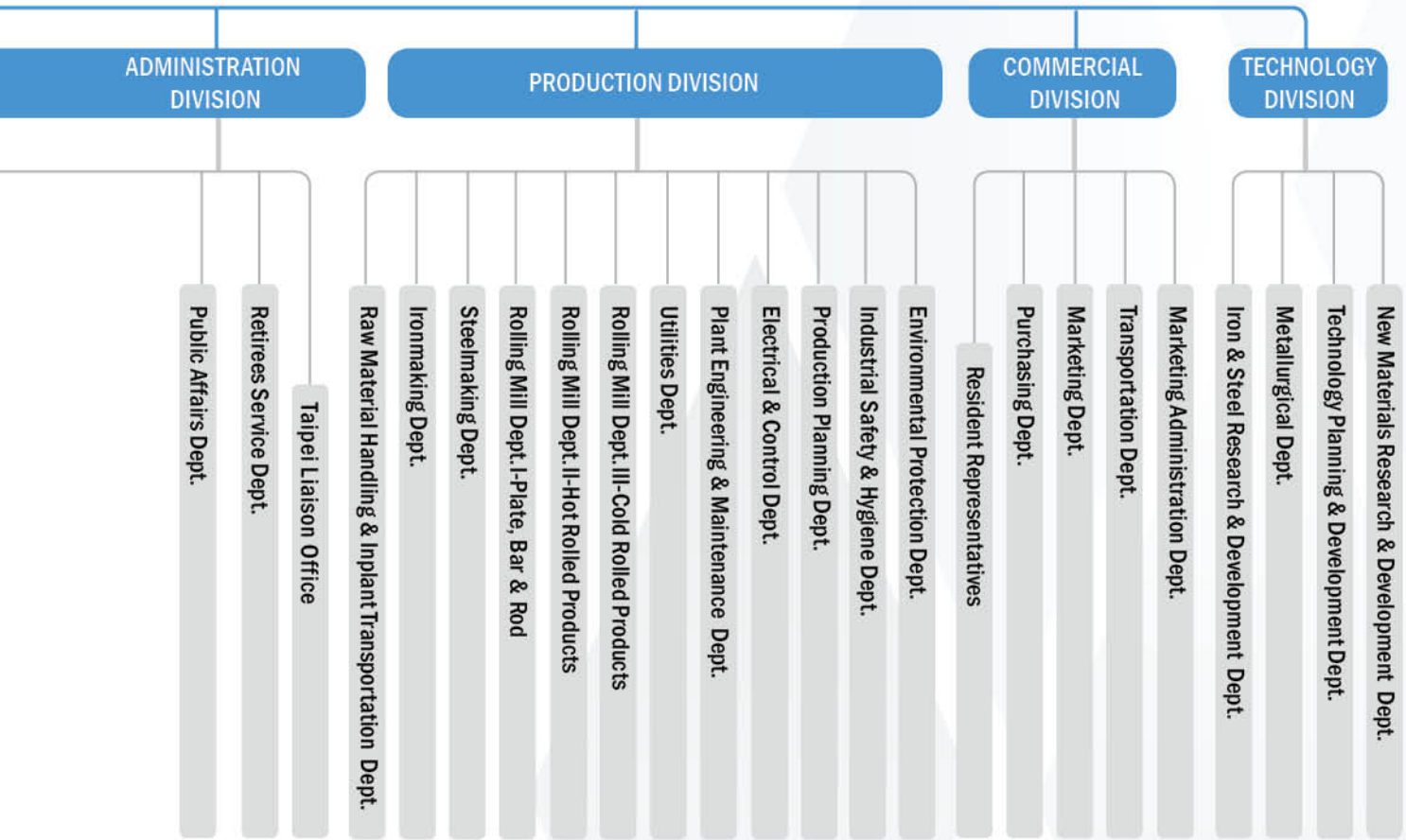
CSC belonged to the Phase I companies in the promotion framework of the Financial Supervisory Commission to adopt IFRSs in preparing its financial statements. The mandatory adoption of IFRSs in preparing CSC's financial statements began in 2013.

CSC established a cross-department taskforce to promote the operation of IFRSs in November, 2009. Cross-department meetings are every three months, and the progress of the implementation of IFRSs is reported to the Board of Directors and Taiwan Stock Exchange Corporation. As of the end of 2013, sixteen meetings had been held. Furthermore, affected items related to business, accounting, all systems, and the revisions of the internal control rules and regulations have been completed accordingly, and the progress complies with IFRSs regulations.

Organization Chart



INDUSTRIAL SAFETY AND HYGIENE COMMITTEE



Directors and Supervisors

(as of December 31, 2013)



Chairman of the Board
Jo-Chi Tsou
Representing Ministry of
Economic Affairs, R. O. C.



Director
Ming-Jong Liou
Representing Ministry of
Economic Affairs, R. O. C.



Director
Jerry J. R. Ou
Representing Ministry of
Economic Affairs, R. O. C.



Director
Jyh-Yuh Sung
Representing Ever Wealthy
International Corporation



Director
Kin-Tsau Lee
Representing Gau Ruei
Investment Corporation



Director
Jih-Gang Liu
Representing Chiun Yu
Investment Corporation



Director
Cheng-I Weng
Representing Hung Kao
Investment Corporation



Director
Chao-Chin Wei
Representing China Steel
Labor Union



Independent Director
Shen-Yi Lee



Independent Director
Juu-En Chang



Independent Director
Ting-Peng Liang



Supervisor
Ming-Te Su
Representing Hsin
Kuang Corporation



Supervisor
I-Lin Cheng



Supervisor
Andrew Deng

Senior Management

(as of December 31, 2013)



President
Jyh-Yuh Sung



Executive Vice President
(Concurrently Spokesman for the Corporation)
Kin-Tsau Lee



Vice President - Administration
Hsiung Li



Vice President - Commercial
Jih-Gang Liu



Vice President - Finance
Chung-Yi Lin



Vice President - Corporate Planning
Mou-Pin Wang



Vice President - Technology
Shin-Chin Wang



Vice President - Engineering
Wen-Du Hsu



Vice President - Production
Tsung-Ren Jeng

Five-Year Summary of Selected Financial Data and Operating Results

IFRSs

	2013	2012
Operating revenue	200,726,268	207,193,105
Operating costs	184,156,015	198,229,265
Gross profit	16,570,253	8,963,840
Realized (Unrealized) gain on the transactions with subsidiaries and associates	394,126	(36,337)
Operating expenses	7,345,870	6,184,405
Profit from operations	9,618,509	2,743,098
Non-operating income and expenses	7,888,875	3,478,191
Profit before income tax	17,507,384	6,221,289
Net income	15,981,540	5,894,806
Total other comprehensive income, net of income tax	3,524,589	(1,130,537)
Total comprehensive income for the period	19,506,129	4,764,269
Current assets	67,922,345	66,717,348
Property, plant and equipment	192,022,654	189,509,120
Other assets	197,335,519	173,496,455
Total assets	457,280,518	429,722,923
Current liabilities	54,361,542	64,301,232
Noncurrent liabilities	113,231,922	89,550,540
Total liabilities	167,593,464	153,851,772
Capital stock	154,638,520	153,107,445
Capital surplus	36,960,818	36,575,997
Retained earnings	98,628,837	90,184,289
Other equity	7,955,853	4,585,717
Treasury stock	(8,496,974)	(8,582,297)
Total equity	289,687,054	275,871,151
Total liabilities and equity	457,280,518	429,722,923
Equity per common share (NT\$)	19.11	18.39
Earning per common share (NT\$)	1.05	0.39
Earning per common share (NT\$) ¹³	-	0.39

	2012	2011	2010	2009
Operating revenue	207,193,105	240,376,019	239,186,921	165,408,888
Operating costs	198,229,265	218,781,975	196,235,742	150,698,842
Gross profit	8,963,840	21,594,044	42,951,179	14,710,046
Realized (Unrealized) gain from affiliates, net	(36,337)	61,894	47,610	(179,854)
Operating expenses	6,237,929	7,056,957	6,950,161	6,252,488
Operating income	2,689,574	14,598,981	36,048,628	8,277,704
Nonoperating income (expenses)	3,440,997	5,685,712	8,045,643	11,882,135
Income before income tax	6,130,571	20,284,693	44,094,271	20,159,839
Net income	5,811,490	19,493,679	37,586,826	19,602,517
Current assets	67,574,496	87,239,677	63,884,532	65,535,584
Investments	163,700,388	144,049,544	133,951,112	111,427,187
Property, plant and equipment	189,506,218	187,141,146	180,960,303	160,540,199
Other assets	6,484,671	3,504,473	3,591,475	4,804,234
Total assets	427,265,773	421,934,840	382,387,422	342,307,204
Current liabilities	64,448,686	49,454,425	47,970,103	38,165,930
Long-term liabilities	72,333,005	71,243,534	57,261,621	49,417,166
Reserve for land value increment tax	10,011,916	10,011,916	8,673,466	8,673,466
Other liabilities	2,120,099	2,637,956	2,531,867	2,691,479
Total liabilities	148,913,706	133,347,831	116,437,057	98,948,041
Capital stock	153,107,445	150,844,773	135,661,689	131,327,869
Capital surplus	36,673,528	36,247,705	20,072,476	19,598,511
Retained earnings	68,356,193	80,051,881	94,337,962	74,351,367
Unrealized revaluation increment	26,750,124	26,757,590	21,873,940	21,913,148
Unrealized gain on financial instruments	2,458,247	3,020,919	2,374,377	4,216,431
Cumulative translation adjustments	(393,229)	17,192	(101,443)	183,001
Net loss not recognized as pension cost	(184,893)	(230,590)	(117,015)	(42,133)
Treasury stock	(8,415,348)	(8,122,461)	(8,151,621)	(8,189,031)
Total stockholders' equity	278,352,067	288,587,009	265,950,365	243,359,163
Total liabilities and stockholders' equity	427,265,773	421,934,840	382,387,422	342,307,204
Stockholders' equity per common share (NT\$)	18.56	19.51	20.02	18.53
Earning per common share (NT\$)	0.38	1.36	2.83	1.54
Earning per common share (NT\$) ¹³	0.38	1.33	2.63	1.38

¹³ After making retroactive adjustments to take into account stock dividends.

Five-Year Summary of Selected Financial Ratios and Percentages

IFRSs

		2013	2012
Current ratio	(%)	125	104
Ratio of long-term liabilities and equity to property, plant and equipment	(%)	201	184
Total liabilities to total assets	(%)	37	36
Net profit rate	(%)	8	3
Profitability in terms of total assets	(%)	4	2
Profitability in terms of equity	(%)	6	2
Revenue growth rate, year to year	(%)	(3.23)	(14.22)
Equity growth rate, year to year	(%)	5.00	3.62

ROC GAAP

	2012	2011	2010	2009
Current ratio (%)	105	176	133	172
Ratio of long-term liabilities and stockholders' equity to fixed assets (%)	185	192	179	182
Total liabilities to total assets (%)	35	32	30	29
Net income rate (%)	3	8	16	12
Profitability in terms of total assets (%)	2	5	11	6
Profitability in terms of stockholders' equity (%)	2	7	15	8
Revenue growth rate, year to year (%)	(13.80)	0.50	44.60	(35.48)
Stockholders' equity growth rate, year to year (%)	(3.55)	8.51	9.28	1.93

Analysis of Financial Status and Operating Results

1. Two-year analysis of flow ratios

	December 31, 2013	December 31, 2012	Increase(Decrease)(%)
Cash flow ratio (%)	59	57	4
Cash flow adequacy ratio (%) ¹⁴	76	58	31
Cash reinvestment ratio (%)	3.70	3.33	(11)

¹⁴ Based on data over the past five years.

Analysis of increases or decreases in the above ratios :

- (1) The 31% increase in the cash flow adequacy ratio over the previous year was mainly attributable to the increase in the net cash flow from the operation activities and the decrease of the cash dividend payment.

2. Analysis of operating results

- (1) The NT\$6,466,837 thousand decrease in the operating revenues was mainly attributable to the fallen steel prices although the sales volume of steel products increased due to the recovery of the international steel market.
- (2) The NT\$14,073,250 thousand decrease in the operating costs was mainly attributable to the reduced costs of the raw materials (coal and iron ore).
- (3) The NT\$7,606,413 thousand increase in gross profits was mainly attributable to the increase of the sales volume and the fact that the degree of reduction in operating costs was more than that of the unit prices.
- (4) The NT\$430,463 thousand increase in realized sales profits was mainly attributable to the realization of the deferred profits which resulted from the transfer of the mechanical and electrical equipment of the Kaohsiung Rapid Transit Corp. (one of CSC's subsidiaries) to the Kaohsiung City Government.
- (5) The NT\$1,161,465 thousand increase in operating expenses was mainly attributable to the increase in the bonuses, employee profit sharing, and depreciation expenses.
- (6) The NT\$6,875,411 thousand increase in the operating income was mainly attributable to the causes in (1)~(5).
- (7) The NT\$4,410,684 thousand increase in the non-operating income was mainly attributable to the increase of the share of corporate profits or losses recognized under the equity method and the decrease of gains from the disposal of investments.
- (8) The NT\$11,286,095 thousand increase in the pre-tax income was mainly attributable to the causes in (1)~(7).
- (9) The NT\$13,682,189 thousand increase in the net income was mainly attributable to the increase of the pre-tax income, the causes of which were listed in (1)~(7) and the NT\$1,199,361 thousand increase in income tax expenses.

Terms and Conditions of Corporate Bonds

Issue	1st Unsecured Corporate Bonds Issue in 2008	2nd nsecured Corporate Bonds-A Issue in 2008	2nd Unsecured Corporate Bonds-B Issue in 2008	1st Unsecured Corporate Bonds-A Issue in 2011	1st Unsecured Corporate Bonds-B Issue in 2011	1st Unsecured Corporate Bonds-A Issue in 2012	1st Unsecured Corporate Bonds-B Issue in 2012
Issue Date	From December 4, 2008 to December 4, 2013	From December 29, 2008 to December 29, 2013	From December 29, 2008 to December 29, 2015	From October 19, 2011 to October 19, 2016	From October 19, 2011 to October 19, 2018	From August 10, 2012 to August 10, 2019	From August 3, 2012 to August 3, 2022
Face Amount	NT\$1 million	NT\$1 million	NT\$1 million	NT\$1 million	NT\$1 million	NT\$1 million	NT\$1 million
Issue Price	At par value	At par value	At par value	At par value	At par value	At par value	At par value
Amount	NT\$9,600 million	NT\$13,000 million	NT\$7,000 million	NT\$9,300 million	NT\$10,400 million	NT\$5,000 million	NT\$15,000 million
Coupon	2.42%	2.08%	2.30%	1.36%	1.57%	1.37%	1.50%
Maturity	Five years	Five years	Seven years	Five years	Seven years	Seven years	Ten years
Trustee	Taipei Fubon Bank, Trust Department	Mega International Commercial Bank, Head Office-Trust Department	Mega International Commercial Bank, Head Office-Trust Department	Taipei Fubon Bank, Trust Department	Taipei Fubon Bank, Trust Department	Taipei Fubon Bank, Trust Department	Taipei Fubon Bank, Trust Department
Lead Manager	-	-	-	-	-	-	-
Legal Advisor to the Issuer	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices
Auditor of the Issuer	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche
Repayment	Repay 50% of the principal at the end of the 4th and 5th year; interest shall be paid annually against interest coupon commencing from the issue date.	Repay 50% of the principal at the end of the 4th and 5th year; interest shall be paid annually against interest coupon commencing from the issue date.	Repay 50% of the principal at the end of the 6th and 7th year; interest shall be paid annually against interest coupon commencing from the issue date.	Repay 50% of the principal at the end of the 4th and 5th year; interest shall be paid annually against interest coupon commencing from the issue date.	Repay 50% of the principal at the end of the 6th and 7th year; interest shall be paid annually against interest coupon commencing from the issue date.	Repay 50% of the principal at the end of the 6th and 7th year; interest shall be paid annually against interest coupon commencing from the issue date.	Repay 50% of the principal at the end of the 9th and 10th year; interest shall be paid annually against interest coupon commencing from the issue date.

Issue	1st Unsecured Corporate Bonds-A Issue in 2013	1st Unsecured Corporate Bonds-B Issue in 2013	1st Unsecured Corporate Bonds-C Issue in 2013	1st Unsecured Corporate Bonds-A Issue in 2014	1st Unsecured Corporate Bonds-B Issue in 2014	1st Unsecured Corporate Bonds-C Issue in 2014
Issue Date	From July 12, 2013 to July 12, 2020	From July 12, 2013 to July 12, 2023	From July 12, 2013 to July 12, 2028	From January 23, 2014 to January 23, 2021	From January 23, 2014 to January 23, 2024	From January 23, 2013 to January 23, 2029
Face Amount	NT\$1 million	NT\$1 million	NT\$1 million	NT\$1 million	NT\$1 million	NT\$1 million
Issue Price	At par value	At par value	At par value	At par value	At par value	At par value
Amount	NT\$6,300 million	NT\$9,700 million	NT\$3,600 million	NT\$6,900 million	NT\$7,000 million	NT\$9,000 million
Coupon	1.44%	1.60%	1.88%	1.75%	1.95%	2.15%
Maturity	Seven years	Ten years	Fifteen years	Seven years	Ten years	Fifteen years
Trustee	Mega International Commercial Bank, Head Office-Trust Department	Mega International Commercial Bank, Head Office-Trust Department	Mega International Commercial Bank, Head Office-Trust Department	Taipei Fubon Bank, Trust Department	Taipei Fubon Bank, Trust Department	Taipei Fubon Bank, Trust Department
Lead Manager	-	-	-	-	-	-
Legal Advisor to the Issuer	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices	Chien Yeh Law Offices
Auditor of the Issuer	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche	Deloitte & Touche
Repayment	Repay 50% of the principal at the end of the 6th and 7th year; interest shall be paid annually against interest coupon commencing from the issue date.	Repay 50% of the principal at the end of the 9th and 10th year; interest shall be paid annually against interest coupon commencing from the issue date.	Repay 30%, 30%, 40% of the principal at the end of the 13th, 14th, 15th year; interest shall be paid annually against interest coupon commencing from the issue date.	Repay 50% of the principal at the end of the 6th and 7th year; interest shall be paid annually against interest coupon commencing from the issue date.	Repay 50% of the principal at the end of the 9th and 10th year; interest shall be paid annually against interest coupon commencing from the issue date.	Repay 30%, 30%, 40% of the principal at the end of the 13th, 14th, 15th year; interest shall be paid annually against interest coupon commencing from the issue date.

Preferred Stocks

Items	Issuance date			
	Nov. 18, 1974	Jan. 31, 1980	Nov. 30, 1980	Dec. 31, 1981
Face value (NT\$)	10	10	10	10
Issuing price (NT\$)	10	10	10	10
Number of shares	50,000,000	21,887,000	797,000	4,006,000
Total amount (NT\$)	500,000,000	218,870,000	7,970,000	40,060,000
Rights and liabilities	Dividend policy	<p>After all the accounts are settled, taxes paid, deficits offset, and the legal reserve appropriated, the remaining earnings will be distributed as follows:</p> <p>(1) Preferred stock dividends at 14% of the par value. (2) Remunerations to directors and supervisors of the board at 0.15% of the distributable earnings, 8% as bonuses to CSC employees. (3) Common stock dividends at 14% of the par value. (4) The rest of the remaining earnings will be appropriated proportionally to the preferred stockholders and common stockholders as bonuses.</p>		
	Appropriation of residual property	Same as those of common shareholders.		
	Voting rights	No right to vote in the elections of board directors or supervisors.		
	Others	Other rights and obligations are the same as those of the common shareholders.		
Preferred stock in circulation	Retrieved / converted shares	0 shares (as of March 31, 2014)		
	Unretrieved / unconverted shares	38,268,000 shares (as of March 31, 2014)		
	Retrieving or converting clause	The Corporation may retrieve the preferred stock using earnings or the proceeds from share issuance. Preferred shareholders have the right to convert preferred shares into common shares.		
Market price	2010	High	41.40	
		Low	37.20	
		Average(closing)	38.71	
	2011	High	42.00	
		Low	38.00	
		Average(closing)	39.70	
	2012	High	41.00	
		Low	38.15	
		Average(closing)	39.26	
	2013	High	42.80	
		Low	39.55	
		Average(closing)	40.55	

Issuance of Global Depositary Shares









Issuance date					
		May 28, 1992	Feb. 10, 1997	Oct 22, 2003	Aug 1, 2011
Items					
Issuance and Listing		Asia, Europe, America	Asia, Europe, America	Asia, Europe, America	Asia, Europe, America
Total Amount (US\$)		US\$327,600,000	US\$186,607,572.50	US\$936,086,488	US\$751,067,478
Offering Price Per GDS		US\$18.2/1 unit	US\$18.35/1 unit	US\$15.56/1 unit	US\$19.67/1 unit
Units Issued		18,000,000 units	10,169,350 units	60,159,800 units	38,183,400 units
Underlying Securities		CSC Common Shares	CSC Common Shares	CSC Common Shares	CSC Common Shares
Common Shares Represented		360,000,000	203,387,000	1,203,196,000	763,668,000
Rights and Obligations of GDS Holders		Dividend appropriation is the same as CSC common shares, other rights and obligation is regulated in Depositary Agreement.			
Trustee		Not Applicable	Not Applicable	Not Applicable	Not Applicable
Depositary Bank		Citibank, N.A.- New York	Citibank, N.A.- New York	Citibank, N.A.- New York	Citibank, N.A.- New York
Custodian Bank		Citibank, N.A.- Taipei	Citibank, N.A.- Taipei	Citibank, N.A.- Taipei	Citibank, N.A.- Taipei
GDS Outstanding		71,289,735 shares (as of March 31, 2014)			
Apportionment of Expenses for Issuance and Maintenance		Issuance-related expenses were borne by Ministry of Economic Affairs.	Issuance-related expenses were borne by Ministry of Economic Affairs.	Issuance-related expenses were borne by Ministry of Economic Affairs.	Issuance-related expenses were borne by the Company, CSC.
Terms and Conditions in the Depositary Agreement & Custody Agreement		Skipped	Skipped	Skipped	Skipped
Closing Price Per GDS(US\$)	2013	High	US\$19.32		
		Low	US\$15.17		
		Average	US\$17.36		

Market Price of Stock over Past Three Years

		(in NT\$ / share)		
Stock	Price	2013	2012	2011
Common	Highest	28.40	30.90	35.80
	Lowest	23.00	24.00	26.85
	Average (closing)	25.88	27.59	31.98

Source of Information: Taiwan Stock Exchange Corporation

Principal Products and Uses

Product	Major uses
 Plates	Shipbuilding, bridges, steel structures, oil country tubular goods (OCTGs), storage tanks, boilers, pressure vessels, die, truck chassis, and general construction, etc.
 Bars	Nuts and bolts, hand tools, loudspeaker parts, automobile and motorcycle parts, suspension spring, bearing, machinery parts, free cutting rod, gear, and polished bar, etc.
 Wire rods	Nuts and bolts, steel wire and rope, P. C. wire and strand, hand tools, welding electrodes, tire cord, bearing, free cutting rod, umbrella parts, and polished bar, etc.
 Hot rolled coils and sheets	Steel pipes and tubes, vehicle parts, containers, pressure vessels, building structures, hydraulic jacks, cold rolled and galvanized substrate, hand tools, light shapes and formed parts, etc.
 Cold rolled coils	Steel pipes and tubes, steel furniture, kitchenware, home appliances, oil barrels, automobile panels and parts, enamelware, substrate for galvanized and coated steel sheets, and hardware, etc.
 Electro-galvanized coils	Computer cases/parts and accessories, home appliance panels/parts and accessories, LCD TV back plates/parts, motor cases, construction materials, furniture hardware and components, and motorcycle fuel tanks, etc.
 Hot-dip galvanized coils	Automobile panels and parts, home appliance panels/parts and accessories, computer cases/parts and accessories, PPGI substrate, construction materials, furniture hardware and components, etc.
 Electrical steel coils	Motors, generators, transformers, reactors, and traditional ballast, etc.

Three-Year Summary of Production and Sales Volumes

Product	Volume	(in tons)		
		2013	2012	2011
Plates	Production	942,028	984,185	1,057,104
	Sales	948,213	985,454	1,042,447
Bars	Production	599,466	563,868	701,333
	Sales	658,760	648,410	770,931
Wire rods	Production	1,327,892	1,097,243	1,282,870
	Sales	1,373,633	1,220,102	1,488,618
Hot rolled steel products	Production	2,163,166	2,272,624	2,564,088
	Sales	2,541,803	2,485,015	2,804,636
Cold rolled steel products ¹⁵	Production	3,584,764	3,205,589	3,043,479
	Sales	3,650,052	3,280,488	3,031,657
Commercial slabs, blooms and billets	Production	213,234	249,505	100,968
	Sales	301,650	170,898	22,707
Pig iron	Production	4,999	9,307	6,203
	Sales	2,344	2,255	5,116
Others	Production	-555 ¹⁶	876	--
	Sales	399	63	--
Total	Production	8,834,994	8,383,197	8,756,045
	Sales	9,476,854	8,792,685	9,166,112

¹⁵ Includes electrogalvanized, hot-dip galvanized products and electrical steel coils

¹⁶ The negative figure is because a portion of stainless steel coils were shifted as semi-products for on-going production in 2013.

2013

CHINA STEEL CORPORATION

STANDALONE

FINANCIAL STATEMENTS

For the Years Ended December 31, 2013 and 2012 and Independent Auditors' Report



勤業眾信

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Steel Corporation

We have audited the accompanying standalone balance sheets of China Steel Corporation (the "Corporation") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related standalone statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the standalone financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall standalone financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the standalone financial statements referred to in the first paragraph present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2013, December 31, 2012 and January 1, 2012, and its standalone financial performance and its standalone cash flows for the years ended 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China.

Deloitte & Touche

March 21, 2014

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying standalone financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and standalone financial statements shall prevail. As stated in Note 4 to standalone financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

Standalone Balance Sheets

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents	\$ 1,331,421	-	\$ 1,633,583	-	\$ 583,607	-
Available-for-sale financial assets - current	2,589,723	1	1,645,451	1	2,207,870	-
Derivative financial assets for hedging - current	13,550	-	33,120	-	22,630	-
Notes receivable, net	408,444	-	476,696	-	866,772	-
Notes receivable - related parties	600,863	-	519,453	-	468,399	-
Accounts receivable, net	2,115,874	1	2,712,325	1	2,764,299	1
Accounts receivable - related parties	1,318,659	-	830,895	-	553,216	-
Other receivables	1,082,512	-	870,429	-	989,066	-
Other receivables - loans to related parties	2,320,000	1	-	-	-	-
Current tax assets	8,663	-	8,663	-	173,364	-
Inventories	46,516,733	10	47,309,649	11	66,803,068	16
Other financial assets - current	6,621,540	1	8,490,713	2	8,178,037	2
Other current assets	2,994,363	1	2,186,371	1	2,250,015	1
Total current assets	67,922,345	15	66,717,348	16	85,860,343	20
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent	19,013,560	4	13,297,620	3	12,984,109	3
Derivative financial assets for hedging - noncurrent	4,357	-	4,042	-	89,387	-
Bond investments with no active market - noncurrent	2,839,000	1	3,364,000	1	3,906,000	1
Investments accounted for using equity method	165,350,184	36	146,956,682	34	125,240,189	29
Property, plant and equipment	192,022,654	42	189,509,120	44	187,141,146	44
Investment properties	5,577,685	1	4,740,277	1	3,063,360	1
Intangible assets	99,721	-	141,888	-	184,081	-
Deferred tax assets	4,213,562	1	4,778,954	1	3,650,961	1
Refundable deposits	52,526	-	144,807	-	223,215	-
Prepaid investments	142,500	-	-	-	-	-
Other financial assets - noncurrent	42,424	-	68,185	-	2,153,505	1
Total noncurrent assets	389,358,173	85	363,005,575	84	338,635,953	80
TOTAL	\$ 457,280,518	100	\$ 429,722,923	100	\$ 424,496,296	100

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%
CURRENT LIABILITIES						
Short-term borrowings and bank overdraft	\$ 7,433,861	2	\$ 8,868,560	2	\$ 6,467,626	2
Short-term bills payable	8,968,844	2	13,294,434	3	3,595,877	1
Derivative financial liabilities for hedging - current	7,952	-	11,752	-	7,620	-
Accounts payable	4,856,273	1	3,516,165	1	4,665,602	1
Accounts payable - related parties	1,591,679	-	496,968	-	851,314	-
Other payables	15,722,312	3	14,669,080	4	13,266,676	3
Current tax liabilities	2,047,487	-	1,368,313	-	2,520,677	1
Provisions - current	1,466,265	-	1,403,935	-	1,316,439	-
Current portion of bonds payable	3,499,318	1	11,297,543	3	11,295,086	3
Current portion of long-term bank borrowings	6,642,101	2	7,940,886	2	3,682,227	1
Other current liabilities	2,125,450	1	1,433,596	-	1,728,306	-
Total current liabilities	54,361,542	12	64,301,232	15	49,397,450	12
NONCURRENT LIABILITIES						
Derivative financial liabilities for hedging - noncurrent	2,984	-	451	-	421	-
Bonds payable	62,744,803	14	46,657,982	11	37,969,340	9
Long-term bank borrowings	24,541,232	5	15,180,409	4	21,284,765	5
Long-term bills payable	8,996,565	2	10,494,163	2	11,989,008	3
Deferred tax liabilities	11,385,765	3	11,545,694	3	11,726,153	3
Accrued pension liabilities	5,560,573	1	5,671,841	1	5,877,120	1
Total noncurrent liabilities	113,231,922	25	89,550,540	21	88,846,807	21
Total liabilities	167,593,464	37	153,851,772	36	138,244,257	33
EQUITY						
Share capital						
Ordinary shares	154,255,840	34	152,724,765	36	150,462,093	36
Preference shares	382,680	-	382,680	-	382,680	-
Total share capital	154,638,520	34	153,107,445	36	150,844,773	36
Capital surplus	36,960,818	8	36,575,997	8	36,184,596	8
Retained earnings						
Legal reserve	55,359,726	12	54,778,577	13	52,829,209	12
Special reserve	26,920,871	6	29,248,991	7	29,251,979	7
Unappropriated earnings	16,348,240	3	6,156,721	1	19,606,971	5
Total retained earnings	98,628,837	21	90,184,289	21	101,688,159	24
Other equity	7,955,853	2	4,585,717	1	5,824,756	1
Treasury shares	(8,496,974)	(2)	(8,582,297)	(2)	(8,290,245)	(2)
Total equity	289,687,054	63	275,871,151	64	286,252,039	67
TOTAL	\$ 457,280,518	100	\$ 429,722,923	100	\$ 424,496,296	100

Standalone Statements of Comprehensive Income

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 200,726,268	100	\$ 207,193,105	100
OPERATING COSTS	184,156,015	91	198,229,265	96
GROSS PROFIT	16,570,253	9	8,963,840	4
REALIZED (UNREALIZED) GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	394,126	-	(36,337)	-
REALIZED GROSS PROFIT	16,964,379	9	8,927,503	4
OPERATING EXPENSES				
Selling and marketing expenses	2,797,942	1	2,412,224	1
General and administrative expenses	2,893,215	2	2,393,970	1
Research and development expenses	1,654,713	1	1,378,211	1
Total operating expenses	7,345,870	4	6,184,405	3
PROFIT FROM OPERATIONS	9,618,509	5	2,743,098	1
NON-OPERATING INCOME AND EXPENSES				
Other income	1,028,541	1	1,446,932	1
Other gains and losses	(97,816)	-	1,003,737	1
Finance costs	(1,486,696)	(1)	(1,358,092)	(1)
Share of the profit of subsidiaries and associates	8,444,846	4	2,385,614	1
Total non-operating income and expenses	7,888,875	4	3,478,191	2
PROFIT BEFORE INCOME TAX	17,507,384	9	6,221,289	3
INCOME TAX EXPENSE	1,525,844	1	326,483	-
NET PROFIT FOR THE YEAR	15,981,540	8	5,894,806	3

(Continued)

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	(\$ 484,584)	-	(\$ 123,208)	-
Unrealized gain (loss) on available-for-sale financial assets	2,706,636	1	(629,571)	(1)
Cash flow hedges	4,123	-	(333,409)	-
Actuarial gain from defined benefit plans	168,894	-	164,782	-
Share of the other comprehensive income of subsidiaries and associates	1,158,933	1	(237,798)	-
Income tax benefit (expense) relating to the components of other comprehensive income	(29,413)	-	28,667	-
Total other comprehensive income, net of income tax	3,524,589	2	(1,130,537)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 19,506,129	10	\$ 4,764,269	2
EARNINGS PER SHARE				
Basic	\$ 1.05		\$ 0.39	
Diluted	\$ 1.05		\$ 0.39	

(Concluded)

Standalone Statements of Changes in Equity

	Share Capital			Retained Earnings		
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings
BALANCE AT JANUARY 1, 2012	\$ 150,462,093	\$ 382,680	\$ 36,184,596	\$ 52,829,209	\$ 29,251,979	\$ 19,606,971
Reversal of special reserve	-	-	-	-	(2,988)	2,988
Appropriation of 2011 earnings (Note 21)						
Legal reserve	-	-	-	1,949,368	-	(1,949,368)
Cash dividends to ordinary shareholders - NT\$1.01 per share	-	-	-	-	-	(15,196,671)
Cash dividends to preference shareholders - NT\$1.25 per share	-	-	-	-	-	(47,835)
Share dividends to ordinary shareholders - NT\$0.15 per share	2,256,932	-	-	-	-	(2,256,932)
Share dividends to preference shareholders - NT\$0.15 per share	5,740	-	-	-	-	(5,740)
Net profit for the year ended December 31, 2012	-	-	-	-	-	5,894,806
Other comprehensive income for the year ended December 31, 2012, net of income tax	-	-	-	-	-	108,502
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	6,003,308
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-
Disposal of the Corporation's shares held by subsidiaries	-	-	2,363	-	-	-
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	308,554	-	-	-
Adjustment from changes in equity of subsidiaries and associates	-	-	80,484	-	-	-
BALANCE AT DECEMBER 31, 2012	152,724,765	382,680	36,575,997	54,778,577	29,248,991	6,156,721
Reversal of special reserve	-	-	-	-	(2,326,617)	2,326,617
Appropriation of 2012 earnings						
Legal reserve	-	-	-	581,149	-	(581,149)
Cash dividends to ordinary shareholders - NT\$0.4 per share	-	-	-	-	-	(6,108,990)
Cash dividends to preference shareholders - NT\$1.3 per share	-	-	-	-	-	(49,748)
Share dividends to ordinary shareholders - NT\$0.1 per share	1,527,248	-	-	-	-	(1,527,248)
Share dividends to preference shareholders - NT\$0.1 per share	3,827	-	-	-	-	(3,827)
Net profit for the year ended December 31, 2013	-	-	-	-	-	15,981,540
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	154,453
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	16,135,993
Disposal of the Corporation's shares held by subsidiaries	-	-	31,212	-	-	-
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	123,966	-	-	-
Adjustment from changes in equity of subsidiaries and associates	-	-	229,643	-	(1,503)	(129)
BALANCE AT DECEMBER 31, 2013	\$ 154,255,840	\$ 382,680	\$ 36,960,818	\$ 55,359,726	\$ 26,920,871	\$ 16,348,240

(In Thousands of New Taiwan Dollars, except Dividends per Share)

Other Equity

Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Cash Flow Hedges	Total	Treasury Shares	Total Equity
\$ -	\$ 5,507,672	\$ 317,084	\$ 5,824,756	(\$ 8,290,245)	\$ 286,252,039
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(15,196,671)
-	-	-	-	-	(47,835)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	5,894,806
(417,820)	(223,869)	(597,350)	(1,239,039)	-	(1,130,537)
(417,820)	(223,869)	(597,350)	(1,239,039)	-	4,764,269
-	-	-	-	(303,918)	(303,918)
-	-	-	-	19,331	21,694
-	-	-	-	-	308,554
-	-	-	-	(7,465)	73,019
(417,820)	5,283,803	(280,266)	4,585,717	(8,582,297)	275,871,151
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(6,108,990)
-	-	-	-	-	(49,748)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	15,981,540
(241,869)	3,319,364	292,641	3,370,136	-	3,524,589
(241,869)	3,319,364	292,641	3,370,136	-	19,506,129
-	-	-	-	82,997	114,209
-	-	-	-	-	123,966
-	-	-	-	2,326	230,337
(\$ 659,689)	\$ 8,603,167	\$ 12,375	\$ 7,955,853	(\$ 8,496,974)	\$ 289,687,054

Standalone Statements of Cash Flows

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 17,507,384	\$ 6,221,289
Adjustments for:		
Depreciation expense	18,856,796	17,708,945
Amortization expense	42,167	42,193
Finance costs	1,486,696	1,358,092
Interest income	(98,446)	(109,872)
Dividend income	(229,517)	(236,446)
Share of the profit of subsidiaries and associates	(8,444,846)	(2,385,614)
Loss on disposal of property, plant and equipment	44,984	112,197
Gain on disposal of investments	(147,514)	(1,156,092)
Increase (decrease) in provision for loss on inventories	9,775	(973,946)
Unrealized (realized) gain on the transactions with subsidiaries and associates	(394,126)	36,337
Recognition of provisions	3,367,318	2,407,222
Others	(204,746)	(325,034)
Changes in operating assets and liabilities		
Notes receivable	68,252	390,076
Notes receivable - related parties	(81,410)	(51,054)
Accounts receivable	596,451	51,974
Accounts receivable - related parties	(487,764)	(277,679)
Other receivables	(215,229)	35,539
Inventories	974,968	20,805,065
Other current assets	(807,992)	63,644
Accounts payable	1,340,108	(1,149,437)
Accounts payable - related parties	1,094,711	(354,346)
Other payables	166,795	(493,769)
Provisions	(3,304,988)	(2,319,726)
Other current liabilities	691,854	(294,710)
Accrued pension liabilities	57,626	(40,497)
Cash generated from operations	31,889,307	39,064,351
Income taxes paid	(66,778)	(2,525,650)
Net cash generated from operating activities	<u>31,822,529</u>	<u>36,538,701</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(4,191,913)	(811,558)
Proceeds from disposal of available-for-sale financial assets	151,736	1,344,850
Proceeds from the capital reduction on available-for-sale financial assets	17,579	10,176
Acquisition of investments accounted for using equity method	(13,816,428)	(25,012,997)
Increase in prepaid investments	(142,500)	-
Acquisition of property, plant and equipment	(21,636,910)	(19,789,480)
Decrease in refundable deposits	92,281	78,408

(Continued)

	For the Year Ended December 31	
	2013	2012
Increase in other receivables - loans to related parties	(\$ 2,320,000)	\$ -
Net cash inflow from merger	180,605	-
Decrease in other financial assets	1,917,045	1,518,252
Interest received	96,922	129,360
Dividends received from subsidiaries and associates	4,930,668	5,120,219
Other dividends received	234,187	231,776
Net cash used in investing activities	(34,486,728)	(37,180,994)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	27,788,870	75,235,819
Repayments of short-term borrowings	(31,211,282)	(70,652,795)
Increase (decrease) in short-term bills payable	(4,325,590)	9,698,557
Issuance of bonds payable	19,600,000	20,000,000
Repayments of bonds payable	(11,300,000)	(11,300,000)
Proceeds from long-term bank borrowings	17,187,349	1,757,611
Repayments of long-term bank borrowings	(8,048,632)	(2,666,667)
Decrease in long-term bills payable	(1,500,000)	(1,500,000)
Dividends paid	(6,176,496)	(15,236,472)
Interest paid	(1,607,656)	(1,546,515)
Net cash generated from financing activities	406,563	3,789,538
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,257,636)	3,147,245
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	965,856	(2,181,389)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(\$ 1,291,780)	\$ 965,856
Reconciliation of the amounts in the standalone statements of cash flows with the equivalent items reported in the standalone balance sheets as of December 31, 2013 and 2012:		
Cash and cash equivalents in the standalone balance sheets	\$ 1,331,421	\$ 1,633,583
Bank overdraft	(2,623,201)	(667,727)
Cash and cash equivalents in the standalone statements of cash flows	(\$ 1,291,780)	\$ 965,856

(Concluded)

Ownership of Subsidiaries and Other Equity Interests

Companies	Amount (NT\$1,000)	Ownership (%)
Investments Accounted for using Equity Method		
Investments in Subsidiaries		
Listed companies		
Chung Hung Steel Corporation ¹⁷	3,642,785	41
China Steel Chemical Corporation	2,093,830	29
China Steel Structure Corporation	1,414,213	33
China Ecotek Corporation	1,156,530	45
CHC Resources Corporation	764,395	20
Less: Shares held by subsidiaries accounted for as treasury stock	1,997,052	
Subtotal	7,074,701	
Unlisted companies		
Dragon Steel Corporation	96,316,781	100
China Steel Australia Holdings Pty Ltd.	13,206,024	100
China Steel Express Corporation	11,152,779	100
C. S. Aluminum Corporation	9,495,383	100
China Steel Sumikin Vietnam Joint Stock Company	8,405,567	51
Gains Investment Corporation	7,134,610	100
China Steel Asia Pacific Holdings Pte Ltd.	4,615,016	100
China Prosperity Development Corporation	4,128,430	100
China Steel Global Trading Corporation	2,893,570	100
China Steel Corporation India Pvt Ltd.	1,704,596	100
China Steel Machinery Corporation	1,370,877	74
Kaohsiung Rapid Transit Corporation ¹⁸	1,274,504	43
Info-Champ System Corporation	836,314	100
China Steel Security Corporation	433,072	100
Hi-mag Magnetic Corporation	123,985	50
China Steel Management Consulting Corporation	23,392	100
Less: Shares held by subsidiaries accounted for as treasury stock	6,499,922	
Subtotal	156,614,978	
Investments in Associates		
Unlisted companies		
Eminent II Venture Capital Corporation	557,366	46
Kaohsiung Arena Development Corporation ¹⁹	477,108	18
Hsin Hsin Cement Enterprise Corp.	357,024	31
Dyna Rechi Corporation	231,839	29
White Biotech Corporation	26,385	18
TaiAn Technologies Corporation ²⁰	10,783	17
Baolai Greeting Development Co., Ltd.	-	45
Subtotal	1,660,505	
Total	165,350,184	
Available-For-Sale Financial Assets-Noncurrent		
Domestic investments		
Listed shares		
Tang Eng Iron Works Co., Ltd.	836,099	9

(Continued)

Companies	Amount (NT\$1,000)	Ownership (%)
Reichi Precision Co., Ltd.	713,510	5
CSBC Corporation Taiwan	353,561	2
Subtotal	1,903,170	
Emerging market shares and unlisted shares		
Taiwan High Speed Rail Corporation	2,634,570	9
TaiGen Biopharmaceuticals Holdings Limited	1,283,677	4
CDIB Partners Investment Holding Corporation	550,309	5
Industrial Bank of Taiwan	517,577	4
Taiwan Rolling Stock Co., Ltd.	317,983	19
Overseas Investment & Development Corporation	49,265	6
CDIB BioScience Ventures I, Inc.	29,923	5
Mega I Venture Capital Co., Ltd.	9,775	3
Phalanx Biotech Group	8,306	7
Subtotal	5,401,385	
Foreign investments		
Listed shares		
Maruichi Steel Tube Ltd.	1,508,077	2
Yodogawa Steel Works, Ltd.	257,213	1
Subtotal	1,765,290	
Unlisted shares		
Nacional Minerios S.A.	3,143,837	1
Dongbu Metal Co., Ltd.	1,151,854	5
Subtotal	4,295,691	
Certificate of entitlement		
Formosa Ha Tinh Steel Corporation	5,005,401	5
Subtotal	5,005,401	
Total	18,370,937	
Bond Investments with no Active Market		
Unlisted preference shares – overseas		
East Asia United Steel Corp.- Preferred A	2,839,000	29
Total	2,839,000	
TOTAL	186,560,121	

(Concluded)

¹⁷ On January 1, 2013, the Corporation acquired Chung Hung Steel Corporation's shares from Horng Yih Investment Corporation, Goang Yaw Investment Corporation and Long Yuan Fa Investment Corporation of 100% shareholding as merger and consolidation. After completion of the merger, the Corporation's equity in Chung Hung Steel Corporation went from 29% directly owned and 12% indirectly owned through Horng Yih Investment Corporation, Goang Yaw Investment Corporation, and Long Yuan Fa Investment Corporation to 41% directly owned.

¹⁸ The Corporation's total equity in Kaohsiung Rapid Transit Corporation is 50%, including 43% directly owned and 7% indirectly owned through United Steel Engineering and Construction Corporation, China Prosperity Development Corporation, Info-Champ System Corporation and China Steel Security Corporation.

¹⁹ The Corporation's total equity in Kaohsiung Arena Development Corporation is 29%, including 18% directly owned and 11% indirectly owned through United Steel Engineering and Construction Corporation and China Prosperity Development Corporation.

²⁰ The Corporation's total equity in TaiAn Technologies Corporation is 22%, including 17% directly owned and 5% indirectly owned through China Steel Chemical Corporation.

Main Businesses and Addresses of Subsidiaries

(as of March 31, 2014)

C. S. Aluminium Corporation

Chairman: W. J. Su

President: L. I. Wei

Main business: aluminum products

Address: 17 Tong Lin Road, Siaogang District,
Kaohsiung 81260, Taiwan, R.O.C.

Tel: 886-7-871-8666

Fax: 886-7-872-1852

CHC Resources Corporation

Chairman: T. R. Jeng

President: F. S. Chang

Main business: pulverized blast furnace
slag and slag cement

Address: 22F. No.88, Chenggong 2nd Rd., Qianzhen
Dist.,Kaohsiung City 80661, Taiwan, R.O.C.

Tel: 886-7-336-8377

Fax: 886-7-336-8433

China Steel Express Corporation

Chairman: K. T. Lee

President: C. T. Lu

Main business: marine cargo transportation; chartering
of vessels; and shipping agency

Address: 24F. No.88, Chenggong 2nd Rd., Qianzhen
Dist.,Kaohsiung City 80661, Taiwan, R.O.C.

Tel: 886-7-337-8888

Fax: 886-7-338-1310

China Ecotek Corporation

Chairman: H. N. Lin

President: T. Y. Ho

Main business: engineering, design and construction of
environmental protection installations

Address: 8F, 8 Ming Chuan 2nd Road, Chien Chen
District, Kaohsiung 80658, Taiwan, R.O.C.

Tel: 886-7-330-6138

Fax: 886-7-339-4016

China Steel Chemical Corporation

Chairman: L. M. Chung

President: M. J. Wang

Main business: coal tar chemicals

Address: 25F. No.88, Chenggong 2nd Rd., Qianzhen
Dist.,Kaohsiung City 80661, Taiwan, R.O.C.

Tel: 886-7-338-3515

Fax: 886-7-338-3516

China Steel Structure Co., Ltd.

Chairman: T. H. Chen

President: Y. H. Lee

Main business: steel structures, construction

Address: No.500, Zhongxing Rd., Yanchao Dist.,
Kaohsiung City 824, Taiwan, R.O.C.

Tel: 886-7-616-8688

Fax: 886-7-616-8680

China Steel Global Trading Corporation

Chairman: T. Y. Huang

President: L. Y. Nee

Main business: import / export

Address: 10F. No.88, Chenggong 2nd Rd., Qianzhen
Dist.,Kaohsiung City 80661, Taiwan, R.O.C.

Tel: 886-7-332-2168

Fax: 886-7-335-6411~2

Chung Hung Steel Corporation

Chairman: Y. S. Chen

President: Y. C. Huang

Main business: hot rolled and cold rolled steel
products, steel pipes

Address: 317 Yu-Liao Road, Chiao Tou District,
Kaohsiung 82544, Taiwan, R.O.C.

Tel: 886-7-611-7171

Fax: 886-7-611-0594

China Steel Machinery Corporation

Chairman: T. S. Kao

President: Q. Z. Cheng

Main business: machinery manufacturing

Address: 3 Taichi Road, Siaogang District,
Kaohsiung 81246, Taiwan, R.O.C.

Tel: 886-7-802-0111

Fax: 886-7-806-3833

Gains Investment Corporation

Chairman: H. S. Kao

President: K. C. Liu

Main business: hi-tech investments

Address: 26F. No.88, Chenggong 2nd Rd., Qianzhen
Dist., Kaohsiung City 80661, Taiwan, R.O.C.

Tel: 886-7-338-2288

Fax: 886-7-338-7110

China Steel Security Corporation

Chairman: C. M. Hsu

President: J. S. Yeh

Main business: security services and systems

Address: 17F, 247 Ming Sheng 1st Road, Hsin Hsing
District, Kaohsiung 80046, Taiwan, R.O.C.

Tel: 886-7-229-9678

Fax: 886-7-226-4078

China Prosperity Development Corporation

Chairman: C. Lee

President: Y. C. Wang

Main business: real estate development and investments

Address: 23F. No.88, Chenggong 2nd Rd., Qianzhen
Dist., Kaohsiung City 80661, Taiwan, R.O.C.

Tel: 886-7-536-2500

Fax: 886-7-536-2413

InfoChamp Systems Corporation

Chairman: C. R. Chen

President: S. H. Chang

Main business: information system planning (ERP)
and automatic control systems

Address: 19F. No.88, Chenggong 2nd Rd., Qianzhen
Dist., Kaohsiung City 80661, Taiwan, R.O.C.

Tel: 886-7-535-0101

Fax: 886-7-535-0110

China Steel Management Consulting Corporation

Chairman: C. Lee

President: C. P. Chang

Main business: management consulting

Address: 1 Chung Kang Road, Siaogang District,
Kaohsiung 81233, Taiwan, R.O.C.

Tel: 886-7-805-1088

Fax: 886-7-803-7819

HIMAG Magnetic Corporation

Chairman: S. J. Tsai

President: T.C. Lin

Main business: magnetic materials and
specific chemicals

Address: 24-1 Chien Kuo Road, Nei Pu Industrial Park,
Ping Tung Hsien 91252, Taiwan, R.O.C.

Tel: 886-8-778-0222

Fax: 886-8-778-0227

Dragon Steel Corporation

Chairman: JYH-YUH SUNG

President: S. C. Liang

Main business: Main business: hot-rolled steel products

Address: No.100, Lung Chang Road, Li Shui Village,
Lung Ching District, Taichung 43445, Taiwan,
R.O.C.

Tel: 886-4-2630-6088

Fax: 886-4-2630-6066

CSC Steel Sdn. Bhd.²¹

Managing Director: C. T. Chen

Main business: cold rolled steel products

Address: 180, Kawasan Industri Ayer Keroh,
75450 Melaka, Malaysia

Tel: 60-6-231-0169

Fax: 60-6-231-5698

China Steel Sumikin Vietnam Joint Stock Co.

Chairman & President : C. T. Wong

Main business: cold rolled steel products

Address: My Xuan A2 Industrial Zone, My Xuan
Commune, Tan Thanh District, Ba Ria-
Vung Tau Province, Vietnam

Tel: 84-64-3931168

Fax: 84-64-3932188

China Steel Precision Materials Corporation²¹

Chairman: S. C. Wang

President: J. L. Lee

Main business: pure titanium, titanium alloys,
nickel alloys, mold steels

Address: No.18 Changyang Road, Wujin Economic
Development Zone, Changzhou,
Jiangsu Province, China

Tel: 86-519-89610128

Fax: 86-519-89610120

China Steel Corporation India Pvt. Ltd.

Chairman: J. D. Lin

President: C. K. Chang

Main business: electrical steel coils (under construction)

Address: 804 Iscon Atria 1, Opp. GEB Training Center,
Gotri Road, Vadodara – 390015, Gujarat, India

Tel: 91-922-7989880

Qingdao China Steel Precision Metals Co., Ltd.²¹

Chairman: WEN-DU HSU

President: Kuen Liu

Main business: Metal materials and products,
car accessories, customized
metal processing

Address: 3F. No.500, Fenjin Road, Economic
& Technological District. Qingdao
City, Shandong , China

Tel: 86-532-58718558

²¹China Steel Corporation's investment is through
China Steel Asia Pacific Holdings Pte. Ltd.



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1, Chung Kang Rd., Hsiao Kang, Kaohsiung 81233, Taiwan, Republic of China

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