

China Steel Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2010 and 2009 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
China Steel Corporation

We have audited the accompanying consolidated balance sheets of China Steel Corporation (the "Corporation") and its subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the accompanying consolidated financial statements, starting January 1, 2009, the Corporation and its subsidiaries adopted the revised Statement of Financial Accounting standards No. 10 - "Accounting for Inventories", issued by the Auditing Committee of the Accounting Research and Development Foundation in November 2007.

January 27, 2011

Notice to Readers

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

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 16,838,082	3	\$ 22,384,309	5	Short-term loans and overdraft	\$ 47,103,144	9	\$ 50,074,829	11
Financial assets at fair value through profit or loss - current	5,298,188	1	9,898,923	2	Commercial paper payable	16,861,987	3	18,621,525	4
Available-for-sale financial assets - current	5,930,834	1	5,629,394	1	Financial liabilities at fair value through profit or loss - current	9,533	-	1,047	-
Held-to-maturity financial assets - current	-	-	149,990	-	Hedging derivative liabilities - current	581,015	-	41,680	-
Hedging derivative assets - current	103,738	-	407,249	-	Notes payable	476,270	-	576,137	-
Notes receivable, net	1,895,951	-	1,413,411	-	Accounts payable	10,127,337	2	6,618,496	2
Accounts receivable, net	7,819,370	2	7,239,095	2	Income tax payable	6,272,105	1	938,356	-
Other receivables	1,793,575	-	1,629,231	-	Accrued expenses	15,770,795	3	11,594,198	3
Other financial assets - current	3,876,091	1	4,626,945	1	Other payables	11,239,101	2	4,442,239	1
Inventories	84,808,648	16	51,320,206	11	Bonds payable - current portion	13,697,919	3	-	-
Spare parts - current	9,437,816	2	7,977,918	2	Long-term debt - current portion	1,617,419	-	6,250,091	1
Deferred income tax assets - current	2,374,428	-	3,280,891	1	Reorganized loans payable - current portion	400,000	-	400,000	-
Restricted assets - current	5,933,335	1	5,161,150	1	Long-term notes payable - current portion	-	-	199,949	-
Others	6,351,891	1	4,978,115	1	Others	7,179,031	1	5,870,065	1
Total current assets	152,461,947	28	126,096,827	27	Total current liabilities	131,335,656	24	105,628,612	23
FUNDS AND INVESTMENTS					LONG-TERM LIABILITIES				
Financial assets at fair value through profit or loss - noncurrent	9,863	-	-	-	Hedging derivative liabilities - noncurrent	158,016	-	184,558	-
Available-for-sale financial assets - noncurrent	3,502,080	1	3,591,420	1	Bonds payable	29,530,147	5	43,218,970	9
Held-to-maturity financial assets - noncurrent	179,323	-	285,462	-	Long-term debt - bank	74,411,562	14	35,832,220	8
Hedging derivative assets - noncurrent	63,233	-	141,911	-	Long-term notes payable	5,396,659	1	6,594,358	1
Financial assets carried at cost - noncurrent	9,779,588	2	8,262,208	2	Reorganized loans payable	4,169,398	1	4,564,622	1
Bond investments with no active market - noncurrent	239,745	-	246,302	-	Total long-term liabilities	113,665,782	21	90,394,728	19
Investments accounted for by the equity method	2,963,293	-	3,317,002	1	RESERVE FOR LAND VALUE INCREMENT TAX	8,673,466	2	8,673,466	2
Investments in real estate	381,905	-	219,205	-	OTHER LIABILITIES				
Prepaid long-term stock investments	10,191	-	-	-	Accrued pension cost	625,773	-	804,409	-
Other financial assets - noncurrent	753,328	-	537,891	-	Others	905,284	-	835,355	-
Total funds and investments	17,882,549	3	16,601,401	4	Total other liabilities	1,531,057	-	1,639,764	-
PROPERTY, PLANT AND EQUIPMENT					Total liabilities	255,205,961	47	206,336,570	44
Land	17,568,640	3	16,509,916	3	STOCKHOLDERS' EQUITY OF PARENT COMPANY				
Land improvements	4,294,601	1	4,291,679	1	Capital stock - authorized 17,000,000 thousand shares and 14,000,000 thousand shares at NT\$10 par value as of December 31, 2010 and 2009, respectively				
Buildings	74,378,040	14	52,044,998	11	Common shares - issued 13,527,901 thousand shares and 13,094,519 thousand shares as of December 31, 2010 and 2009, respectively	135,279,009	25	130,945,189	28
Machinery and equipment	423,828,979	78	309,630,815	66	Preferred shares - issued 38,268 thousand shares	382,680	-	382,680	-
Transportation equipment	19,568,915	4	19,427,182	4	Total capital stock	135,661,689	25	131,327,869	28
Other equipment	18,291,273	3	13,031,091	3	Capital surplus	20,072,476	4	19,598,511	4
Total cost	557,930,448	103	414,935,681	88	Retained earnings	94,337,962	17	74,351,367	16
Revaluation increment	43,444,814	8	43,670,986	9	Other equity				
Cost and revaluation increment	601,375,262	111	458,606,667	97	Unrealized revaluation increment	21,873,940	4	21,913,148	5
Less: Accumulated depreciation	296,947,812	55	277,050,745	59	Unrealized gain on financial instruments	2,374,377	-	4,216,431	1
Accumulated impairment	1,025,750	-	1,035,667	-	Cumulative translation adjustments	(101,443)	-	183,001	-
	303,401,700	56	180,520,255	38	Net loss not recognized as pension cost	(117,015)	-	(42,133)	-
Construction in progress and prepayments for equipment	58,464,371	11	134,810,992	29	Treasury stock - 284,762 thousand shares and 279,375 thousand shares as of December 31, 2010 and 2009, respectively	(8,151,621)	(1)	(8,189,031)	(2)
Total property, plant and equipment	361,866,071	67	315,331,247	67	Total other equity	15,878,238	3	18,081,416	4
INTANGIBLE ASSETS	2,109,113	-	1,946,105	-	Total stockholders' equity of parent company	265,950,365	49	243,359,163	52
OTHER ASSETS					MINORITY INTEREST	22,652,167	4	20,430,721	4
Assets leased to others, net	2,965,153	1	362,598	-	Total stockholders' equity	288,602,532	53	263,789,884	56
Idle assets, net	1,987,762	1	4,332,077	1	TOTAL	\$ 543,808,493	100	\$ 470,126,454	100
Refundable deposits	220,026	-	272,702	-					
Deferred income tax asset - noncurrent	1,151,193	-	2,334,448	1					
Restricted assets - noncurrent	258,786	-	163,567	-					
Spare parts - noncurrent	1,711,203	-	1,617,536	-					
Deferred charge and others	1,194,690	-	1,067,946	-					
Total other assets	9,488,813	2	10,150,874	2					
TOTAL	\$ 543,808,493	100	\$ 470,126,454	100					

(With Deloitte & Touche audit report dated January 27, 2011)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 350,205,424	100	\$ 251,112,296	100
OPERATING COSTS	<u>286,848,963</u>	<u>82</u>	<u>223,606,000</u>	<u>89</u>
GROSS PROFIT	63,356,461	18	27,506,296	11
REALIZED GAIN FROM AFFILIATES	<u>30,452</u>	<u>-</u>	<u>30,452</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>63,386,913</u>	<u>18</u>	<u>27,536,748</u>	<u>11</u>
OPERATING EXPENSES				
Research and development	1,600,345	-	1,427,967	-
Selling	4,660,578	1	4,720,083	2
General and administrative	<u>5,351,268</u>	<u>2</u>	<u>4,429,194</u>	<u>2</u>
Total operating expenses	<u>11,612,191</u>	<u>3</u>	<u>10,577,244</u>	<u>4</u>
OPERATING INCOME	<u>51,774,722</u>	<u>15</u>	<u>16,959,504</u>	<u>7</u>
NONOPERATING INCOME AND GAINS				
Interest income	291,888	-	271,785	-
Dividend income	240,001	-	165,579	-
Exchange gain, net	511,804	-	119,443	-
Gain on disposal of property, plant and equipment	2,514	-	1,304,313	1
Gain on sale of investments, net	29,830	-	1,679,677	1
Reversal of impairment loss	11,041	-	1,145,911	-
Others	<u>722,735</u>	<u>1</u>	<u>2,193,201</u>	<u>1</u>
Total nonoperating income and gains	<u>1,809,813</u>	<u>1</u>	<u>6,879,909</u>	<u>3</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	1,434,674	1	1,459,918	1
Investment loss recognized under equity method, net	379,944	-	436,123	-
Others	<u>1,055,096</u>	<u>-</u>	<u>517,497</u>	<u>-</u>
Total nonoperating expenses and losses	<u>2,869,714</u>	<u>1</u>	<u>2,413,538</u>	<u>1</u>
CONSOLIDATED INCOME BEFORE INCOME TAX	50,714,821	15	21,425,875	9
INCOME TAX EXPENSE (BENEFIT)	<u>9,055,298</u>	<u>3</u>	<u>(380,920)</u>	<u>-</u>
CONSOLIDATED NET INCOME	<u>\$ 41,659,523</u>	<u>12</u>	<u>\$ 21,806,795</u>	<u>9</u>

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
ATTRIBUTABLE TO				
The Corporation's stockholders	\$ 37,586,826	11	\$ 19,602,517	8
Minority interest	<u>4,072,697</u>	<u>1</u>	<u>2,204,278</u>	<u>1</u>
	<u>\$ 41,659,523</u>	<u>12</u>	<u>\$ 21,806,795</u>	<u>9</u>
	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE				
Basic	<u>\$ 3.32</u>	<u>\$ 2.83</u>	<u>\$ 1.53</u>	<u>\$ 1.49</u>
Diluted	<u>\$ 3.29</u>	<u>\$ 2.81</u>	<u>\$ 1.52</u>	<u>\$ 1.48</u>

(With Deloitte & Touche audit report dated January 27, 2011)

(Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock		Capital Surplus	Retained Earnings				Other Equity						
	Common Shares	Preferred Shares		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Revaluation Increment	Unrealized Gain on Financial Instruments	Cumulative Translation Adjustments	Net Loss not Recognized as Pension Cost	Treasury Stock	Minority Interest	Total Stockholders' Equity
BALANCES, JANUARY 1, 2009	\$ 125,575,411	\$ 382,700	\$ 18,410,920	\$ 44,715,153	\$ 7,615,701	\$ 24,096,253	\$ 76,427,107	\$ 21,915,248	\$ 6,508,005	\$ 358,976	\$ (32,385)	\$ (10,805,513)	\$ 16,242,698	\$ 254,983,167
Conversion of preferred shares to common shares	20	(20)	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of 2008 earnings														
Legal reserve	-	-	-	2,402,556	-	(2,402,556)	-	-	-	-	-	-	-	-
Preferred cash dividends - \$1.30 per share	-	-	-	-	-	(49,751)	(49,751)	-	-	-	-	-	-	(49,751)
Common cash dividends - \$1.30 per share	-	-	-	-	-	(16,184,404)	(16,184,404)	-	-	-	-	-	-	(16,184,404)
Preferred stock dividends - \$0.43 per share	16,455	-	-	-	-	(16,455)	(16,455)	-	-	-	-	-	-	-
Common stock dividends - \$0.43 per share	5,353,303	-	-	-	-	(5,353,303)	(5,353,303)	-	-	-	-	-	-	-
Consolidated net income in 2009	-	-	-	-	-	19,602,517	19,602,517	-	-	-	-	-	2,204,278	21,806,795
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	(498,783)	-	-	-	-	(498,783)
Change in unrealized revaluation increment	-	-	-	-	-	-	-	(2,100)	-	-	-	-	-	(2,100)
Adjustment from changes in equity recognized under equity method	-	-	17,751	-	-	(74,344)	(74,344)	-	(1,521,259)	-	(9,748)	(64,259)	-	(1,651,859)
Foreign exchange loss on translation of foreign-currency financial statements	-	-	-	-	-	-	-	-	-	(123,063)	-	-	-	(123,063)
Foreign exchange loss on hedge of a net investment in a foreign operation	-	-	-	-	-	-	-	-	-	(52,912)	-	-	-	(52,912)
Discount on acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	886	-	886
Change in unrealized loss on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	(271,532)	-	-	-	-	(271,532)
Disposal of the Corporation's shares held by subsidiaries	-	-	98,225	-	-	-	-	-	-	-	-	414,610	175,746	688,581
Cash dividends declared by the Corporation and received by subsidiaries	-	-	354,187	-	-	-	-	-	-	-	-	-	225,353	579,540
Disposal of the subsidiaries' shares	-	-	-	-	-	-	-	-	-	-	-	-	42,659	42,659
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(244,712)	(202,173)	(446,885)
Treasury stock transferred to employees	-	-	717,428	-	-	-	-	-	-	-	-	2,509,957	-	3,227,385
Adjustment of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	1,742,160	1,742,160
BALANCES, DECEMBER 31, 2009	130,945,189	382,680	19,598,511	47,117,709	7,615,701	19,617,957	74,351,367	21,913,148	4,216,431	183,001	(42,133)	(8,189,031)	20,430,721	263,789,884
Appropriation of 2009 earnings														
Legal reserve	-	-	-	1,952,817	-	(1,952,817)	-	-	-	-	-	-	-	-
Preferred cash dividends - \$1.07 per share	-	-	-	-	-	(40,947)	(40,947)	-	-	-	-	-	-	(40,947)
Common cash dividends - \$1.01 per share	-	-	-	-	-	(13,225,464)	(13,225,464)	-	-	-	-	-	-	(13,225,464)
Preferred stock dividends - \$0.33 per share	12,628	-	-	-	-	(12,628)	(12,628)	-	-	-	-	-	-	-
Common stock dividends - \$0.33 per share	4,321,192	-	-	-	-	(4,321,192)	(4,321,192)	-	-	-	-	-	-	-
Consolidated net income in 2010	-	-	-	-	-	37,586,826	37,586,826	-	-	-	-	-	4,072,697	41,659,523
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	(185,756)	-	-	-	-	(185,756)
Change in unrealized revaluation increment	-	-	-	-	-	-	-	(41,393)	-	-	-	-	-	(41,393)
Adjustment from changes in equity recognized under equity method	-	-	83,123	-	-	-	-	2,185	(1,055,295)	-	(74,882)	(46,313)	-	(1,091,182)
Foreign exchange loss on translation of foreign-currency financial statements	-	-	-	-	-	-	-	-	-	(364,769)	-	-	-	(364,769)
Foreign exchange gain on hedge of a net investment in a foreign operation	-	-	-	-	-	-	-	-	-	80,325	-	-	-	80,325
Change in unrealized loss on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	(601,003)	-	-	-	-	(601,003)
Disposal of the Corporation's shares held by subsidiaries	-	-	102,280	-	-	-	-	-	-	-	-	298,725	403,176	804,181
Cash dividends declared by the Corporation and received by subsidiaries	-	-	288,562	-	-	-	-	-	-	-	-	-	184,075	472,637
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(215,002)	(177,062)	(392,064)
Adjustment of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(2,261,440)	(2,261,440)
BALANCES, DECEMBER 31, 2010	<u>\$ 135,279,009</u>	<u>\$ 382,680</u>	<u>\$ 20,072,476</u>	<u>\$ 49,070,526</u>	<u>\$ 7,615,701</u>	<u>\$ 37,651,735</u>	<u>\$ 94,337,962</u>	<u>\$ 21,873,940</u>	<u>\$ 2,374,377</u>	<u>\$ (101,443)</u>	<u>\$ (117,015)</u>	<u>\$ (8,151,621)</u>	<u>\$ 22,652,167</u>	<u>\$ 288,602,532</u>

(With Deloitte & Touche audit report dated January 27, 2011)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 41,659,523	\$ 21,806,795
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	22,398,390	17,112,411
Amortization	387,857	344,258
Compensation cost of treasury stock options	-	795,700
Deferred income tax	2,192,839	(1,369,075)
Realized gain from affiliates, net	(30,452)	(30,452)
Provision for loss on inventories, net	939,287	315,900
Investment loss recognized under equity method, net	386,495	443,266
Cash dividends received from equity method investees	52,480	38,375
Loss (gain) on disposal of property, plant and equipment	172,145	(1,239,793)
Gain on sale of investments	(347,720)	(1,909,099)
Loss on disposal of investments accounted for by equity method	18,760	21,023
Valuation gain on financial instruments	(97,975)	(705,377)
Impairment loss on financial assets	81,536	175,747
Reversal of impairment loss on property, plant and equipment and idle assets	(11,041)	(1,145,911)
Loss on purchase commitments	249,225	29,931
Others	(128,222)	95,990
Net changes in operating assets and liabilities		
Financial instruments held for trading	693,158	(848,674)
Notes receivable	(482,540)	1,762,598
Accounts receivable	(571,118)	32,088
Other receivables	(181,003)	1,209,294
Inventories	(33,738,902)	24,196,296
Other current assets	(2,866,174)	(879,192)
Notes payable	(99,867)	(11,737)
Accounts payable	3,508,841	(676,289)
Income tax payable	5,333,749	(8,144,756)
Accrued expenses	4,176,597	2,512,942
Other payables	511,647	(3,963,065)
Other current liabilities	<u>1,308,966</u>	<u>1,682,830</u>
Net cash provided by operating activities	<u>45,516,481</u>	<u>51,652,024</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	(21,941,744)	(12,072,561)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	25,966,946	16,138,834
Acquisition of available-for-sale financial assets	(11,446,871)	(10,594,179)
Proceeds from disposal of available-for-sale financial assets	11,168,817	13,427,474
Acquisition of held-to-maturity financial assets	(78,944)	(1,201,448)

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
Proceeds from disposal of held-to-maturity financial assets	\$ 266,188	\$ 1,469,824
Acquisition of financial assets carried at cost	(1,738,314)	(335,866)
Proceeds from disposal of financial assets carried at cost	142,575	44,539
Proceeds from the capital reduction on financial assets carried at cost	49,086	4,818
Acquisition of bond investments with no active market	(125,470)	(106,576)
Proceeds from disposal of bond investments with no active market	101,269	-
Acquisition of investments accounted for by equity method	(96,994)	(59,958)
Proceeds from disposal of investments accounted for by equity method	15,931	95,864
Increase in prepaid long-term investments	(10,191)	-
Increase in investments in real estate	(162,700)	-
Decrease (increase) in other financial assets	(111,513)	8,162,595
Proceeds from disposal of subsidiaries' shares	-	20,182
Proceeds from the capital reduction on investment accounted for by equity method	51,780	130,600
Acquisition of property, plant and equipment	(64,478,935)	(71,019,267)
Proceeds from disposal of property, plant and equipment	15,746	1,385,533
Decrease in refundable deposits	52,676	25,566
Increase in restricted assets	(867,404)	(620,769)
Increase in intangible assets	(356,553)	(316,186)
Increase in other assets	<u>(363,676)</u>	<u>(835,861)</u>
Net cash used in investing activities	<u>(63,948,295)</u>	<u>(56,256,842)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans and overdraft	(3,018,699)	12,295,225
Decrease in commercial paper payable	(1,759,538)	(3,607,586)
Proceeds from long-term debt	42,143,375	11,320,000
Repayments of long-term debt and reorganized loans payable	(8,429,197)	(6,567,148)
Increase (decrease) in long-term notes payable	(1,397,648)	4,747,861
Increase in other liabilities	100,382	5,390
Cash dividends paid by parent company	(12,813,075)	(15,644,347)
Purchase of parent company's shares held by subsidiaries	(392,064)	(445,999)
Disposal of parent company's shares held by subsidiaries	804,181	688,581
Treasury stocks transferred to employees	-	2,407,323
Increase (decrease) in minority interest	(2,296,130)	1,742,160
Others	<u>(56,000)</u>	<u>(21,766)</u>
Net cash provided by financing activities	<u>12,885,587</u>	<u>6,919,694</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,546,227)	2,314,876
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>22,384,309</u>	<u>20,069,433</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 16,838,082</u>	<u>\$ 22,384,309</u>

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

	2010	2009
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 2,217,725	\$ 2,279,675
Capitalized interest	<u>(817,188)</u>	<u>(763,961)</u>
Interest paid (excluding capitalized interest)	<u>\$ 1,400,537</u>	<u>\$ 1,515,714</u>
Income tax paid	<u>\$ 1,528,710</u>	<u>\$ 9,132,911</u>
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Cash paid for acquisition of property, plant and equipment	\$ 70,525,069	\$ 70,932,230
Acquisition of property, plant and equipment	<u>(6,046,134)</u>	<u>87,037</u>
Decrease (increase) in payable for equipment purchased	<u>\$ 64,478,935</u>	<u>\$ 71,019,267</u>
Cash dividends paid to stockholders		
Total cash dividends payable to stockholders	\$ 13,266,411	\$ 16,234,155
Cash dividends declared by the Corporation and received by subsidiaries	<u>(472,637)</u>	<u>(579,540)</u>
Decrease (increase) in dividend payable	<u>19,301</u>	<u>(10,268)</u>
	<u>\$ 12,813,075</u>	<u>\$ 15,644,347</u>
NON-CASH FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 15,715,338</u>	<u>\$ 6,850,040</u>

(With Deloitte & Touche audit report dated January 27, 2011)

(Concluded)