

Agenda 1-proposed by the board of directors

Subject:

To acknowledge 2009 Business Report and Financial Statements.

Resolution:

CHINA STEEL CORPORATION

BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2009		2008	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	\$ 5,188,481	2	\$ 3,745,041	1
Financial assets at fair value through profit or loss - current (Notes 2 and 5)	4,062,844	1	5,605,453	1
Available-for-sale financial assets - current (Notes 2 and 6)	1,878,728	1	3,112,425	1
Hedging derivative assets - current (Notes 2 and 7)	58,960	-	9,846	-
Notes receivable (Note 30)	650,500	-	2,116,399	1
Accounts receivable, net (Notes 2, 8 and 30)	2,832,100	1	2,895,213	1
Other receivables (Note 11)	815,850	-	1,443,457	-
Other financial assets - current (Note 14)	4,440,339	1	-	-
Inventories (Notes 2, 3 and 9)	31,376,231	9	52,719,090	15
Spare parts (Notes 2 and 10)	6,641,783	2	5,620,336	2
Deferred income tax assets - current (Notes 2 and 26)	2,529,376	1	4,680,419	1
Restricted assets-current (Notes 4 and 31)	4,150,002	1	4,158,424	1
Others	910,390	-	2,370,649	1
Total current assets	65,535,584	19	88,476,752	25
FUNDS AND INVESTMENTS				
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 29)	3,215,861	1	3,111,884	1
Hedging derivative assets - noncurrent (Notes 2 and 7)	3,016	-	53,715	-
Financial assets carried at cost - noncurrent (Notes 2, 11 and 29)	5,575,210	2	5,910,484	2
Bond investments with no active market - noncurrent (Notes 2 and 12)	103,000	-	103,000	-
Investments accounted for by the equity method (Notes 2, 13 and 29)	101,992,209	30	98,144,282	28
Other financial assets - noncurrent (Note 14)	537,891	-	5,235,840	1
Total funds and investments	111,427,187	33	112,559,205	32
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 15, 30 and 31)				
Land	10,692,043	3	10,692,043	3
Land improvements	4,223,646	1	4,220,388	1
Buildings	42,280,414	12	40,698,022	12
Machinery and equipment	255,698,125	75	245,473,457	69
Transportation equipment	1,751,261	1	1,623,659	1
Other equipment	4,700,032	1	4,389,119	1
Total cost	319,345,521	93	307,096,688	87
Revaluation increment	43,670,986	13	43,775,239	12
Cost and revaluation increment	363,016,507	106	350,871,927	99
Less: Accumulated depreciation	233,015,900	68	222,431,707	63
	130,000,607	38	128,440,220	36
Constructions in progress	28,878,043	8	20,657,785	6
Total property, plant and equipment	158,878,650	46	149,098,005	42
INTANGIBLE ASSETS (Note 2)	301,365	-	140,572	-
OTHER ASSETS				
Assets leased to others, net (Notes 2 and 16)	3,220,697	1	3,242,031	1
Refundable deposits	138,324	-	182,807	-
Restricted assets - noncurrent (Note 31)	14,301	-	8,026	-
Unamortized repair costs and others (Notes 2 and 10)	2,791,096	1	1,912,929	-
Total other assets	6,164,418	2	5,345,793	1
TOTAL	\$ 342,307,204	100	\$ 355,620,327	100

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

(With Deloitte & Touche audit report dated February 1, 2010)

LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term loans and overdraft (Note 17 and 31)	\$ 6,210,750	2	\$ 8,873,202	2
Commercial paper payable (Note 18)	7,999,777	2	14,971,593	4
Hedging derivative liabilities - current (Notes 2 and 7)	-	-	4,479	-
Accounts payable (Note 30)	5,112,129	2	5,550,443	2
Income tax payable (Notes 2 and 26)	-	-	5,749,662	2
Accrued expenses (Notes 19 and 23)	8,494,138	2	6,131,420	2
Purchase commitments payable (Notes 2 and 9)	-	-	5,901,525	2
Other payables (Note 2)	3,538,897	1	7,664,719	2
Long-term debt - current portion (Notes 21 and 31)	4,332,516	1	945,490	-
Others	2,477,723	1	1,820,726	-
Total current liabilities	38,165,930	11	57,613,259	16
LONG-TERM LIABILITIES				
Hedging derivative liabilities - noncurrent (Notes 2 and 7)	-	-	2,055	-
Bonds payable (Note 20)	43,268,970	13	43,281,660	12
Long-term debt - bank (Notes 21 and 31)	902,200	-	4,417,638	1
Long-term notes payable (Note 22)	5,245,996	1	-	-
Total long-term liabilities	49,417,166	14	47,701,353	13
RESERVE FOR LAND VALUE INCREMENT TAX (Note 15)	8,673,466	3	8,673,466	3
OTHER LIABILITIES				
Deferred income tax liabilities - noncurrent (Notes 2 and 26)	777,483	-	1,100,362	-
Deferred credits - gain from affiliates (Note 24)	1,913,996	1	1,791,418	1
Total other liabilities	2,691,479	1	2,891,780	1
Total liabilities	98,948,041	29	116,879,858	33
CAPITAL STOCK - AUTHORIZED 14,000,000 THOUSAND SHARES AT NT\$10 PAR VALUE (Note 25)				
Common shares - issued 13,094,519 thousand shares and 12,557,541 thousand shares as of December 31, 2009 and 2008, respectively	130,945,189	38	125,575,411	35
Preferred shares - issued 38,268 thousand shares and 38,270 thousand shares as of December 31, 2009 and 2008, respectively	382,680	-	382,700	-
Total capital stock	131,327,869	38	125,958,111	35
CAPITAL SURPLUS (Notes 2 and 25)	19,598,511	6	18,410,920	5
RETAINED EARNINGS (Notes 2 and 25)	74,351,367	22	76,427,107	22
OTHER EQUITY				
Unrealized revaluation increment (Note 15)	21,913,148	6	21,915,248	6
Unrealized gain on financial instruments (Notes 7,14 and 25)	4,216,431	1	6,508,005	2
Cumulative translation adjustments (Note 2)	183,001	-	358,976	-
Net loss not recognized as pension cost	(42,133)	-	(32,385)	-
Treasury stock - 279,375 thousand shares and 384,103 thousand shares as of December 31, 2009 and 2008, respectively (Notes 2 and 25)	(8,189,031)	(2)	(10,805,513)	(3)
Total other equity	18,081,416	5	17,944,331	5
Total stockholders' equity	243,359,163	71	238,740,469	67
TOTAL	\$ 342,307,204	100	\$ 355,620,327	100

CHINA STEEL CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 2, 30 and 35)	\$ 165,408,888	100	\$ 256,358,008	100
OPERATING COSTS (Notes 2, 3, 9, 27 and 30)	<u>150,698,842</u>	<u>91</u>	<u>216,798,889</u>	<u>85</u>
GROSS PROFIT	14,710,046	9	39,559,119	15
UNREALIZED GAIN FROM AFFILIATES	<u>(179,854)</u>	<u>-</u>	<u>(437,457)</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>14,530,192</u>	<u>9</u>	<u>39,121,662</u>	<u>15</u>
OPERATING EXPENSES (Notes 27 and 30)				
Research and development	1,247,849	1	1,347,629	-
Selling	2,552,263	2	2,664,642	1
General and administrative	<u>2,452,376</u>	<u>1</u>	<u>2,370,551</u>	<u>1</u>
Total operating expenses	<u>6,252,488</u>	<u>4</u>	<u>6,382,822</u>	<u>2</u>
OPERATING INCOME	<u>8,277,704</u>	<u>5</u>	<u>32,738,840</u>	<u>13</u>
NONOPERATING INCOME AND GAINS				
Interest income (Note 29)	97,092	-	518,450	-
Valuation gain on financial assets (Notes 2 and 5)	15,720	-	58,395	-
Investment income recognized under equity method (Note 13)	9,334,316	6	1,804,006	1
Gain on sale of investment (Notes 2 and 6)	1,642,584	1	-	-
Exchange gain	46,332	-	466,868	-
Others (Notes 9, 11, 15 and 30)	<u>1,827,955</u>	<u>1</u>	<u>1,307,971</u>	<u>1</u>
Total nonoperating income and gains	<u>12,963,999</u>	<u>8</u>	<u>4,155,690</u>	<u>2</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 15 and 29)	816,596	1	483,631	-
Impairment loss on financial assets (Notes 11 and 12)	4,201	-	5,091,842	2
Others (Notes 2 and 30)	<u>261,067</u>	<u>-</u>	<u>1,063,726</u>	<u>1</u>
Total nonoperating expenses and losses	<u>1,081,864</u>	<u>1</u>	<u>6,639,199</u>	<u>3</u>
INCOME BEFORE INCOME TAX	20,159,839	12	30,255,331	12
INCOME TAX (Notes 2 and 26)	<u>557,322</u>	<u>-</u>	<u>6,224,925</u>	<u>3</u>
NET INCOME	<u>\$ 19,602,517</u>	<u>12</u>	<u>\$ 24,030,406</u>	<u>9</u>

(Continued)

CHINA STEEL CORPORATION

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

	<u>2009</u>		<u>2008</u>	
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
EARNINGS PER SHARE (Note 28)				
Basic	<u>\$ 1.58</u>	<u>\$ 1.54</u>	<u>\$ 2.44</u>	<u>\$ 1.94</u>
Diluted	<u>\$ 1.57</u>	<u>\$ 1.53</u>	<u>\$ 2.43</u>	<u>\$ 1.93</u>

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

	<u>2009</u>	<u>2008</u>
Net income	<u>\$ 20,054,929</u>	<u>\$ 25,634,847</u>
Basic earnings per share based on weighted-average number of outstanding common shares aggregating 12,991,019 thousand shares and 12,635,524 thousand shares for the years ended December 31, 2009 and 2008, respectively	<u>\$ 1.54</u>	<u>\$ 2.02</u>
Diluted earnings per share based on weighted-average number of outstanding common shares aggregating 13,105,966 thousand shares and 12,751,632 thousand shares for the years ended December 31, 2009 and 2008, respectively	<u>\$ 1.53</u>	<u>\$ 2.01</u>

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

(With Deloitte & Touche audit report dated February 1, 2010)

(Concluded)

CHINA STEEL CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

								Other Equity					
	Capital Stock		Capital Surplus	Retained Earnings				Unrealized Revaluation Increment	Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments	Net Loss not Recognized as Pension Cost	Treasury Stock	Total Stockholders' Equity
	Common Stock	Preferred Stock		Legal Reserve	Special Reserve	Unappropriated Earnings	Total						
BALANCES, JANUARY 1, 2008	\$ 114,963,350	\$ 389,560	\$ 1,878,630	\$ 39,589,333	\$ 7,615,701	\$ 51,407,695	\$ 98,612,729	\$ 1,509,155	\$ 6,473,326	\$ 283,018	\$ (38,083)	\$ (1,416,395)	\$ 222,655,290
Conversion of preferred stock to common shares	6,860	(6,860)	-	-	-	-	-	-	-	-	-	-	-
Appropriation of 2007 earnings (Note 25)													
Legal reserve	-	-	-	5,125,820	-	(5,125,820)	-	-	-	-	-	-	-
Bonus to employees	1,384,702	-	-	-	-	(2,307,837)	(2,307,837)	-	-	-	-	-	(923,135)
Remuneration to directors and supervisors	-	-	-	-	-	(69,235)	(69,235)	-	-	-	-	-	(69,235)
Preferred cash dividends - \$3.50 per share	-	-	-	-	-	(134,274)	(134,274)	-	-	-	-	-	(134,274)
Common cash dividends - \$3.50 per share	-	-	-	-	-	(40,239,244)	(40,239,244)	-	-	-	-	-	(40,239,244)
Preferred Stock dividends - \$0.30 per share	11,509	-	-	-	-	(11,509)	(11,509)	-	-	-	-	-	-
Common stock dividends - \$0.30 per share	3,449,079	-	-	-	-	(3,449,079)	(3,449,079)	-	-	-	-	-	-
Net income in 2008	-	-	-	-	-	24,030,406	24,030,406	-	-	-	-	-	24,030,406
Issuance of stock to acquire subsidiaries' shares (Notes 13 and 25)	5,759,911	-	15,717,185	-	-	-	-	-	-	-	-	-	21,477,096
Adjustments in treasury stock and minority interest arising from subsidiaries' shares	-	-	-	-	-	-	-	-	-	-	-	(6,747,074)	(6,747,074)
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	(1,271,797)	-	-	-	(1,271,797)
Adjusted to nonoperating income from disposal of appreciated properties	-	-	-	-	-	-	-	(4,849)	-	-	-	-	(4,849)
Revaluation increment on land (Note 15)	-	-	-	-	-	-	-	20,410,942	-	-	-	-	20,410,942
Adjustment from changes in equity recognized under equity method	-	-	30,291	-	-	(4,850)	(4,850)	-	404,669	-	-	-	430,110
Foreign exchange gain on translation of foreign-currency financial statements	-	-	-	-	-	-	-	-	-	75,958	-	-	75,958
Investees' net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	5,698	-	5,698
Acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	(2,510,843)	(2,510,843)
Change in unrealized gain (loss) on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	901,807	-	-	-	901,807
Disposal of the Corporation's shares held by subsidiaries (Note 25)	-	-	548,063	-	-	-	-	-	-	-	-	287,581	835,644
Cash dividends declared by the Corporation and received by subsidiaries	-	-	236,751	-	-	-	-	-	-	-	-	-	236,751
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(418,782)	(418,782)
BALANCES, DECEMBER 31, 2008	125,575,411	382,700	18,410,920	44,715,153	7,615,701	24,096,253	76,427,107	21,915,248	6,508,005	358,976	(32,385)	(10,805,513)	238,740,469
Conversion of preferred stock to common shares	20	(20)	-	-	-	-	-	-	-	-	-	-	-
Appropriation of 2008 earnings (Note 25)													
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)	-	-	-	-	-	-
Net income in 2009	-	-	-	-	-	19,602,517	19,602,517	-	-	-	-	-	19,602,517
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	(498,783)	-	-	-	(498,783)
Adjusted to nonoperating income from disposal of appreciated properties	-	-	-	-	-	-	-	(2,100)	-	-	-	-	(2,100)
Adjustment from changes in equity recognized under equity method	-	-	17,751	-	-	(74,344)	(74,344)	-	(1,521,259)	-	-	(64,259)	(1,642,111)
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)
Investees' net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	(9,748)	-	(9,748)
Discount on acquisition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	886	886
Change in unrealized gain (loss) on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	(271,532)	-	-	-	(271,532)
Disposal of the Corporation's shares held by subsidiaries (Note 25)	-	-	98,225	-	-	-	-	-	-	-	-	414,610	512,835
Cash dividends declared by the Corporation and received by subsidiaries	-	-	354,187	-	-	-	-	-	-	-	-	-	354,187
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(244,712)	(244,712)
Treasury stock transferred to employees	-	-	717,428	-	-	-	-	-	-	-	-	2,509,957	3,227,385
BALANCES, DECEMBER 31, 2009	<u>\$ 130,945,189</u>	<u>\$ 382,680</u>	<u>\$ 19,598,511</u>	<u>\$ 47,117,709</u>	<u>\$ 7,615,701</u>	<u>\$ 19,617,957</u>	<u>\$ 74,351,367</u>	<u>\$ 21,913,148</u>	<u>\$ 4,216,431</u>	<u>\$ 183,001</u>	<u>\$ (42,133)</u>	<u>\$ (8,189,031)</u>	<u>\$ 243,359,163</u>

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

(With Deloitte & Touche audit report dated February 1, 2010)

CHINA STEEL CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 19,602,517	\$ 24,030,406
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	12,237,853	11,547,478
Amortization	755,093	648,513
Deferred income tax	1,828,164	(5,758,841)
Provision for loss on inventories	58,433	11,096,117
Increase (decrease) in loss on purchase commitments	(5,901,525)	5,901,525
Provision for loss on spare parts	236,101	114,956
Gain on sale of investments	(1,642,584)	-
Investment income recognized under equity method	(9,334,316)	(1,804,006)
Unrealized gain from affiliates	179,854	437,457
Cash dividends received from equity method investees	8,208,867	9,529,839
Valuation gains on financial assets	(15,720)	(58,395)
Impairment loss on financial assets	4,201	5,091,842
Compensation cost of treasury stock options	795,700	-
Others	(227,636)	310,283
Net changes in operating assets and liabilities		
Notes receivable	1,465,899	(720,844)
Accounts receivable	63,104	(432,973)
Other receivables	627,607	(922,433)
Inventories	21,571,890	(30,880,217)
Other current assets	438,812	(1,248,809)
Accounts payable	(438,314)	210,350
Income tax payable	(5,749,662)	(932,582)
Accrued expenses	2,330,800	(1,486,878)
Other payables	(4,443,015)	4,257,430
Other current liabilities	599,721	(355,215)
Net cash provided by operating activities	<u>43,251,844</u>	<u>28,575,003</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	(5,580,000)	(16,350,557)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	7,138,329	11,835,596
Acquisition of available-for-sale financial assets	-	(219,575)
Proceeds from disposal of available-for-sale financial assets	2,210,040	250,000
Acquisition of financial assets carried at cost	(4,201)	(231,650)
Proceeds of capital reduction on financial assets carried at cost	3,764	8,364
Acquisition of investments accounted for by equity method	(3,685,717)	(21,430,872)
Acquisition of property, plant and equipment	(21,719,813)	(17,928,526)
Proceeds from disposal of property, plant and equipment	1,215	-
Increase in other financial assets	(18,871)	(4,391,060)
Decrease (increase) in refundable deposits	44,483	(101,134)
Decrease in restricted assets	2,147	27,584

(Continued)

CHINA STEEL CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

	2009	2008
Increase in intangible assets	\$ (284,317)	\$ -
Increase in other assets	<u>(1,736,761)</u>	<u>(156,545)</u>
Net cash used in investing activities	<u>(23,629,702)</u>	<u>(48,688,375)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in loans and overdraft	(2,615,438)	(1,281,483)
Increase (decrease) in commercial paper payable	(6,971,816)	14,971,593
Increase in long-term notes payable	5,245,996	-
Issuance of bonds payable	-	29,600,000
Cash dividends	(16,223,887)	(40,356,703)
Discount on acquisition of treasury stock	886	-
Cash bonus to employees and remuneration to directors and supervisors	-	(992,370)
Cash paid for acquisition of treasury stock	-	(2,510,843)
Treasury stock transferred to employees	2,407,323	-
Others	<u>(21,766)</u>	<u>(9,940)</u>
Net cash used in financing activities	<u>(18,178,702)</u>	<u>(579,746)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,443,440	(20,693,118)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,745,041</u>	<u>24,438,159</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 5,188,481</u>	<u>\$ 3,745,041</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	\$ 831,225	\$ 460,029
Income tax paid	4,478,820	12,916,348
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Cash Paid for Acquisition of Property, Plant and Equipment		
Acquisition of property, plant and equipment	\$ 22,026,738	\$ 18,163,084
Increase in payable for equipment purchased	<u>(306,925)</u>	<u>(234,558)</u>
	<u>\$ 21,719,813</u>	<u>\$ 17,928,526</u>
Cash Dividends Paid to Stockholders		
Total cash dividends payable to stockholders	\$ 16,234,155	\$ 40,373,518
Increase in dividends payable	<u>(10,268)</u>	<u>(16,815)</u>
	<u>\$ 16,223,887</u>	<u>\$ 40,356,703</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Issuance of stock to acquire Dragon Steel Corporation's shares	\$ -	\$ 21,477,096
Current portion of long-term debt	<u>\$ 4,332,516</u>	<u>\$ 945,490</u>

The accompanying notes are an integral part of the financial statements.
(With Deloitte & Touche audit report dated February 1, 2010)

(Concluded)

Agenda 3-proposed by the board of directors

Subject:

To approve the proposed appropriation of NT\$ 4,333,819,680 from earnings available for distribution in 2009 toward an increase in equity capital with the issuance of 433,381,968 common shares.

Text:

1. In order to meet the capital requirement for the Company's long term development, it is proposed that (all amounts in NT\$) 4,333,819,680 be appropriated from earnings available for distribution in 2009 toward an increase in equity capital by issuing 433,381,968 common shares, with a par value of 10 per share, in a single stock offering. The rights and obligations of the new common shares are the same as existing common shares.
2. Of this equity capital increase from earnings available for distribution, shareholder stock dividend appropriation is appropriated free-of-charge to shareholders in our Shareholder Register on the dividend record date according to their respective shareholdings percentages. The distribution shall be 33 shares for every 1,000 shares of both preferred stock and common stock. Fractional shares may be combined into one whole share by the shareholders; otherwise, pro rata cash payments shall be made for fractional shares not combined into one whole share based on its par value. Residual amounts less than one NT dollar shall be rounded to the next dollar and the difference shall be recognized as a Company expense. The Chairman of the Board is authorized to determine the disposal of cumulative fractional shares.

Resolution:

Agenda 4 -proposed by the board of directors

Subject:

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

Text:

To meet future demand for capital, the ceiling amount of investment as stated in Article 5 of the Company's Articles of Incorporation is increased to NT\$170 billion.

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

Resolution:

Attachment 1

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

Revised clause	Clause in force	Explanation
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<p>Article 5</p> <p>The total capital of the Company is One Hundred and <u>Seventy</u> billion New Taiwan Dollars (NT\$170,000,000,000), which is divided into <u>Seventeen</u> billion shares (17,000,000,000), at a par value of Ten New Taiwan Dollars (NT\$10) per share. The shares shall be issued in installment. Preferred shares may be issued within the aforementioned shares.</p>	<p>Article 5</p> <p>The total capital of the Company is One Hundred and Forty billion New Taiwan Dollars (NT\$140,000,000,000), which is divided into Fourteen billion shares (14,000,000,000), at a par value of Ten New Taiwan Dollars (NT\$10) per share. The shares shall be issued in installment. Preferred shares may be issued within the aforementioned shares.</p>	<p>We revise our total amount of authorized capital for future needs for capital requirement.</p>
<p>Article 42.</p> <p>This Articles of Incorporation are agreed and signed on Nov. 2, 1971, firstly amended on Dec. 28, 1973, secondly amended on Jun. 25, 1974, thirdly amended on Oct. 5, 1974, fourthly amended on Jun. 28, 1975, fifthly amended on Jun. 6, 1976, sixthly amended on Jun. 25, 1977, seventhly amended on Oct. 14, 1978, eighthly amended on Oct. 20, 1977, ninthly amended on Sep. 20, 1980, tenthly amended on Sep. 26, 1981, eleventh amended on Nov. 20, 1982, twelfth amended on Sep. 22, 1984, thirteenth amended on Feb. 16, 1985, fourteenth amended on Nov. 23, 1985, fifteenth amended on Dec. 20, 1986, sixteenth amended on Sep. 17, 1988, eighteenth amended on Sep. 27, 1990, nineteenth amended on Sep. 26, 1991, twentieth amended on Sep. 25, 1992, twenty-firstly amended on Sep. 24, 1993, twenty-secondly amended on Sep. 22, 1994, twenty-thirdly amended on May 26, 1995, twenty-fourthly amended on Oct. 20, 1995, twenty-fifthly amended on Nov. 6, 1996, twenty-sixthly amended on Dec. 30, 1997, twenty-seventhly amended on Apr. 30, 1999, twenty-eighthly amended on Jun. 8, 2000, twenty-ninthly amended on May 31, 2001, thirtieth amended on Jun. 20, 2002, thirty-firstly amended on Jun. 18, 2003, thirty-secondly amended on Jun. 17, 2004, thirty-thirdly amended on Jun. 14, 2005, thirty-fourthly amended on</p>	<p>Article 42.</p> <p>This Articles of Incorporation are agreed and signed on Nov. 2, 1971, firstly amended on Dec. 28, 1973, secondly amended on Jun. 25, 1974, thirdly amended on Oct. 5, 1974, fourthly amended on Jun. 28, 1975, fifthly amended on Jun. 6, 1976, sixthly amended on Jun. 25, 1977, seventhly amended on Oct. 14, 1978, eighthly amended on Oct. 20, 1977, ninthly amended on Sep. 20, 1980, tenthly amended on Sep. 26, 1981, eleventh amended on Nov. 20, 1982, twelfth amended on Sep. 22, 1984, thirteenth amended on Feb. 16, 1985, fourteenth amended on Nov. 23, 1985, fifteenth amended on Dec. 20, 1986, sixteenth amended on Sep. 17, 1988, eighteenth amended on Sep. 27, 1990, nineteenth amended on Sep. 26, 1991, twentieth amended on Sep. 25, 1992, twenty-firstly amended on Sep. 24, 1993, twenty-secondly amended on Sep. 22, 1994, twenty-thirdly amended on May 26, 1995, twenty-fourthly amended on Oct. 20, 1995, twenty-fifthly amended on Nov. 6, 1996, twenty-sixthly amended on Dec. 30, 1997, twenty-seventhly amended on Apr. 30, 1999, twenty-eighthly amended on Jun. 8, 2000, twenty-ninthly amended on May 31, 2001, thirtieth amended on Jun. 20, 2002, thirty-firstly amended on Jun. 18, 2003, thirty-secondly amended on Jun. 17, 2004, thirty-thirdly amended on Jun. 14, 2005, thirty-fourthly amended on</p>	<p>The date of amendment and cardinal number of amendment have been revised.</p>

Jun. 15, 2006, thirty-fifthly amended on June 21, 2007, thirty-sixthly amended on June 19, 2008, thirty-seventhly amended on June 19, 2009, and thirty-eighthly amended on June 23, 2010.

Jun. 15, 2006, thirty-fifthly amended on Jun. 21, 2007, thirty-sixthly amended on Jun. 19, 2008, and thirty-seventhly amended on June 19, 2009.

Agenda 5-proposed by the board of directors

Subject:

To elect of 11 directors (including 3 independent directors) and 3 supervisors for the 14th term of board of directors.

Text:

1. The term of the 11 directors and 3 supervisors of the 13th board shall expire on June 20, 2010. It is planned to elect all of the 11 directors and 3 supervisors of the 14th term of the board, serving a term of three years from June 23, 2010 to June 22, 2013.

2. The Company is to adopt the candidate nomination system in election of the 14th term of board of directors. Shareholders are to elect from among the list of the candidates as follows.

Candidates of Directors of the 14th term of Board of Directors.

Name	Current Position	Major Education	Remark
Chang, Chia Juch	Chairman & CEO, China Steel Corporation	Ph D., Purdue University, U.S.A.	Representing Ministry of Economic Affairs R.O.C.(Y00001)
Chen, Chao Yih	Vice Chairperson, State-owned Enterprise Commission	Ph D., Agricultural Chemistry, National Taiwan University, Taiwan, R.O.C.	Representing Ministry of Economic Affairs R.O.C. (Y00001)
Fang, Liang Tung	Executive Secretary, Investment Commission , Ministry of Economics Affairs	B.S., Agricultural Economics, National Chung Hsing University, Taiwan, R.O.C.	Representing Ministry of Economic Affairs R.O.C. (Y00001)
Tsou, Jo Chi	President, China Steel Corporation	Ph D., Material Engineering, University of Rochester, U.S.A.	Representing Chiun Yu Investment Corporation (V01357)
Chung, Lo Min	Executive Vice President , China Steel Corporation	MBA, International Marketing, Arizona University, USA	Representing Ever Wealthy International Corporation(V02376)
Weng, Cheng I	President, Fo Guang University	Ph D., Mechanical & Aerospace Sciences, University of Rochester, U.S.A.	Representing Hung Kao Investment Corporation(V05147)
Wu, Shun Tsai	President, China Steel Labor Union	MBA, Department of Industrial Management, National Pingtung University of Science and Technology, Taiwan R.O.C.	Representing China Steel Labor Union(X00012)
Ou, Chao Hua	Chairman, Dragon Steel Corporation	M.S., Electrical Engineering, National Taiwan University, Taiwan, R.O.C.	Representing Gau Ruei Investment Corporation(V01360)
Li, Shen Yi	Lawyer	Doctor of Judicial Science, Chinese Culture University, Taiwan, R.O.C.	Independent Director (R100955005)
Chang, Tsu En	Professor, Environmental	Ph.D., Civil Engineering, Tohoku University, Japan	Independent Director (N103009187)

	Engineering, National Cheng Kung University Taiwan, R.O.C.		
Liang Ting Peng	Professor, Business Management, National Sun Yat-sen University, Taiwan, R.O.C.	Ph.D., Information Management, Wharton College, University of Pennsylvania	Independent Director (S101063589)

Resolution:

Agenda 6-proposed by the board of directors

Subject:

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

For the best interest of the Company, it is proposed that the Company's Director of the Board, Mr.J.C. Tsou, shall be allowed to serve at Chung-Hung Steel Corporation. The agenda is hereby submitted for shareholder resolution.

Text:

1. The agenda is discussed in compliance with Paragraph1, Article 209 of the Company Act :
A director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such an act and secure its approval.
2. Mr.J.C. Tsou, Dircetor of the Board, plans to serve on the Board of Chung-Hung Steel Corporation. Information of Chung-Hung Steel Corporation is as follows:

<u>Invested Company</u>	<u>Ownership</u>	<u>Position</u>	<u>Business Relationship with CSC</u>
Chung-Hung Steel Corporation	40.59%	director	Steel production & trading

2. Although the Company is affiliated with Chung-Hung Steel Corporation in terms of operation, differences still exist in the products and services provided. The Company may benefit from Mr.J.C. Tsou, service in the board of these subsidiaries, since CSC can therefore participate in important operating decisions and monitor the execution of business strategies. The Company's investment equity is therefore protected.

Resolution: