



CHINA STEEL

2014

OPERATION
REPORT



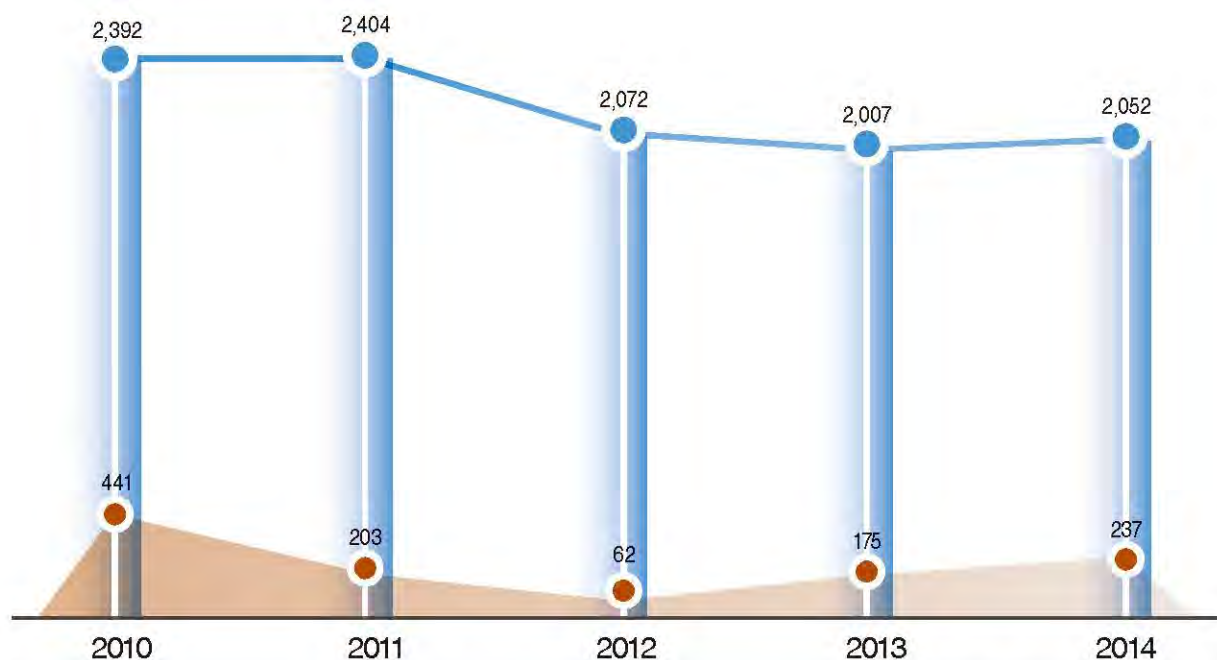
1	HIGHLIGHTS OF OPERATING RESULTS
2	CHRONOLOGY OF MAJOR EVENTS
4	AN OVERVIEW OF THE BUSINESS SITUATION
8	PRODUCTION AND SALES
14	RESEARCH AND DEVELOPMENT (R&D)
18	EMPLOYEE RELATIONS AND HUMAN RESOURCE DEVELOPMENT
24	ENVIRONMENTAL PROTECTION, INDUSTRIAL SAFETY AND HYGIENE, AND FULFILLMENT OF SOCIAL RESPONSIBILITIES
30	CAPITAL EXPENDITURES AND ENGINEERING BUSINESS
34	INVESTMENTS AND OTHER EQUITY INTERESTS
38	CUSTOMER SERVICES
40	RISK MANAGEMENT
46	CORPORATE GOVERNANCE
50	ORGANIZATION CHART
52	DIRECTORS AND SUPERVISORS
53	SENIOR MANAGEMENT
54	FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA AND OPERATING RESULTS
56	FIVE-YEAR SUMMARY OF SELECTED FINANCIAL RATIOS AND PERCENTAGES
57	ANALYSIS OF FINANCIAL STATUS AND OPERATING RESULTS
58	TERMS AND CONDITIONS OF CORPORATE BONDS
60	PREFERRED STOCKS
61	ISSUANCE OF GLOBAL DEPOSITARY SHARES
62	MARKET PRICES OF STOCK OVER THE PAST THREE YEARS
62	PRINCIPAL PRODUCTS AND USES
63	THREE-YEAR SUMMARY OF PRODUCTION AND SALES VOLUMES
64	STANDALONE FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
74	OWNERSHIP OF SUBSIDIARIES AND OTHER EQUITY INTERESTS
76	MAIN BUSINESSES AND ADDRESSES OF SUBSIDIARIES

Highlights of Operating Results

Revenues and profit before income tax¹

● Revenues ● Profit before income tax

(in hundred million of New Taiwan Dollars)



	2014	2013
Operating revenues (Millions of New Taiwan Dollars)	205,160	200,726
Operating costs and expenses	191,593	191,502
Profit from operations	13,273	9,618
Profit before income tax	23,692	17,507
Employment costs ²	19,675	18,239
Depreciation	19,444	18,857
Interest expenses net ²	1,802	1,388
Total assets	464,268	457,281
Capital expenditures	13,751	22,258
Equity	304,693	289,687
Output of steel products (Thousands of metric tons)	9,041	8,835
Sales volume of steel products	9,677	9,477
Number of employees ³	10,107	9,946
Return on sales (%)	11.54	8.72
Return on equity ⁴	7.45	5.65

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.

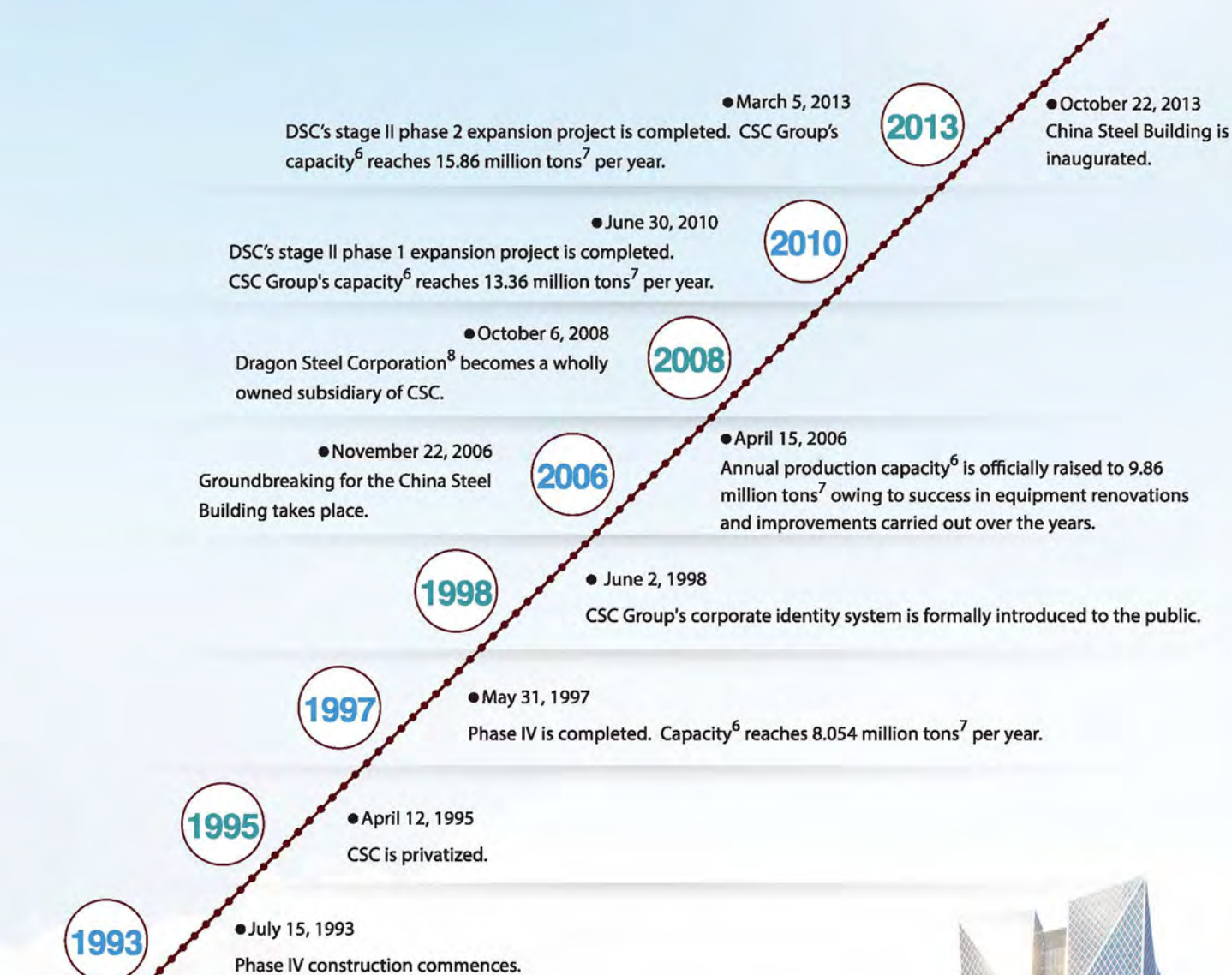
² Excluding capital expenditures

³ As of the end of the calendar year

⁴ Based on net profit

Chronology of Major Events





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

⁶ In terms of crude steel.

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

⁸ Hereinafter also referred to as "DSC".

An Overview of the Business Situation



Chairman Jo-Chi Tsou

The major issues that the international steel industry faced in 2014 were:

- (1) The strength of global economic recovery was mild, however, diverging. The International Monetary Fund (IMF) published on January 20, 2015 the 2014 global economic growth rate to be 3.3%, which was fair in comparison with that of 2013. In addition to the steady economic recovery in the U.S., it was sluggish in other major countries or areas.
- (2) The impetus for the growth in steel demand was not sufficient. On March 10, 2015, World Steel Association (worldsteel) published the statistics that global apparent finished steel use in 2014 was 1,538 million metric tons, which was increased by 0.6% compared with that of 2013.
- (3) Slowing down of the growth of steel production: worldsteel also published on January 22, 2015

that global crude steel production for 2014 was 1,660 million metric tons, which was increased by 1.2% compared with that of 2013; nonetheless, the supply still surpassed the demand.

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

- (1) Stable domestic economy: Due to the steady economic recovery in advanced countries, domestic business owners were willing to increase the pay of their employees so that they could keep the talents, which not only promoted employment and increases in pay but also boosted confidence in consumption as well as domestic investment. On February 16, 2015, the Directorate General of Budget and Statistics (DGBAS) published the 2014 economic growth rate in Taiwan to be 3.74%, which was higher than that of 2013 (2.23%).
- (2) Steady demand of steel: According to the statistics



President Jyh-Yuh Sung

published by worldsteel, the apparent finished steel use in Taiwan in 2014 was increased by 5.8% compared with that of 2013.

(3) Adversity and challenges: Low-priced steel continued to be dumped into Taiwan. Unbalanced tariffs and destruction of the market order posed as unfavorable factors in the trading environment.

CSC's 2014 operating revenues amounted to NT\$205,160 million, which was 2.21% more than that of 2013 mainly due to the increase of sales in steel products. Operating costs and expenses in 2014 were NT\$191,593 million, which was 0.05% more than those of 2013. The raw material costs of coal and iron ore were reduced; however, employee pay and depreciation were increased. The non-operating income in 2014 was NT\$10,420 million, which was 32.08% more than that of 2013 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 2014 amounted to NT\$23,692 million, which was 35.33% more than those of 2013.

CSC's 2014 operating directives included four key points:

- (1) Overall reduction of costs and enhancement of efficiency: CSC continued to reduce costs systematically by (i) reducing the purchase costs of coal and iron ore as well as energy consumption, (ii) enhancing the efficiency of cogeneration and integration of regional energy resources, (iii) purchasing domestically-made production equipment, components, and spare parts, (iv) utilization of low-priced materials, (v) decreasing the costs of alloys, and (vi) improving production yield. A total of NT\$4,390 million were saved in 2014.

An Overview of the Business Situation

- (2) Expansion of the global market and offering of better customer services: Overseas coil centers and sales offices were vigorously established. In 2014, CSC and CSGT (China Steel Global Trading Corporation) jointly established United Steel Engineering and Construction Co., Ltd. to supply steel products in east China; moreover, CSGT also established CSGT Trading India Private Limited and formed a new joint-ventured coil center to expand the CSC Group's overseas sales channels.
- (3) Research and development of high-end products and addition of value by upgrades: CSC has continued to research, develop, and supply high-end steel products with high functions, hi-tech contents, and high profit potentials. Sales volume for high grade steel products surpassed half of the total sales volume for the first time. It accounted for 51.4% of the total sales volume and amounted to 5.988 million metric tons in 2014, which were 21% more than those in 2013.
- (4) Innovation of green production, energy saving, and reduction of carbon emissions: To reduce the impact on the environment, CSC has devoted to the upgrade of production technology and enhanced energy saving, waste reduction, and resources reutilization. Major accomplishments in 2014 included: (i) the ethanol pilot plant, which utilizes BOF gases to produce ethanol, has been in full-time continuous operation for more than six months, and it was granted technological verification, (ii) the biomass coal produced in CSC Steel Sdn. Bhd.'s pilot plant was used at CSC's power plant and replaced 20% of the fuel coal at trial burns, (iii) trials of the 30 kg per hour level biomass pyrolysis oil products were completed, and (iv) the planning of the 50kW level solid oxide fuel cell system was completed.

In prospect, IMF published the 2015 global economic growth rate to be 3.5%. DGBAS also published the 2015 economic growth rate in Taiwan to be 3.78%.

It seems that the global economy will continue to recover; however, its strength remains to be observed. The growth of the demand in the global steel market has slowed down. worldsteel estimated that global apparent use of finished steel would increase by only 0.5% in 2015, and that of Taiwan would be 2.0%. In regard to steel supply, World Steel Dynamics (WSD) also published on February 17, 2015 that global crude steel production would reach 1.595 billion metric tons, which was 3.9% less than that of 2014. It revealed that global steel mills had controlled their production, which eased the expansion of steel supply. In addition, the plummeted prices of raw materials, such as iron ore, coking coal, and coke, owing to their oversupply, had also relieved steel mills of their operating costs. Nonetheless, there is still tremendous pressure because of the oversupply of steel capacity and increased production of steel products, coupled with the slow growth of demand and squeezed steel prices, all of which contribute to high downside risk.

To enhance CSC's long-term competitiveness, it has mapped out its 2015-2019 operation and development strategies as follows:

- (1) Advancement of the corporate culture, promotion of employees' career development, establishment of the LOHAS environment, promotion of the Group's image
- (2) Enhancement of lean customer services, strengthening of strategic partnership and sales position in the domestic market, and expansion of the export distribution channels
- (3) Increase of the self-sufficiency rates of raw materials, mapping out of the green industry, and enhancement of strategic investments in key supply chains
- (4) Research and development of advanced products, their application technology, and highly efficient green production processes to increase the values

of the steel industry chain

- (5) Enhancement of the Group's engineering autonomy, active development of the wind power business, and exploration of the engineering business
- (6) Value and quantity upgrade of the Group's products, continuous reduction of costs, improvement of energy saving and environmental protection, and enhancement of industrial safety

The 5-year operating strategies and directives

for 2015 include: (1) enhancement of the Group's cost advantage and increase of profits, (2) innovation of technological capabilities and expansion of sales by adding value, (3) development of business in the Group's engineering sector, and (4) rebuilding of the culture of industrial safety and zero occupational injuries. Targets for 2015 include: (1) reduction of costs equals to or more than NT\$3.5 billion, (2) delivery of steel products equals to or exceeds 9.8 million tons, (3) orders for premium products equal to or exceed 6.2 million tons, (4) revenues from external engineering businesses equal to or exceed NT\$2.8 billion, and (5) no cases of major occupational injuries.

Production and Sales

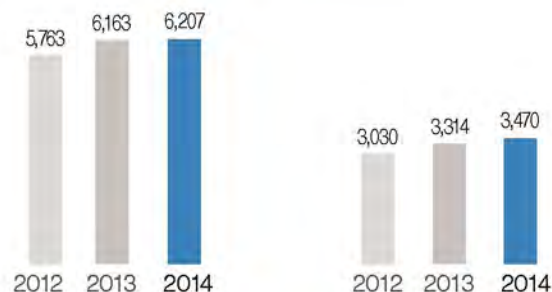
Sales volume of CSC's steel products in 2014 increased by 2.11% from the 2013 level to 9.677 million tons, 64% of which was domestic sales and 36% of which was overseas sales. Production of steel was 9.041 million tons, which was 2.33% more than that of 2013. Production of molten iron (9.247 million tons) and liquid steel (9.618 million tons) was 6.83% and 6.01% more than that of 2013. The increase was mainly because of the completion of the overhaul of the No.4 blast furnace in February, 2014.

In terms of raw materials, the price of coal continued to decline because the international steel market continued to remain stagnant. The price of prime coking coal (metallurgical coal) was US\$143/MT FOB in the first quarter of 2014; however, it fell to US\$119/MT FOB in the fourth quarter of the same year. In the face of such low coal prices, some coal miners stopped their production because of losses; as a result, there should be little room for coal prices to continue to drop. However, there would be short supply of prime coking coal with better quality. It is estimated that the price of prime coking coal will hover between US\$110 and US\$120 FOB per metric ton in the short term. In terms of iron ore, the global production continued to be expanded; its price plunged drastically because of the stagnant international steel market. The price of fine iron ore was US\$134.5/DMT CFR North China in early 2014; nevertheless, it dropped to US\$71/DMT at the end of the year, which was a 47% decrease. At the beginning of the second half of 2014, China adopted stricter regulations on environmental protection and limited the domestic production of pellets and sinter, which resulted in the increase of imported pellets and lump ore. The price of lump ore plummeted from US\$18.1/DMT at the beginning of 2014 to US\$2.2/DMT in mid-2014; it immediately rebounded in the second half of 2014. The price was between US\$17.8/DMT and US\$19.4/DMT up to December, 2014.

Domestic sales of steel product

Export sales of steel product

(in thousand tons)



Cold rolled coils



Hot rolled coils



Cold rolled coils produced at CSVC

CSC generated 56.75% of the electricity it required in 2014; it was 4.98% more than the amount in 2013 because of the production of the OG Boiler and the reduction of external sales of steam, which resulted in the increase of power generation by its power plant. Energy consumption per ton of crude steel (slabs and blooms) was 5,743 million calories, which was 97 million calories less than that in 2013 largely because the production in 2014 was more than that in 2013, which decreased the unit energy consumption of crude steel.

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\$2.76 billion, a 9.5% decrease compared with those of 2013. This was mainly due to the decrease of steam purchase of China Petrochemical Development Corporation. The quantity of sales of steam in 2014 was 1.891 million tons, which was 145,000 kiloliters of oil equivalents in terms of energy saving. 434,000 tons of CO₂, 1,382 tons of SO_x, 959 tons of NO_x, and 136 tons of particulate matters were reduced if converted to benefits in reduction of air pollution and greenhouse gas emission annually.

Key tasks and results of quality management in 2014 were listed as follows:

1. New Product Development

57 new products were developed in 2014, which was the best record since CSC's establishment. Some highlights included:

- (i) **Steel plates:** The development of EH47, 75mm extra thick shipbuilding structural steel with the highest strength and toughness, was completed. It is estimated

Percentage of steel sales volume by product, 2014



Percentage of steel production volume by product, 2014



Flame cutting on slabs



Length detection on blooms

Production and Sales

that 14% of steel plate use can be saved when EH47 is applied instead of EH40, the grade of which is next to that of EH47.

(ii) Bars and wire rods: The development of SUJ2 bearing steel was completed, and CSC has become a qualified supplier to JTEKT, the world's biggest bearing producer, and successfully entered the Critical Safety Class bearing steel market. In addition, the development of 9254 steel with excellent cleanliness, less decarburization, and drawability was also completed. It can be applied to produce valve springs, which are the best types of springs.

(iii) Hot rolled products: The development of ASTM B265 G.1, a kind of pure titanium plate finished by cold rolling, was completed; it was used for the construction of the Taipei Dome. Moreover, the development of API 5CT, casing steel strengthened by the heat treatment method, was completed. Its strength can be enhanced to the P110 level after heat treatment; it can facilitate domestic pipeline producers to create a blue ocean market. The development of CUST C45E PAS, steel used to produce automobile front engine covers, was completed, and CSC has become the only qualified Asian supplier to an automobile manufacturer based in Germany.

(iv) Cold rolled products: The development of high strength steel for hot stamping and EN DC07, super extra deep drawing steel, was completed. Both can be supplied to manufacture the high strength bake hardening steel series products. Moreover, the development of ASTM B265 Gr.1 and Gr.2 steel was completed. They are mass produced at present, and CSC has already started to

take orders and stepped into the special alloy territory.

(v) Hot-dip galvanized products: The development of GA, a high corrosion resistance chromic acid material, was completed by applying new coatings to improve the existing pitting corrosion.

(vi) Electrical steel: The developments of (a) 50CS470T, electrical steel with high thermal conductivity, (b) electrical steel used to manufacture compressor motors, (c) 20CS1500HF, extra thin electrical sheets, and (d) DC01, electrical steel used for motor laminations, were successfully completed. The research on the comparisons of the functions and prices of electrical steel was also completed to satisfy the needs of customers and to expand the electrical steel market.

2. Technological Advancement of Production Processes

(i) Steelmaking: The maintenance of the RH vacuum degasser was intensified, and dehydrogenation of the RH was enhanced to improve the quality of the core of a steel plate effectively. Improvement of steelmaking and continuous casting technologies in producing tire cords, bearing steel, hot forged non-quenched and tempered steel, etc. was effectively carried out to control the morphology and amounts of inclusions continuously.

(ii) Production of bars and wire rods: The rejects resulted from collisions and customer complaints were effectively reduced by improving production facilities and equipment, storage, and transportation; the converted annual reduction amount reached NT\$21.09 million in 2014.

(iii) Hot rolling: The reduction of margin allowances by trimming, including the losses resulted from

the removal of the upper and lower margins of steel products, was completed to decrease production costs. In addition, the production processes of low silicon Cr-Mo steel free of red scale was established to upgrade the surface quality to solve the problems in material use for customers.

(iv) Cold rolling: The 1/8 thickness tolerances of CQSF sheets were improved to enhance the precision of product sizes. The edge waves of CQSF products from the No.2 CAL (continuous annealing line) as well as the lower surface scratches of thick sheets from the box annealing process were also improved, which resulted in the drastic reduction of defect rates and complaint rates. The production processes of the two trimmings of CG tailor welded blanks were changed into those of a single trimming of the finished products to increase the cold rolling yield and reduce the loss. Based on the No.1 CAL+CCL (continuous coating line) production processes of electrical steel, semi-processed coated electrical coils with relative low roughness were developed to boost the efficiency of motors.

3. Certification of Management Systems

- (i) The follow-ups of ISO/TS16949 and QC080000 for steel products, and ISO 9001 for special alloys were completed; moreover, CSC was also granted the certification of QC080000 for special alloyed products, which provided customers with higher quality guarantee.
- (ii) The follow-ups of TISI, Thailand, SNI, Indonesia, SIRIM, Malaysia, FPC, Singapore, BIS, India, and certification for vessel steel plates were completed. Furthermore, the certification of steel plates, bars and wire rods, hot rolled products, cold rolled products, and galvanized



CSC was granted the 2012 version of the IECQ QC 080000 certificate on hazardous substance process management.

products in Vietnam was also granted to CSC. The trade barriers were eliminated effectively, and CSC's competitiveness in export was enhanced.

- (iii) Regular certification of SIRIM, Malaysia, was granted; the review extension of the certificate was maintained. 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.
- (iv) The first follow-ups of the four certificates of the CNS Mark for steel plates were granted to CSC, which would facilitate CSC and its customers to bid for public projects and create a win-win scenario for both parties.

Production and Sales



The blow-in of the second campaign of CSC's No.4 blast furnace



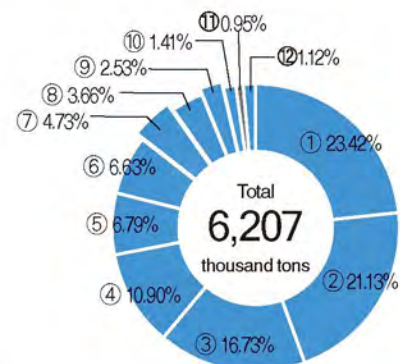
Cooling beds for billets



Storage yard of billets

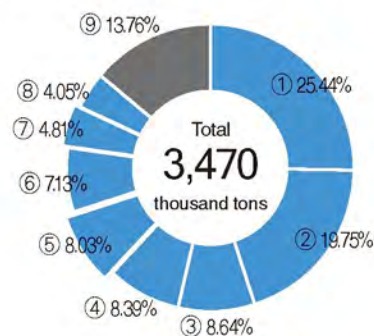
Percentage of domestic sales by industry, 2014

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

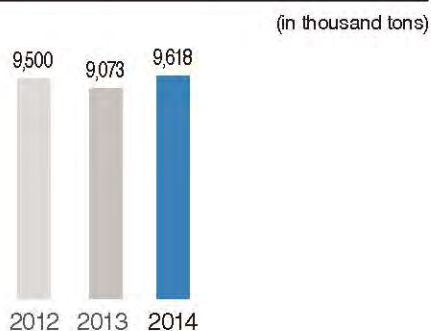


Percentage of export by region, 2014

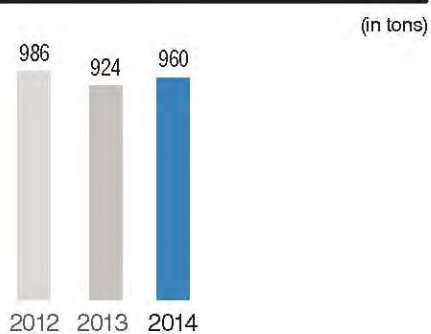
- ① Mainland China (including Hong Kong)
- ② Japan
- ③ Thailand
- ④ Indonesia
- ⑤ Vietnam
- ⑥ Mexico
- ⑦ Malaysia
- ⑧ India
- ⑨ Others



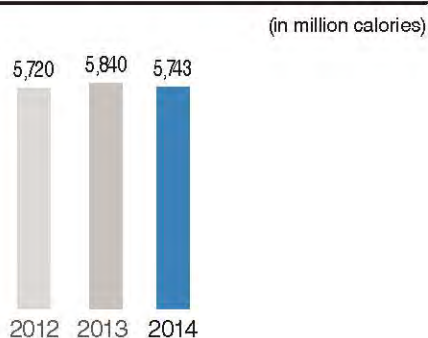
Crude steel production



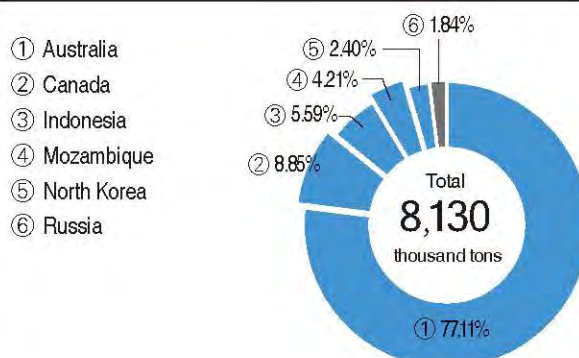
Output per employee in terms of crude steel



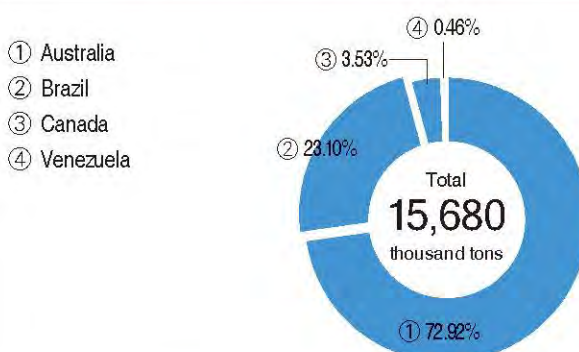
Energy consumption per ton of crude steel



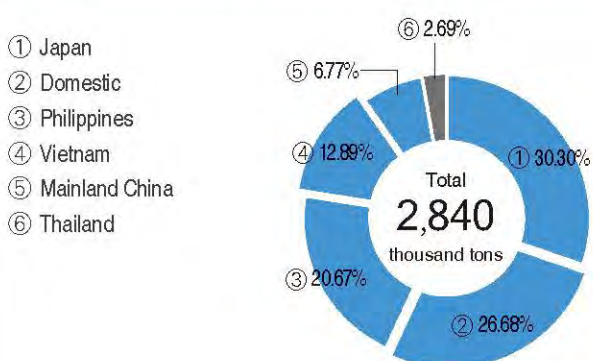
Sources of coking coal, 2014



Sources of iron ore, 2014



Sources of flux materials, 2014



Research and Development (R&D)

Abundant R&D results had been accomplished in 2014. 57 new products were developed in 2014, which was the best record since CSC's establishment. Sales for high grade steel products accounted for 51.39% of the total sales volume, which surpassed half of the total sales volume for the first time and greatly enhanced CSC's competitive advantage in promoting product differentiation.

Regarding patent applications and certificates, CSC filed applications for 236 patent cases and ranked the 8th, and was granted patent certification for 247 cases, which ranked the 10th among the top 100 patent recipients in 2014 according to the Intellectual Property Office, MOEA. CSC was the only company among the top 10 patent recipients that is in the traditional industry.

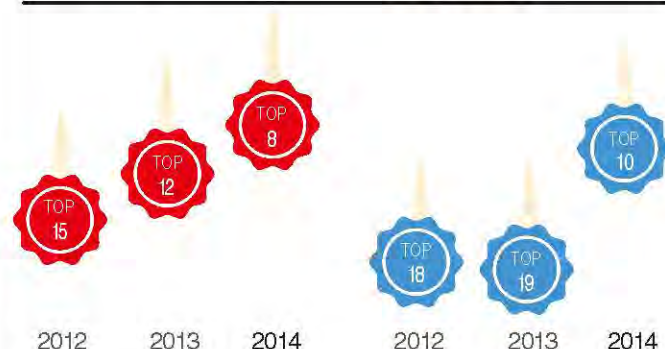
In terms of the upgrade of the steel industry, three significant results are listed as follows: (1) A joint laboratory on auto applications by CSC, the GSK Group, and Fine Blanking & Tool Co., Ltd. was established in March, 2014. The three parties would cooperate closely in the development of products and advanced technologies. (2) CSC cooperated with Corporate Synergy Development Center in forming the T-team of the hand tool industry in Taiwan, and was instrumental in the setting-up of the cooperative production and sales platform between Brighton-Best International and eight hand tool manufacturers in the hopes of creating their own sales channel and brand to promote the competitiveness of the hand tool industry. (3) CSC cooperated with National Yunlin University of Science and Technology in establishing the Next-generation Hand Tool R&D Center for the purposes of promoting material development, processing applications, and creative designs. CSC hopes to facilitate hand tool enterprises to reach the goal of heightening the value and differentiation of their products.



The Trends of the Patent Applications and Certification

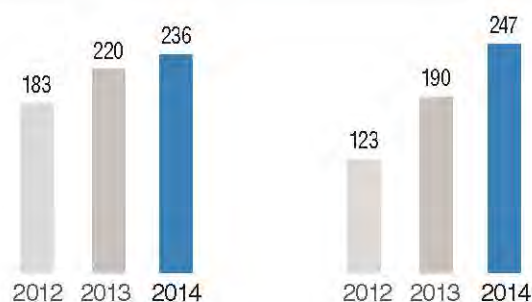
The ranking of the top 100 applicants

The ranking of the top 100 certificate recipients



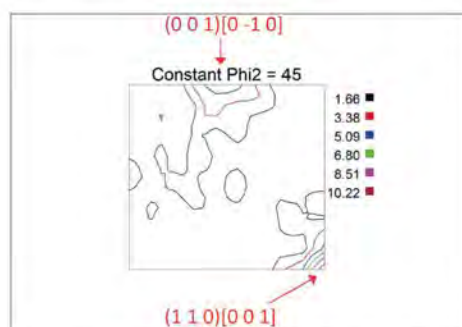
Number of applications

Number of certificates



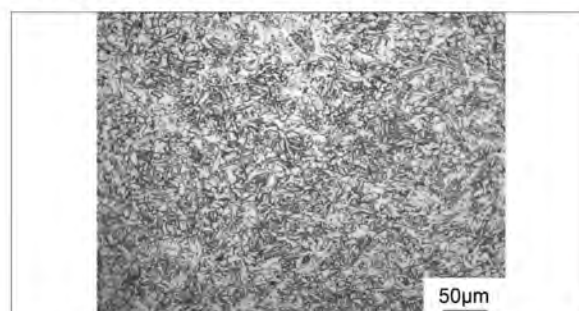
In order to continue the boosting of R&D energy, CSC had displayed outstanding results in products, processes, and equipment technology. The more significant ones are listed as follows:

(i) Development of 35CS190: It is a type of electrical steel with very low iron loss mainly used in all kinds of high efficiency motors, such as servo motors, electric vehicle drive-motors, and high efficiency commercial transformers. 35CS210 electrical steel was successfully developed by CSC in September, 2010; it met the highest JIS requirements and was truly a culmination of CSC's efforts. To advance further, CSC has continued the development of 35CS190 with ultra specifications (iron loss to reach below 1.90W/kg) by enhancing alloy contents, strictly controlling inclusions, having a full grasp of the best heat and cold rolling conditions, in particular, by overcoming rolling difficulties and deterioration of thermal conductivity resulted from the addition of alloy contents. It is hoped that by doing so, key production technology can be established regarding the development of 35CS190 with iron loss below 1.90W/kg, which will enable CSC to become the global leader in this aspect. In addition, CSC will also seek to maintain the appropriate facilities capable of mass-producing 35CS190 to meet the demand for its applications.



The optimization of the texture of electrical steel 35CS190

(ii) Development of (75mm) EH47: It is an extra thick shipbuilding structural steel with the highest purity, strength, toughness, and weldability. Besides the aforementioned requirements, it had to pass both the ESSO test and the strict Crack Tip Opening Displacement Test. Its composition includes high nickel, low phosphorus, and low sulfur; the production of slabs was by soft reduction. High penetration rolling and accelerated cooling, which utilized extremely low finished cooling temperature to finer the microstructures of plates, were adopted. After three years of development, the breakthrough regarding the irregularities of the strength and toughness in the core of the 75mm H47 had been made. The preliminary verification by LR was granted to CSC in December, 2014, and the final result of the verification is still ongoing in the headquarters of LR.



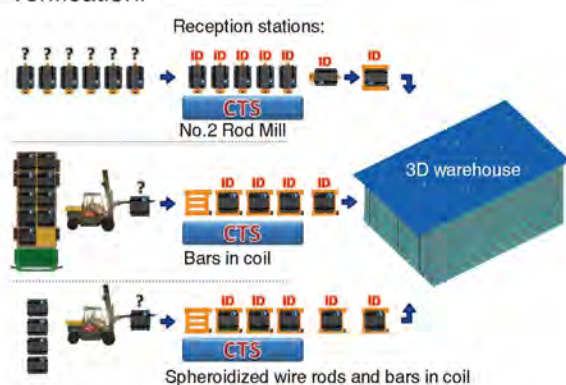
Acicular ferrite on the microstructures of extra thick steel plate EH47 (75mm)

(iii) Development and establishment of the top cone monitoring system: When a blast furnace is in operation, coke and iron content materials will be layered inside the blast furnace by the rotations of the chute on the top. The shapes of the material surfaces will directly affect the flow of the gas inside the blast furnace after the materials are layered. After the installation of the blast furnace online

Research and Development

burden profilometer, the measuring effects and availability have been satisfactory. It offers instant information of the shapes of materials in the blast furnace so that the result of material charging can be visualized and serve as references for blast furnace operators to adjust the charging patterns. Furthermore, the utilization of the gas heat can also be enhanced so that energy consumption can be reduced.

- (iv) Development and establishment of the RFID technology in the 3D warehouse for bar and wire rod products:** CSC has successfully developed the coil tracking system (CTS) for its steel products. It can precisely identify the ID and mobile information of a steel product automatically and serve as references for CSC's warehousing systems. The online systems of the reception stations for the No.2 Rod Mill, bars in coils, and spheroidized wire rods and bars in coils have been completed. Automatic identification of the ID of a steel product has been implemented, which indicates that the 3D warehousing system for bar and wire rod products works better than the automation level provided by the original vendor. The goal of unmanned warehousing reception has been achieved. After this system has been put online, its accuracy rates have met the on-site demand with flying colors after a year of operations and verification.



The RFID automatic identification warehousing system

(v) The establishment of the BOF slag modification technology:

In order to resolve the recycling obstacle created by the swelling of BOF slag, CSC has designed and built a hot stage BOF slag modification station and completed the development of many slag modification technologies. The modification success rates have maintained at the 95% level since the implementation of the two-shift continual operations in May, 2014. The output of the modified slag amounted to 4,000 tons/month. The focal point for the future will be the increase of the modified amount of slag so that costs can be reduced and value-added products can be developed.

(vi) Development of cold rolled pure titanium thin plates for construction use:

0.3~0.6mm titanium plates have been widely used on the roofs of world famous buildings. 0.6mm Gr.1 titanium plates will be used as the materials for the construction of the curtain walls and the roof of the Taipei Dome. The production processes of either "annealing + high temperature salt bath + acid pickling" or "vacuum heat treatment" are adopted by manufacturers for the purpose of maintaining the smoothness of cold rolled titanium coils with the thickness below 0.2mm. Nonetheless, these two key technologies are not available in Taiwan at present. CSC has innovated the production processes of "slow blasting + annealing and pickling" by adjusting blasting currents and angles and strip feeding speeds, which has resulted in the successful production of 0.6mm Gr.1 ASTM B265 titanium coils with the required mechanical properties, flatness, and spec tolerances for roof use. CSC is one of the three manufacturers in the world that have the capabilities to produce titanium plates for construction use.



The establishment of a joint laboratory on auto applications by the GSK Group, Fine Blanking & Tool Co., Ltd., and CSC



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



Participation in the competition of the National Invention & Creation Award



CSC cooperated with National Yunlin University of Science and Technology in establishing the Next-generation Hand Tool R&D Center.



CSC cooperated with Corporate Synergy Development Center, Brighton-Best International and other handtool firms in forming the T-team of the handtool industry in Taiwan.

Employee Relations and Human Resource Development

As of the end of 2014, there were 10,107 employees at CSC. Their average age was 49.46 years. Among the 10,107 employees, 10,017 (99.1%) of the employees were eligible for membership in the CSC Labor Union.

It is estimated that approximately 6,100 senior employees will retire in the next fifteen years. Thus, future manpower development will be focused on advancement of CSC's corporate culture, succession of manpower, and strengthening of talent training and education.

Advancement of the corporate culture

The CSC Corporate Culture Committee was established in October, 2010 to promote and implement tasks of succession and advancement related to corporate culture.

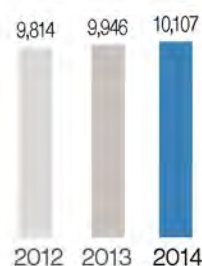
Key tasks and results in 2014 were listed as follows:

1. Corporate culture workshops were held for employees, about 360 people, who were employed between 1995 and 1998.
2. Corporate culture classes were held for new recruits to form accurate corporate culture concepts.
3. Receptions in the form of a tea party were held for mentors and new recruits so that mentees (apprentices) could feel the care and warmth from their mentors and CSC. The bond between them would facilitate succession of specialized knowledge in the future.
4. Culture and arts related seminars, in the hope of establishing the concept of empathic thinking, were held for high-ranking executives every month.

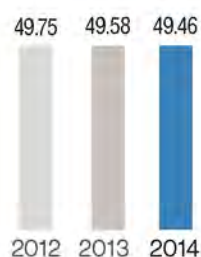


(as of end of year)

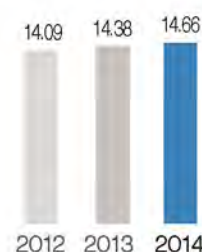
Number of employees



Average age of employees



Average years of service of employees⁹



⁹ Not counting years of employment prior to the privatization of the Corporation on April 12, 1995



A cordial welcome of mentors for new recruits

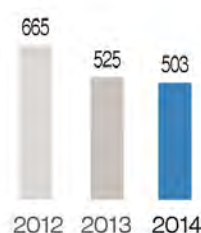
5. Mountain climbing activities were held for high-ranking managers to strengthen the practice of CSC corporate values, e.g. teamwork and down-to-earthness.
6. To cultivate good corporate culture and establish a culture of honesty, employees are informed to obey the guidelines for accepting gifts, treats, entertainment and banquets, and lobbying.
7. A corporate culture website has been established for promotion and maintenance of corporate culture.

Succession of manpower

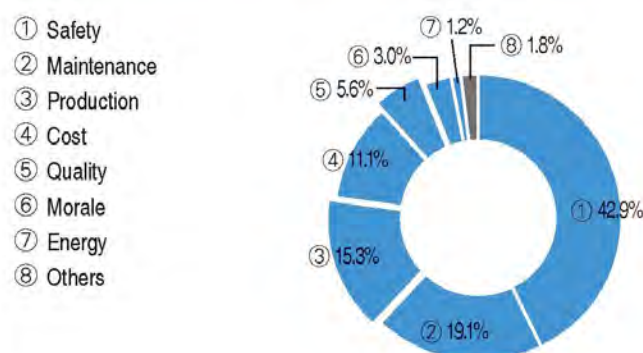
1. Succession in advance: CSC has mapped out appropriate employment plans according to its corporate development strategies and investment plans, supplemented by the retirement and resignation forecasts as well as the periodic manpower requirement reviews by each department. Employees are hired as reserve personnel in advance to facilitate the succession of manpower.
2. Implementation of mentor-apprenticeship and knowledge management: Senior employees are appointed to act as mentors for new recruits and impart their experience for effective succession in conjunction with e-Learning and knowledge management.
3. Promotion of cooperative education programs: To reduce the gap between schooling and applications, CSC has formed cooperative education programs with Kaohsiung Municipal Chung-Cheng Industrial High School, Municipal Kaohsiung Industrial High School, National Hualien Industrial Vocational Senior High School, and National Kangshan Agricultural & Industrial Vocational Senior High School to meet its manpower need.



Cases completed by creative development activities



Cases completed by creative development activities by subject matter, 2014



CSC sponsors classes on mechatronics held at National Hualien Industrial Vocational Senior High School.

Employee Relations and Human Resource Development

Strengthening of talent training and education

The Development Roadmap of the CSC Group's Talent Training and Education was established to nurture manpower and carry out tasks related to talent training and education, including those for the Group's management talents, dispatched personnel, and new recruits as well as those regarding e-Learning and knowledge management, professional expertise, quality assurance, and general education. According to the Roadmap, high-ranking executives of the Group took part in the "Wangdao Business Leader Program" held by Stan's Foundation, and middle-ranking executives took part in the "Management Training Program" and "Assessment Center." Language and cultural orientation classes were held for dispatched personnel while orientation training classes were held for new recruits. Moreover, knowledge management forums, sharing of training knowledge, and professional training courses regarding quality assurance, electrical and mechanical technologies, environmental protection, and safety and health were also held. In 2014, each employee averaged 22.9 hours of classroom training and 2.6 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



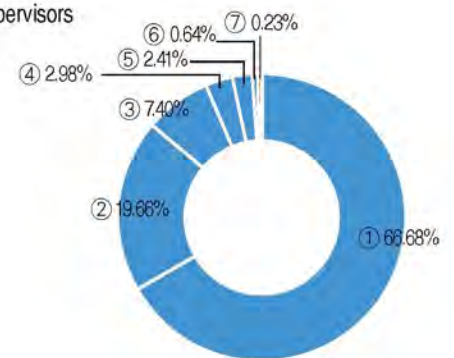
CSC Group wedding ceremony

2014

(as of December 31, 2014)

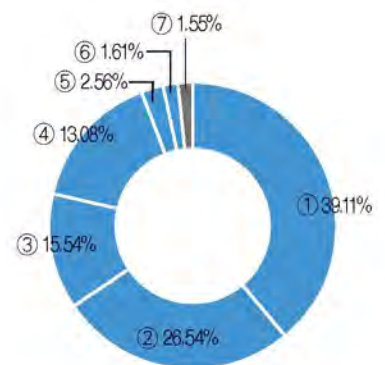
Breakdown by employees' position level

- 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

- ① Senior high (vocational) school
- ② Bachelor's degree
- ③ Master's degree
- ④ Junior college
- ⑤ Junior high school
- ⑥ Doctor's degree
- ⑦ Elementary school





Signing of the 4th collective agreement between CSC and the union



The 13th meeting of CSC Corporate Culture Committee



A speech on corporate culture held at DSC



A farewell party held for retirees

proficiency. It also aims at fulfilling the manpower needs for CSC's diversification and globalization. In 2014, CSC dispatched employees (81 person-times) to go to overseas academic institutions and business organizations under this program.

In 2014, CSC reaped more than NT\$ 47,000,000 in benefits from its Creative Development Activities (CDA) and more than NT\$90,000,000 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 2014, CDA involved 584 "quality circles" with 5,533 participants (85.8% of the blue-collar personnel of the departments concerned). They completed 503 topics. 24,117 suggestions were made, 23,915(99.2%) of which were adopted.

In order to spell out fair and reasonable labor conditions for both the Management and Labor to observe, CSC has maintained a collective agreement with the Labor Union. The 4th collective agreement was signed on December 5, 2014. Moreover, multiple communication channels have been provided, including (1) the Chairman's Mail Box and face-to-face labor-management communication meetings between the Chairman/President and employees, (2) the Staff Grievance Committee, in which employees can voice their complaints if those complaints aren't reasonably taken care through the administrative channels when their rights are violated or mismanaged, and (3) the Sexual Harassment Grievance Committee, which deals with complaints so that an environment free of such annoyances could be provided to employees and job applicants.

Employee Relations and Human Resource Development

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, which consists of 26 representatives from both sides. 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. Among them, employee canteens, restaurants, gyms, and reading rooms are also open to contractors and their employees and neighboring residents. 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 for employees and their family members, subsidies of flexible welfare points, purchases at franchised stores, etc.

In response to the addition of new recruits, CSC and DSC jointly hold group weddings regularly. The theme of the weddings focuses on "going green." In addition, CSC holds its anniversary celebration annually. In 2014, it held its celebration in the evening for the first time to allow the employees to have a totally different experience and feelings.

As of the end of 2014, 442 activities/group events with 16,487 participants were sponsored by 43 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 cordial family relationships. Activities are planned by each department or unit, some of which included mountain climbing, hiking, and leisure outings. Employees are always encouraged to bring their family members

to participate in these activities. A total of 9,815 participants took part in activities planned by various departments and units in 2014. To thank the employees for their hard work for the whole year, CSC commissioned each department or unit to hold year-end dinner parties; 9,777 employees attended those parties in 2014.

Celebration of the 43rd anniversary of CSC



Steel Cup Slow-pitch Softball Invitational Tournament



A jogging race



A Taiko performance by Zhen Zong Troupe



A community fair



Evening celebration of the anniversary of CSC

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

Energy Saving and Environmental Protection

CSC aspires to be a trustworthy steel company of global distinction that pursues growth, environmental protection, energy saving, and value-innovation with the highest standards, which is also CSC's vision. It has set up the goal of "2 lows and 1 high — low carbon emissions, low pollution, and high value" for 2020. In terms of reduction of carbon emissions, CSC has planned the path up to 2020 based on the intensity of the discharge of carbon emissions under normal operations. Concrete measures include implementation of internal energy saving and reduction of carbon emissions, quality utilization of self-produced gases, applications of new forms of energy with low carbon emissions, securing credits for external reduction of carbon emissions from the integration of regional energy and resources, etc.

Key tasks and results of energy saving and environmental protection in 2014 were listed as follows:

1. Energy saving services: The CSC Energy Saving Service Corps was established in 2007 to offer

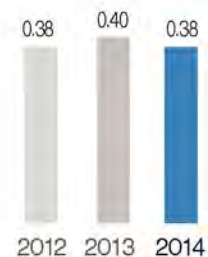


The China Steel Building was granted the Diamond Certification in the Assessment of Green Building Labeling.

Air Quality

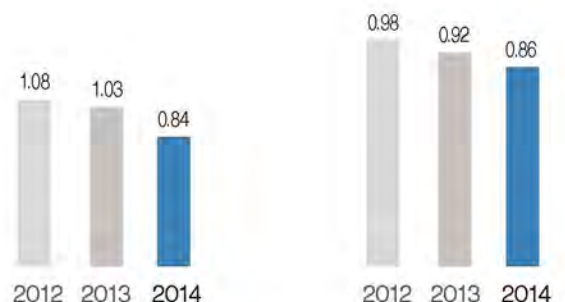
(Kg/mt of crude steel)

Particulate emission



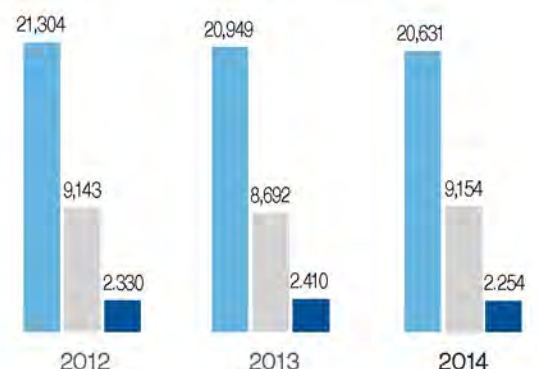
SO_x emission

NO_x emission



GHG emission trend

— GHG emission (thousand tons of CO₂e)
 — Crude steel production (thousand tons)
 — GHG emission intensity (tons of CO₂e/ton of crude steel)



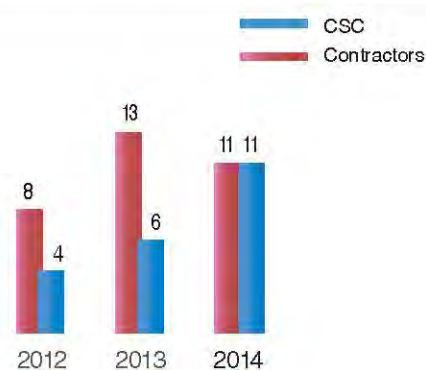
energy saving services outside CSC. In 2014, it had completed energy saving projects with CSC Steel Sdn. Bhd. and Meng Sin Material Co., Ltd. In collaboration with the Energy Saving Service Corps of Kaohsiung City Government, CSC Service Corps provided energy audits and services to Da-hu Plant of Goldsun Co., Ltd., Chung Ker Steel Corporation, and Tang Eng Steel Works Co., Ltd.

2. Continuous promotion of "Energy Saving Project 2015": CSC aimed at saving 240,000 kiloliters of oil equivalents between 2011 and 2015. 78 cases were proposed; 18,953 kiloliters of oil equivalents were saved.
3. In response to MOEA's campaign to save electricity consumption by 1% annually between 2011 and 2015, CSC has actively implemented several electricity saving projects, including improvement of electricity consumption in fans, pumps, cooling towers, air conditioners, lighting fixtures as well as adoption of natural lighting in factories, etc.
4. Water consumption had been decreased from 10.33m³ /ton of crude steel at the establishment of CSC to 5.24 m³ /ton; the recycling rate of which was 98.3%. CSC's saving of water consumption was exceptional and was granted awards of excellence by Water Resources Agency, MOEA for 12 consecutive years.
5. Continuation of the GHG Inventory and management of internal auditing and external certification: The 2014 GHG emissions were 20,631,000 tons of CO₂e; the emission intensity was 2.254 tons of CO₂e/ton of crude steel.

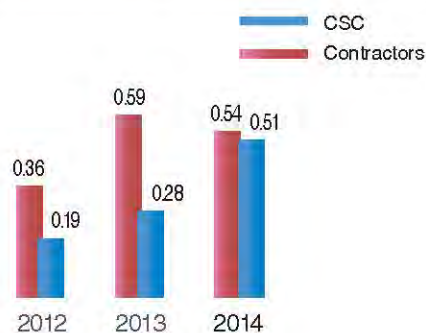


Occupational Accident Record of CSC

Number of cases with disabling injuries



Frequency ratio¹⁰



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

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

6. Continuous reutilization of CSC's waste resources, including BF slag, 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 tar sludge from China Steel Chemical Corporation, waste vessel oil from China Steel Express Corporation, crystallized calcium carbonate from China Ecotek 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. CSC will continue to promote greening inside the plants. The total area of greening has reached 443,871 m²; the greening rate is 8.42%.
9. Honors and awards related to energy saving and environmental protection: (1) CSC received the Bronze Class distinction from RobecoSAM's Corporate Sustainability Assessment (CSA). (2) CSC was listed as the industry leader by the DJSI-World and the DJSI-Emerging Markets. (3) CSC was granted Sustainable Governance Award by BSI. (4) CSC was granted Corporate Citizenship Award by Common Wealth Magazine. (5) CSC received the second highest scores in Taiwan and was listed in the Asian Carbon Disclosure Project Climate Performance Leadership Index (CPLI) by CDP. (6) With the submission of CSC's 2013 CSR Report to the Taiwan Institute for Sustainable Energy, CSC was granted the Ten Most Sustainable Company

Award in the Manufacturing Industry Category, and the Taiwan Top 50 Corporate Sustainability Report Award, Growth through Innovation Award, and Climate Leadership Award.

Industrial Safety

Major tasks and results of industrial safety programs for 2014 were listed as follows:

1. CSC passed the 2014 annual follow-ups of OHSAS 18001, TOSHMS, and ISO 14001 verified by the Bureau of Standards, Metrology & Inspection, MOEA.
2. In collaboration with the government's renaming and revisions of the Occupational Safety and Health Act, 16 regulation files regarding internal environmental protection, industrial safety, and hygiene had been revised.
3. In collaboration with the authorized institutions, implementation of (1) the regular inspections of 1,052 pieces of hazardous machinery and equipment, (2) the reassessment of the safety of the production processes in 4 type-C hazardous workplaces, and (3) reviews and inspections of a newly established type-C hazardous workplaces was carried out.
4. 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 2014.
5. Educational training: (1) 16 sessions of educational training on traffic safety were held for 584 participants. (2) CSC held 13 training classes with 42 sessions of various safety licenses for 1,401 licensees on its own. (3) 5 physical simulated training classes with 221 sessions were held for 2,504 participants. (4) 12 classes of "management by mobility" were held for 955 participants to strengthen the inspection caliber on industrial safety



of on-site second- and third-echelon executives and contractors' safety and hygiene supervisors.

6. Plans for the 2014 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, including special physical check-ups for those who work in special operating sites. Health management was conducted to those with abnormal 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, spiritual rebuilding, the long-distance health passport project, quarterly lectures on health, special health campaigns for female employees, all together with approximately 5,400 participants. Among them, 350 employees who took part in the weight loss program lost a total of 1,237 kg; the average lost weight was about 3.53 kg per person. Furthermore, CSC also took part in the weight loss campaign held by Kaohsiung City Government in 2014, and was the fourth runner-up in the group category and the winner in the individual category.

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 as well as provide assistance to the nearby communities and sponsor charitable activities in Siaogang District. Its contributions include: (1) Sponsoring equipment and facility upgrades to enhance the students' learning 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 have a sense of how steel was produced and the measures taken by CSC in energy saving, 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 concerts on the lawn, the concert "Danny Elfman's Music from the Films of Tim Burton," and "Hollywood in Kaohsiung-Magic Moments." 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 11,346 participants had been held for employees of the CSC Group and their family members to visit Yonglin Organic Farm and the Ulaljuc Community in 2014. In addition to experiencing the indigenous culture, the participants also helped boost the local economy and create more job opportunities for the locals. (2) Tours of Yonglin Organic Farm are held regularly on the basis of leased farming. Two leases

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

on organic rice and organic radish farming were available in 2014. 40 employees from the CSC Group, working as partners, experienced the joy of being farmers. (3) CSC donated the "Happy Owl" sculpture, which signifies happiness, to the Da-Ai community in Shanlin District. The artwork was completed in July, 2014. Its unveiling ceremony took place on August 2, 2014. The sculpture was welcomed, and has not only become a new tourist landmark in Shanlin District but also boosted the local tourist industry. (4) In collaboration with CSC's anniversary activities in 2014, over 30 vendors 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\$400,000 were generated. (5) 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 15 times of group purchases with the total purchase sum of over NT\$360,000 in 2014. (6) CSC Cafeteria buys organic products and ingredients purchased from Yonglin Organic Farm in an effort to help the farmers from the reconstruction areas to be self-reliant.

To be involved in social activities in a broader and more diversified manner, CSC established the CSC Group Education Foundation. Activities conducted by the foundation in 2014 consisted of:

- (1) 12 general lectures for citizens in Kaohsiung, 6 seminars on campus jointly organized with United Daily and the Cloud Gate Foundation, and 4 lectures on spiritual growth organized by Teacher-Chang Foundation were held and attracted approximately 10,000 attendees and students.
- (2) The Environment Education Touring Bus had been out 58 times with the participation of approximately 9,500 city 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 three consecutive years.
- (5) A concert performed by cellist Chen-Chieh Chang and the 12 cellists of the Berlin Philharmonic was held with 3,500 audience from Kaohsiung.
- (6) 19 Chinese music and symphony concerts were jointly held by CSC and the Kaohsiung

Lease projects adopted by employees of the CSC Group for the Morakot post-disaster reconstruction



Harvest of organic rice



Harvest of radishes

Philharmonic Cultural and Arts Foundation.

(7) CSC sponsored the AIESEC International Congress 2014 with the participation of approximately 80 CSC employees.

(8) CSC sponsored the young traveller campaign conducted by W.island and selected excellent young staff from the CSC Group to take part in this activity.



General lectures for citizens in Kaohsiung



The "Steel Elementary School" activity was held for elementary school students in Siaogang District.



Donation of the "Happy Owl" sculpture to the Da-Ai community in Shanlin District



The 2014 CSC Camps



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



"Exploring cities" was held for indigenous children by CSC and Kaohsiung Rapid Transit Corp.



Environment education activities of the Environment Education Touring Bus



The ceremony for the donation of AEDs to every stop on the orange line of the Kaohsiung Rapid Transit



CSC was awarded as an excellent corporation in GHG voluntary reduction in 2014.



Summer Ecology Camps for elementary students in Kaohsiung



CSC sponsored the performance by the 12 cellists of the Berlin Philharmonic.

Capital Expenditures and Engineering Business



Contract signing for phase I of the EPC project of the Danhai Line Light Rail Transit System in New Taipei City

Capital Expenditures

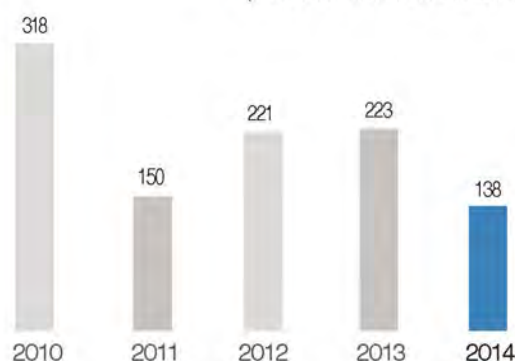
The investment of capital expenditure projects amounted to NT\$13.751 billion in 2014. The projects were listed as follows:

I. Projects related to equipment revamp

1. Revamp of the first campaign of the No.4 Blast Furnace
2. Revamp of the Nos.3 and 4 Sinter Plants and installation of the No.7 Stacker/Reclaimer
3. Revamp of the BIC line of the No.2 Bar Mill
4. Revamp of the equipment for the No.2 Continuous Annealing Line
5. Revamp of the program control and electronic control systems of the No.2 Hot Strip Mill
6. Partial revamp of the stove cooler of the No.1 Blast Furnace
7. Revamp of the Nos.1 and 2 reheating furnaces of the No.1 Hot Strip Mill
8. Revamp for the extended service of Rod Mill I
9. Revamp of the gas tanks of the blast furnaces

Capital expenditures

(in hundred million of New Taiwan Dollars)



II. Projects related to upgrades of production capacity or quality

10. The investment project of NGO electrical steel sheets
11. Addition of the No.3 ladle refining furnace
12. Installation of the B4154 overhead crane and relocation of the ladle maintenance area in the No.1 Steelmaking Plant
13. Addition of the quenching equipment in the Plate Mill
14. Investment of the special finishing areas for thick plates, wire rods, and bars
15. Investment of Mao Da Storage Yard for cold rolled products

Investment of the non-grain-oriented electrical sheets



Hot commissioning of the No.3 Annealing and Coating Line



Hot commissioning of the No.3 Reversible Cold Rolling Mill

III. Projects related to resource recycling or environmental protection equipment

16. The BOF off gas boiler system for the No.2 BOF and Continuous Casting Plant
17. The waste gas desulfurization project of the No.3 Sinter Plant
18. The waste gas desulfurization and denitrification project of the No.2 Sinter Plant
19. Revamp for reduction of effluent ammonia nitrogen ($\text{NH}_3\text{-N}$)



Vacuum annealing furnace for titanium

Among the aforementioned projects, Projects 1, 2, 6, 10, 11, 16, and 17 were completed in 2014; 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 upgrades of pollution prevention facilities to promote the quality of the environment
5	Revamp of the program control and electronic control systems of the No.2 Hot Strip Mill	The estimated reduction of CO_2 emissions is 2,989 tons per annum because of the saved electricity consumption and low-temperature rolling. Reduction of delay rates and enhancement of equipment performance can also be achieved.
10	The investment project of NGO electrical steel sheets	150,000 tons of thin electrical steel with extreme specifications (0.15mm) can be manufactured annually to promote the sales percentage of CSC's premium products with high added value.
13	Addition of the quenching equipment in the Plate Mill	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.
18	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 is below 100 ppm, which is in line with the new emission regulations and standards so as to effectively improve the environment quality of the perimeter.
19	Revamp for reduction of effluent ammonia nitrogen ($\text{NH}_3\text{-N}$)	After the revamp is completed, the discharged concentration of effluent ammonia nitrogen will be reduced to 200 ppm, which will meet IPA's discharge standards for chemical effluents promulgated on January 22, 2014. CSC's daily ammonia nitrogen discharge will be reduced by 1,328 kg, which will effectively improve the quality of the environment.

Capital Expenditures and Engineering Business

Engineering Businesses

Revenues generated from engineering businesses from outside parties amounted to NT\$1.911 billion, which were 29.6% more than those in 2013, and NT\$1.002 billion of which were from the technical service contract with Dragon Steel Corporation (DSC) for its No.4 Hot Rolling Temper & Recoil Line. CSC was responsible for the eletromechanical design and completed the construction in collaboration with China Steel Machinery Corporation, InfoChamp Systems Corporation, China Ecotek Corporation, etc. This was the first time that the CSC Group independently designed, constructed, and completed a production line. Moreover, the functions of the line were superb, and the construction expenses were only three fourths of those completed by foreign suppliers. A considerable amount of costs was saved, which demonstrated the CSC Group's excellent engineering capabilities in the steel industry.

CSC established the Wind Power Business Development Committee in December 2013 to develop its wind power business which involved the operations, 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 projects. The medium-term goals are to establish the domestic wind power industry 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. Major tasks and results in 2014 were listed as follows: (1) The establishment of the offshore wind industry assembly harbor and industrial park: CSC signed an MOU with Taichung Port, Taiwan International Ports Corporation, Ltd. in July, 2013 regarding the assessment of the bearing capacity of the special pier, plant configuration of the industrial park, equipment requirements, and establishment schedules, all of which are currently being studied and planned with relevant organizations. (2) Integration of the resources of the CSC Group to bring out its synergy: CSC will study and develop cooperative strategies with China Steel Machinery Corporation, China Ecotek Corporation, InfoChamp Systems Corporation, China Steel Express Corporation, China Steel Structure Co., Ltd., United Steel Engineering & Construction Corporation, and Steel Castle Technology Corporation, all of which are related to CSC's wind power business. (3) Securing the EPC project of Taiwan Power Company's demonstrative wind farm: By adopting the strategy of introducing imported equipment and nurturing localized construction and operating experiences, CSC will cooperate with wind turbine system providers to jointly undertake businesses. (4) CSC will try to obtain government support for wind power development so as to enhance the construction technology by applying for government industrial cooperation projects. (5) CSC will plan for the establishment of a wind power technology R&D center to select the

candidates for the introduction of technology as well as education and training after the technological transfer. (6) Securing the project to set up onshore wind turbines in the areas with low development near Taichung Harbor: CSC submitted its operating plan to Taichung Port, Taiwan International Ports Corporation, Ltd. in August, 2014 regarding the establishment of onshore wind turbines in the areas with low development near Taichung Harbor. At present, both parties are negotiating the size of the areas for rent and expenses. (7) Introduction of technology on wind turbine systems: The contents of the transfer of technology and the direction for development have been planned. Currently, CSC is negotiating with foreign professional wind turbine design consultancy firms regarding the technology transfer of the whole wind turbine design. (8) CSC obtained the bid for the construction of the Southern Weather Observation Tower, the Offshore Wind Power Energy Project of Taiwan Power Company at Changhua in December, 2014. The construction is estimated to be completed by the end of 2015.

Investments and Other Equity Interests



The groundbreaking ceremony of a residential building in Qianzhen by CPDC

With the steel business as its core business and other business, technology and production process relevance as its focuses, CSC has carried out its consolidated operations of the Group. In regard to its core business, CSC will continue to promote the New Asia Project and the establishment of sales offices and coil centers in emerging countries in Asia. In addition, CSC will strengthen its investment in the green energy industry to reach the goal of environmental protection and reduction of carbon emissions. In terms of the investments in the resources of coal and iron ore, the goal is set for a 30% raw material self-sufficiency rate.

As of the end of 2014, CSC has invested in holdings of 60 companies. Newly added companies were China Steel Resources Corporation, CSC Precision Metal Industrial Corporation, and United Steel Engineering and Construction Co., Ltd., which were engaged in material processing, titanium/nickel alloy finishing, and steel processing and slitting, respectively.

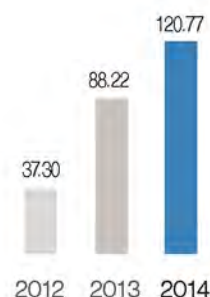
Operating Performance

Because of the expansion of the steel-related businesses, CSC's recognized reinvestment gains in 2014 amounted to NT\$12.077 billion, which demonstrated an obvious growth compared with those in 2013 (NT\$8.822 billion). The operating performance of the subsidiaries was listed as follows:

1. **Steel Business:** Because of the growth in sales and production and reduction of raw material costs,

CSC's recognized income from invested companies in the past three years

(in hundred million of New Taiwan Dollars)



CSAC's Phase II Expansion Project



Test runs of the hot strip finishing mill



The completion ceremony

DSC's gross profit was increased. Its revenues and profitability in 2014 grew more substantially than those in 2013. Although Chung Hung Steel Corporation's revenues in 2014 were decreased in comparison with those in 2013, its annual pre-tax profitability grew by nearly 50% owing to the decrease of costs and gains from its reinvestment. In regard to CSC's overseas operations, there were operating losses in CSC Steel Sdn. Bhd. and China Steel Sumikin Vietnam Joint Stock Company in 2014 due to the impact of the low-priced Chinese steel products in these two markets and the small scales of their initial production and sales.

2. Trading and Logistics Business: Although China Steel Express Corporation was faced with the challenge of the rapid changes in the shipping market, the shipping volume was increased because of the operations of the newly-delivered bulk vessels. With the injection of the insurance claims, its profits in 2014 were slightly more than those in 2013. The profits China Steel Global Trading Corporation, which is the export trading agent for CSC, Chung Hung Steel Corporation, and CSAC, made in 2014 were 16% more than those in 2013 due to the increase of its sales volume and recognized reinvestment gains. The construction of Qingdao China Steel Precision Metals Co., Ltd. was completed in the fourth quarter of 2013, and its production was initiated. There were reported profits from its operations in 2014.

3. Industrial Material Business: The unit gross profits of C.S. Aluminium Corporation's products in 2014 were more than those in 2013 because the increase of sales prices of aluminum products was more than that of costs of goods sold. Furthermore, its sales volume in 2014 was also more than that in 2013 owing to the completion of its Phase II Expansion Project. Its pre-tax earnings in 2014 were 10% more than those in 2013. China Steel Chemical Corporation's sales volume was



The delivery of "CSE Fortune Express"



The electrical coil production line of CSCI



CSMC participated in the contract signing ceremony of investment in Pier 75 at Kaohsiung Harbor.



Employee dormitories of CSVC

Investments and Other Equity Interests

increased in 2014 because the amounts of the coal tar and charging naphtha feedstock were increased; nonetheless, plummeted oil prices in the fourth quarter brought a severe impact on the sales prices. As a result, there was a slight decrease in its profitability in 2014 when compared with that in 2013. Its pre-tax earnings were NT\$10.81 per share. The sales volume of CHC Resources Corporation's pulverized blast-furnace slag in 2014 was increased. Its average price was more than that in 2013, and there was growth in its resource recycling business. Therefore, its revenues and profitability in 2014 were more than those in 2013. The sales volume of HIMAG Magnetic Corporation's special chemicals was increased. There was reduction in the unit costs of goods sold, which resulted in the rise of their gross profits. Its profitability in 2014 was better than that in 2013. There was growth in Changzhou China Steel Precision Materials Corporation's sales of titanium- and nickel-alloyed steel products. Its revenues and profitability in 2014 grew more substantially than those in 2013. China Steel Resources Corporation and CSC Precision Metal Industrial Corporation were CSC's new investments in 2014. Both of their factories are under construction at present.

4. Engineering Business: CSC will continue to implement projects secured previously and proactively seek overseas engineering opportunities. There was growth in the revenues of China Steel Machinery Corporation (CSMC) and China Ecotek Corporation (CEC). With the additions of reinvestment gains and increase of exchange gains, their pre-tax profits in 2014 were both increased. The revenues and profits of China Steel Structure Co., Ltd. in 2014 were less than those in 2013. Its pre-tax profits were decreased because of the fierce competition in the steel structure market and the drop of gross profits. InfoChamp Systems Corporation's revenues and profits in 2014 were more than those in

2013 because of the increase of the recognized revenues from its information system projects and higher gross margins.

5. Service and Investment Business: Because the conditions of Taiwan's stock market were good, Gains Investment Corporation disposed some of its investment and gained profits. Its pre-tax profits were NT\$499 million in 2014, which were 16% more than those of 2013. Although China Steel Security Corporation's revenues in 2014 were a little less than those in 2013, its pre-tax profits were more than those in 2013 because of its increased investment gains from the recognized litigation settlement income of Steel Castle Technology Corporation. China Prosperity Development Corporation's rental income was stable. Due to the decrease of the reinvestment gains, its pre-tax profits were NT\$211 million in 2014, which were 2.25% less than those in 2013.

Business Development

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. As of the end of 2014, the self-sufficiency rates of metallurgical coal and iron ore were 1.9% and 15%, respectively. The average self-sufficiency rate of raw materials was 11%. In the future, CSC will seek brown field projects actively and make plans to secure green field projects as well. In short, CSC will look for the most suitable raw material investment according to the status of the steel market and in accordance with the extended service plans of its coke ovens. Moreover, CSC will form strategic alliances with other steel plants or steel trading companies to boost the success rates of raw material investment.

Regarding CSC's overseas business deployment, the New Asia Project will be promoted continuously. The construction of Qingdao China Steel Precision

Metals Co., Ltd., CSC's first coil center in China, was completed in the fourth quarter of 2013, and its production was initiated. The electrical steel coil production line of CSC India Pvt. Ltd was completed in January, 2015, and production was also initiated. The production of United Steel Engineering and Construction Company's coil center in east China is expected to initiate in the first half of 2015. The production of the home appliance pre-painting line of Sino Company, a joint venture between CSC and Taiwanese entrepreneurs in Vietnam, is expected to initiate in the third quarter of 2015.

CSC will make it a priority to invest in emerging Asian countries with relatively higher growth of steel demands. Investments will be planned from the perspective of the CSC Group's overall deployment and cross-support capabilities among its production and sales bases. CSC will also determine the types and scales of its investments to gradually implement its international deployment based on the specific steel demands in those countries and its products with comparative advantages in various markets.



Signing of the joint loan for the investment in Roy Hill, Australia



Groundbreaking of the Changchun plant of Changchun JIEKE Auto Parts Co., Ltd.

Customer Services



The initiation of the Taiwan Fastener Service Cloud

103 new enterprises became CSC's customers in 2014. New customers accounted for 5.54% of the total customers while the old ones accounted for 99.55% of the total revenues. On the basis of technological 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 technologies.

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

Sales Services

In 2014, 36 confabs regarding domestic sales and four confabs regarding export sales had been held. Overall sales supporting services are provided through e-business and initiation into the supply chain system. Moreover, executives and sales and technical personnel usually visit customers actively and take orders according to the scheduled production capacity to 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 2014 included: (1) 179 cases of assistance to customers in improving their manufacturing processes and solving problems related to application of materials and processing technologies were completed. 42 surveys of market quality feedbacks were obtained to effectively promote quality improvement. (2) 11 surveys of material application and quality trends according to industries as well as eight surveys of new products and quality functions were completed. Certification of 22 items of automobile use materials was granted. (3) 12 domestic and international technical symposia and seminars were held. (4) Representatives from CSC paid 118 visits to key customers to conduct technical interaction in China, Japan, Southeast Asia, Europe, and the United States. CSC sent employees (453 person-days) were sent abroad to visit and promote its products.

The Supply Chain System of Production and Sales

The purpose of CSC's Supply Chain System is to effectively match CSC's production and sales with its customers' order demands by bilateral coordination. With standard ordering procedures and allocation of its production capacity, CSC provides timely and flexible responses to the customers online regarding their orders, which promotes the overall efficiency of the production and sales in the supply chain.

Operation flexibility and efficiency have markedly increased by the constant optimization and improvement of CSC's Supply Chain System regarding production and sales. 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



A seminar on the operations and management of the steel-using automotive industry

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) The linking service of the ERP information systems between CSC and its customers has been offered. The operation of customers' purchases, receipts 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 35 customers. (2) CSC has established the Metallurgical Technology Service Cloud to offer differentiated services to its customers. A mobile knowledge databank and the apps for handling customer complaints instantaneously have also been established to further service its customers. (3) In accordance with the government's policy on the cloud computing industry and the CSC Group's promotion of its private service cloud, CSC has applied cloud technology in the fastener industry to enhance the overall competitiveness, which will facilitate relevant fastener enterprises to enhance the effectiveness, sales, and succession of knowledge of the industry chain. (4) CSC's customer service cloud mobilizes the daily services that customers need so that they can utilize their mobile devices to issue bills of lading, confirm quotations, and track the progress of their orders. Price spreadsheets are also offered so

that salespeople at CSC can respond to customers' inquiries immediately. (5) CSC has raised its just-in-time (JIT) inventory rates by establishing orders in its inventories, tracking overdue delivery, rationalizing delivery of hot/cold rolled products, and coordinating production, sales, and shipping of export products.

Customer Satisfaction

CSC always commissions an academic institution to conduct a domestic and overseas customer satisfaction survey every year. Results of the 2014 survey were satisfaction indices of 73 points, which was an increase of 2.1 points compared with those of 2013 from domestic customers, and 71.2 points, which was an increase of 4 points compared with those of 2013 from overseas customers. The top three items of the domestic satisfaction indices were the service attitudes of the salespeople, the speed of the salespeople's response to customers' inquiries, and the interaction between the salespeople and customers. The top three items of the overseas satisfaction indices were the clarity of transaction accounts of products, the service attitudes of the salespeople, and product labeling.



The commencement of the training program for automobile and electrical steel professionals



A seminar on hot/cold rolling technologies held in Jakarta, Indonesia



The first seminar on heat treatment on steel for hand tools

Risk Management



Repairs of equipment

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 channel 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 a full grasp of the dynamics of related industries, expands the range of its supplies, seeks investment opportunities in the downstream steel industry or industries which consume steel products, establishes overseas coil centers, and has full control of its distribution channels. In terms of production, on the basis of the amount of estimated orders, sales and production plans are simulated to avoid the risks of economic fluctuations. Concrete measures include coordination of the allocation of slab purchase among the subsidiaries in the CSC Group, reduction of production in the blast furnaces and relining adjustments, 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 mine conditions, 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-term, medium-term, and long-term contracts, ranging from one to ten years, 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 retailed 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 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 transportation of some of its raw materials when necessary.

Development of Raw Material Sources

- (a) Cooperative investment projects are carefully carried out only with prestigious experienced miners or joint venture partners, including steel plants and trading companies.
- (b) Miners and mines are investigated with due diligence so that CSC can fully grasp the status of its raw material investment.

- (c) Professional consultants in geology, finance, taxation, and law are commissioned to help carry out feasibility assessment.
- (d) Overall assessment and reviews are conducted by related departments internally when necessary.
- (e) Decision-making meetings of raw material joint ventures are attended to protect CSC's investment interests.
- (f) The development and operations of raw material joint ventures are closely monitored and fully controlled.

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 optimal shipping plan. Depending upon the sizes of the needed vessels and their economic benefits, contracted vessels or provisional chartered ones are flexibly deployed, and their movements are continuously tracked until their discharge is completed. For export products, the risks of marine transportation 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. Revamping 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) Replacement of the old equipment used for power generation will be continued, and professional inspections will also be arranged to promote the reliability of power supply. (b) Replacement of the old gas pipelines to reduce risks. (c) Revamping of the tanks of the blast furnaces gas is being implemented,

Demonstrations of the detection and handling of radiation anomalies



Waiting for the arrival of radiation protection staff to deal with the simulated anomaly alarm of scrap steel dumped on an inspection area



Detecting the radiation dose rate around the car body

Risk Management



130-ton-CSC-made steel coil transportation trucks

and it is expected to be completed in August, 2017. (2) Water: Emergency limited water usage administrative regulations were established to avoid the damage to the furnaces and coke ovens caused by the tightening of water supply by Taiwan Water Corporation in dry seasons. To reduce the damage in production or facilities caused by the lack of water supply, CSC actively takes part in the municipal project of recycling waste water, which could serve as the second source of water supply, to reduce the risk of water supply. It is estimated that 24,000 m³/day of recycled water can be generated by early 2017 and it will be gradually increased to 44,000 m³/day year by year.

Risk Control of Information Systems

To avoid adverse effects on CSC's business operations 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 retrieval, (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 are maintained according to past experience and the amounts of spare parts consumption. Information systems will be enhanced to control the manufacture of spare parts. Large pieces of replaced machinery can serve as reusable machinery, which will be promoted to be preferentially utilized first, after being maintained and qualified in tests to reduce the procurement of new machinery. Overseas purchases can be reduced by the development of locally manufactured machinery. Arrangements of regional storehouses will be promoted in order to have good spare part management.

2014 Asia ex-Japan Responding Companies		
		
Materials		
ACC	India	89
Ambuja Cements	India	92
Asian Paints	India	
Bharat Aluminium Company	India	
Castrol India	India	SA
China Steel	Taiwan	96 B
Hanwha Group	South Korea	
Hindustan Zinc	India	77
Inner Mongolia Baotou Steel Rare-Earth Hi-Tech	China	
JSW Steel	India	76
LG Chem	South Korea	99 A
Mahindra Sanyo Special Steel Pvt.	India	
POSCO	South Korea	96 B
PT Vale Indonesia	Indonesia	SA

CSC received the second highest score in Taiwan on its CDP report.

- (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 technical employees are assigned 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 techniques and experience.

Electrical Control Facilities

- (a) To avoid adverse effects on CSC's production operations 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 retrieval, 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 departments were established. Periodic promotion of the concepts of information safety and inspection in the production departments 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 a 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,

Risk Management

and instrument/electronics engineering annually. The results are disclosed in the Public Works Management Operation Systems (KP) of DSC and CSC's Supplier Management Operation System (MS). Suspended and/or disqualified contractors and subcontractors are prohibited from bidding to enhance the implementation efficiency of construction. 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 has paid much attention to the education and training on industrial safety. New recruits are given three hours of safety education and training and three hours of hazard notification training to improve their awareness and perception of industrial safety. Re-training is held for licensees with relevant industrial safety licenses according to the regulations. Contractors' employees have been encouraged to take part in CSC's industrial safety education and training programs since 2014.

CSC has been devoted its efforts to reducing the emissions of air pollutants and waste water and reinforced water saving 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 issues to help the establishment of a tax system which is fair, reasonable, and just.

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 as well as the effect of climate change. CSC has developed the following strategies to reduce the risks caused by climate change in its operations:

- (a) Short-, medium-, and long-term roadmaps for reduction of carbon emissions were 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.

CSC completed its 2014 risk assessment of climate change adaptation. The assessment revealed that four climate impacts, namely, high turbidity of raw water, salt erosion and damage, droughts, and high temperatures, needed to be addressed. Priority should be given to deal with these impacts, and action plans had to be made.

CSC has commissioned the Disaster Prevention Research Center of National Cheng Kung University to help establish CSC's own disaster forecast and contingency response systems which can serve as



references for contingency decision-making when faced with all possible climate risks.

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, CSC adjusts its holdings of strong and weak foreign currencies flexibly to promote the effectiveness of foreign currency manipulation. For short-term foreign exchange funds, natural hedging is adopted by offsetting revenues and expenses. 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 take 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 will be issued to lock in medium- and long-term capital costs when the capital market is loose 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 enable them 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 the CSC Group is strengthened to increase the efficiency of capital utilization.

Authorized Economic Operator (AEO)

There are four themes in CSC's AEO risk management, namely, prevention of illegal entries, physical cargo security, risk management of business partners, and information security. In addition to the annual and regular external audits of business partners and the internal self-examination, CSC strongly recommends its subsidiaries and business partners in the supply chain to obtain their AEO certification so that the control of cargo security can be horizontally and vertically promoted from CSC alone to its partners in the upstream and downstream industries.

Corporate Governance



Seven corporations in the CSC Group were granted the Taiwan Corporate Sustainability Awards in 2014.

Annual Shareholders' Meeting

Starting from 2011, every motion was discussed and voted, and the results of all motions were announced at the regular annual shareholders' meeting first and openly posted on the Market Observation Post System and CSC Website afterwards as references for investors. 2014 was the third year when electronic voting was adopted. Approximately 14.85% 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.

CSC has paid much attention to its shareholders' equity. To ensure that investors and shareholders have smooth communication channels to voice their opinions and maintain their rights to be aware of and participate in decision-making regarding major events taking place at CSC, special personnel from the Finance Department have been designated to be responsible for relevant matters. The following measures have been adopted: (1) Shareholders' service channels, such as a toll-free telephone line and an e-mail address, have been established to answer their suggestions and doubts. (2) Significant and instant information regarding CSC's monthly consolidated operating revenues, operating income,

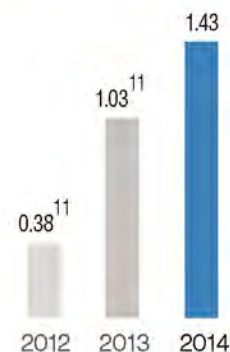
Common Stock Dividend Payout

NT\$/share



Earnings per share

NT\$/share



¹¹ After making retroactive adjustments to take into account stock dividends.

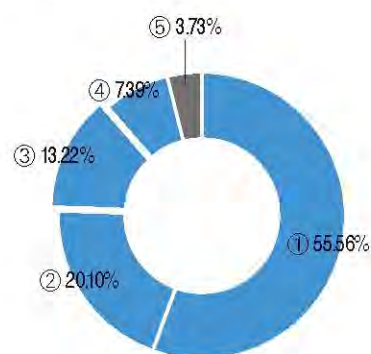
and pre-tax earnings as well as its sales volume and domestic price adjustments is e-mailed to analysts and investors. Furthermore, relevant data are always updated on CSC's corporate website with transparency and a high degree of timeliness. (3) Designated staff will receive domestic and foreign investors, answer their questions, and make factory tours. The management will also take part in earnings conferences/conference calls actively to let domestic and foreign investors have a better understanding of CSC. (4) Financial, business, and corporate governance information is fully disclosed in the "Shareholders' services" and "Corporate governance" sections on CSC's corporate website; moreover, CSC's CSR Report Section, which serves as a reference for investors regarding CSC's energy and environment management and CSR reports, is also available on the same website.

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 and presiding officer of meetings. Three meetings were held in 2014, the key points of which were the discussion of the related systems of corporate governance and revisions of the corporate governance regulations, and the minutes of the resolutions were presented to the Board of Directors. The Remuneration Committee consists of three independent directors. Three meetings of the Remuneration Committee were convened in 2014, the key points of which were the discussion of the performance evaluation system for commissioned managers and their pay adjustments, and the proposals drawn from the resolutions of the meetings were presented to the Board of Directors.

Shareholders' structure¹²

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



¹² As of August 20, 2014, the record date for ex-right / dividend.

Corporate Governance

To implement vigorous energy saving and reduction of carbon emissions, a paperless meeting management system has been adopted since June 2013. Notices, agendas, information, and proceedings of the meetings of the Board are uploaded to the system; attendees are notified electronically to browse the aforementioned information by logging in the system.

Supervisors

In the Board are three supervisors who sit at board meetings as observers. 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.

Internal Auditing

To forestall irregularities and strengthen the effectiveness of corporate administration, key activities of the Internal Auditor for 2014 were to test and assess whether the operational procedures in the eight operational cycles, which included business of: (1) sales and receivables, (2) procurement and payments, (3) production, (4) labor and wages, (5) finance, (6) real estate, factories, and facilities, (7) investment, and (8) R&D, 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 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) compliance with regulations, (2) management of the use of seals, (3) management of the receipt and use of negotiable instruments, (4)



CSC was commended for its outstanding governance performance by the Institute of Internal Auditors, ROC (Taiwan).



CSC's 2014 shareholders' meeting

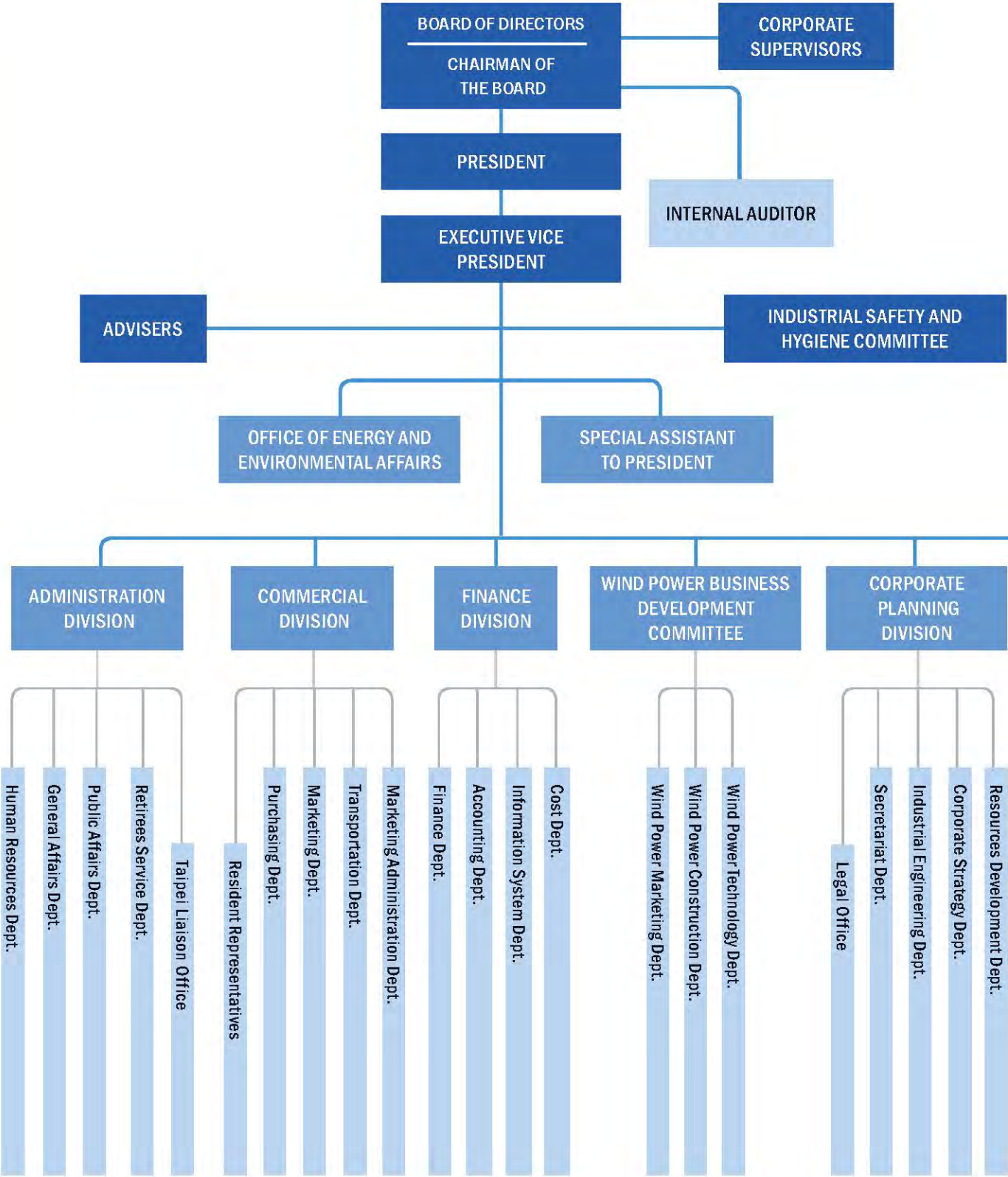
budget management, (5) acquisitions and disposal of assets, (6) asset management, (7) endorsements and loans to others, (8) financial derivatives, (9) management of liabilities, commitments, and contingencies, (10) authorization and deputy systems, (11) management of loans to others, (12) management of financial and non-financial information, (13) management of transactions of related parties, (14) management of the compilation of financial statements, (15) supervision and management of subsidiaries, (16) management of the operation of board meetings, (17) management of shareholder services, (18) management of the protection of personal information, (19) information safety checks, (20) prevention of insider trading, and (21) IFRS management. Furthermore, the Internal Auditor also assessed the internal control systems of CSC's 19 subsidiaries with due diligence.

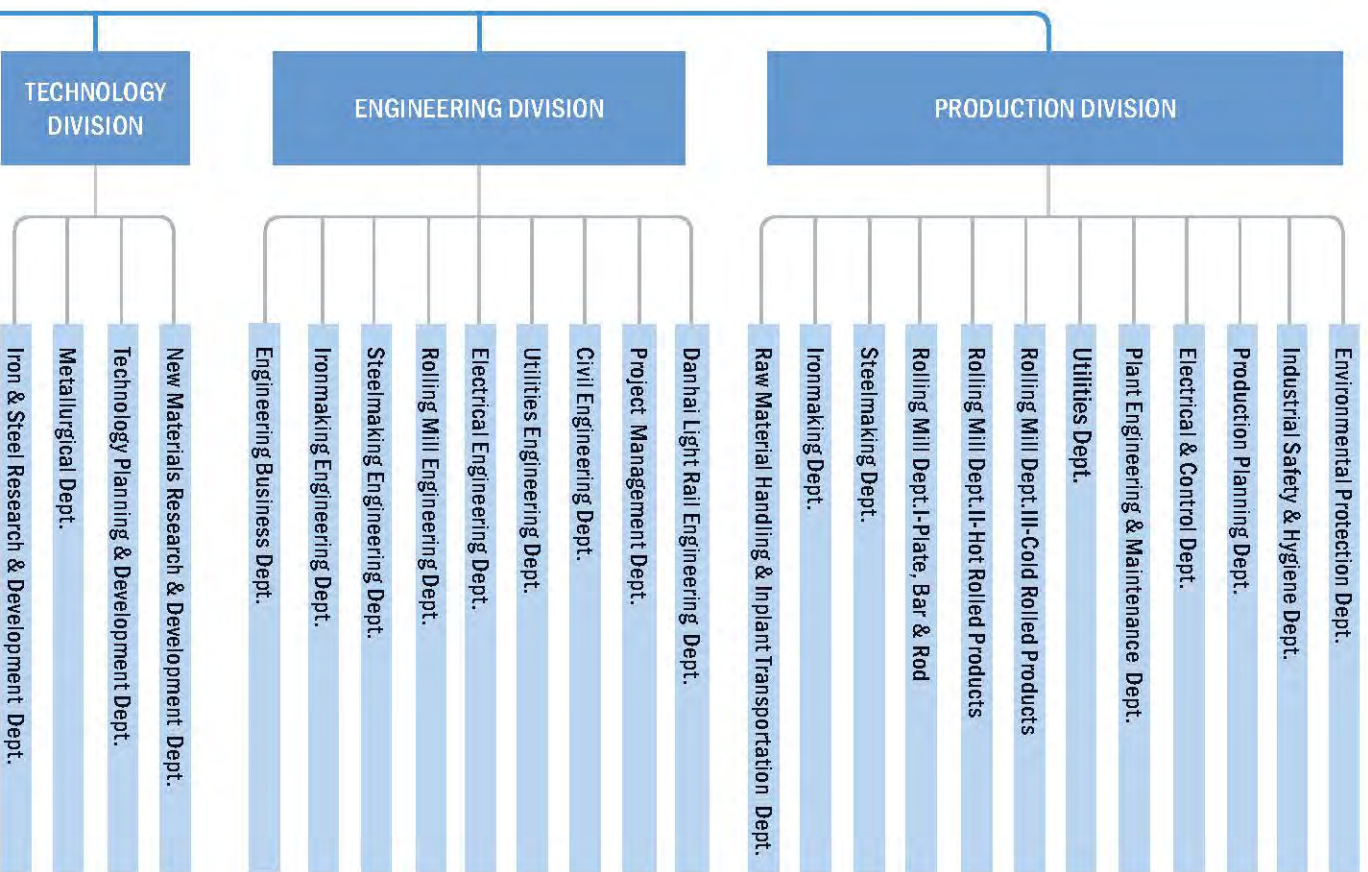
In 2014, 50 audit reports and 438 items for improvement were presented by the Internal Auditor. The audited units and subsidiaries were notified in regard to the items for improvement. The suggestions for improvement were then keyed into CSC's audit management system; the progress of improvement was followed up. Each audit, when completed, is sent by letter 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 highest ranking for seven consecutive years up to the end of 2014 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 June, 2014, which was among the top 30 rankings of over a thousand listed TWSE and GTSM companies.

CHINA STEEL CORPORATION
Organization Chart





Directors and Supervisors

(as of December 31, 2014)



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



Director
Jong-Chin Shen
Representing Ministry of
Economic Affairs, R. O. C.



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



Director
Jyh-Yuh Sung
Representing Ever Wealthy
International Corporation



Director
Horng-Nan Lin
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 Labor Union of
China Steel Corporation



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, 2014)



President
Jyh-Yuh Sung



Executive Vice President (Concurrently
Spokesman for the Corporation)
Horng-Nan Lin



Vice President - Administration
Hsiung Li



Vice President - Commercial
Jih-Gang Liu



Vice President - Finance
Yuan-Chuan Horng



Vice President - Corporate Planning
Chung-Yi Lin



Vice President - Technology
Shin-Chin Wang



Vice President - Engineering
Mou-Pin Wang



Vice President - Production
Ming-Cheng Tai

Five-Year Summary of Selected Financial Data and Operating Results

IFRSs	2014	2013	2012
Operating revenues	205,159,602	200,726,268	207,193,105
Operating costs	183,377,897	184,156,015	198,229,265
Gross profit	21,781,705	16,570,253	8,963,840
Realized(Unrealized) gain on the transactions with subsidiaries and associates	(293,861)	394,126	(36,337)
Operating expenses	8,215,262	7,345,870	6,184,405
Profit from operations	13,272,582	9,618,509	2,743,098
Non-operating income and expenses	10,419,792	7,888,875	3,478,191
Profit before income tax	23,692,374	17,507,384	6,221,289
Net income	22,160,266	15,981,540	5,894,806
Total other comprehensive income, net of income tax	3,524,956	3,524,589	(1,130,537)
Total comprehensive income for the period	25,685,222	19,506,129	4,764,269
Current assets	65,977,147	67,922,345	66,717,348
Property, plant and equipment	185,285,861	192,022,654	189,509,120
Other assets	213,005,384	197,335,519	173,496,455
Total assets	464,268,392	457,280,518	429,722,923
Current liabilities	51,998,443	54,361,542	64,301,232
Noncurrent liabilities	107,576,551	113,231,922	89,550,540
Total liabilities	159,574,994	167,593,464	153,851,772
Capital stock	157,731,290	154,638,520	153,107,445
Capital surplus	37,217,876	36,960,818	36,575,997
Retained earnings	108,169,678	98,628,837	90,184,289
Other equity	10,162,015	7,955,853	4,585,717
Treasury stock	(8,587,461)	(8,496,974)	(8,582,297)
Total equity	304,693,398	289,687,054	275,871,151
Total liabilities and equity	464,268,392	457,280,518	429,722,923
Equity per common share (NT\$)	19.72	19.11	18.39
Earnings per common share (NT\$)	1.43	1.05	0.39
Earnings per common share (NT\$) ¹¹	-	1.03	0.38

(in thousands of New Taiwan Dollars unless otherwise noted)

ROC GAAP	2012	2011	2010
Operating revenues	207,193,105	240,376,019	239,186,921
Operating costs	198,229,265	218,781,975	196,235,742
Gross profit	8,963,840	21,594,044	42,951,179
Realized (Unrealized) gain from affiliates, net	(36,337)	61,894	47,610
Operating expenses	6,237,929	7,056,957	6,950,161
Operating income	2,689,574	14,598,981	36,048,628
Nonoperating income (expenses)	3,440,997	5,685,712	8,045,643
Income before income tax	6,130,571	20,284,693	44,094,271
Net income	5,811,490	19,493,679	37,586,826
Current assets	67,574,496	87,239,677	63,884,532
Investments	163,700,388	144,049,544	133,951,112
Property, plant and equipment	189,506,218	187,141,146	180,960,303
Other assets	6,484,671	3,504,473	3,591,475
Total assets	427,265,773	421,934,840	382,387,422
Current liabilities	64,448,686	49,454,425	47,970,103
Long-term liabilities	72,333,005	71,243,534	57,261,621
Reserve for land value increment tax	10,011,916	10,011,916	8,673,466
Other liabilities	2,120,099	2,637,956	2,531,867
Total liabilities	148,913,706	133,347,831	116,437,057
Capital stock	153,107,445	150,844,773	135,661,689
Capital surplus	36,673,528	36,247,705	20,072,476
Retained earnings	68,356,193	80,051,881	94,337,962
Unrealized revaluation increment	26,750,124	26,757,590	21,873,940
Unrealized gain on financial instruments	2,458,247	3,020,919	2,374,377
Cumulative translation adjustments	(393,229)	17,192	(101,443)
Net loss not recognized as pension cost	(184,893)	(230,590)	(117,015)
Treasury stock	(8,415,348)	(8,122,461)	(8,151,621)
Total stockholders' equity	278,352,067	288,587,009	265,950,365
Total liabilities and stockholders' equity	427,265,773	421,934,840	382,387,422
Stockholders' equity per common share (NT\$)	18.56	19.51	20.02
Earnings per common share (NT\$)	0.38	1.36	2.83
Earnings per common share (NT\$) ¹¹	0.37	1.30	2.58

Five-Year Summary of Selected Financial Ratios and Percentages

IFRSs		2014	2013	2012
Current ratio	(%)	127	125	104
Ratio of long-term liabilities and equity to property, plant and equipment	(%)	214	201	184
Total liabilities to total assets	(%)	34	37	36
Net profit rate	(%)	11	8	3
Return on total assets	(%)	5	4	2
Return on equity	(%)	7	6	2
Revenue growth rate, year to year	(%)	2.59	(3.23)	(14.22)
Equity growth rate, year to year	(%)	5.18	5.00	3.62

ROC GAAP		2012	2011	2010
Current ratio	(%)	105	176	133
Ratio of long-term liabilities and stockholders' equity to fixed assets	(%)	185	192	179
Total liabilities to total assets	(%)	35	32	30
Net income rate	(%)	3	8	16
Return on total assets	(%)	2	5	11
Return on stockholders' equity	(%)	2	7	15
Revenue growth rate, year to year	(%)	(13.80)	0.50	44.60
Stockholders' equity growth rate, year to year	(%)	(3.55)	8.51	9.28

Analysis of Financial Status and Operating Results

1. Two-year analysis of flow ratios

		December 31, 2014	December 31, 2013	Increase(Decrease)(%)
Cash flow ratio	(%)	72	59	22.03
Cash flow adequacy ratio ¹³	(%)	78	76	2.63
Cash reinvestment ratio	(%)	3.69	3.70	(0.27)

¹³ Based on data over the past five years.

Analysis of increases or decreases in the above ratios:

The 22% 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 current liabilities.

2. Analysis of operating results

- (1) The NT\$ 4,433,334 thousand increase in the operating revenues was mainly attributable to the fact that the sales volume of steel products in 2014 was more than that in 2013.
- (2) The NT\$ 778,118 thousand decrease in the operating costs was mainly attributable to the reduced costs of the raw materials (coal and iron ore).
- (3) The NT\$ 5,211,452 thousand increase in gross profits was mainly attributable to the increase of the sales volume and reduction in operating costs.
- (4) The NT\$ 687,987 thousand decrease in realized sales profits was mainly attributable to (a) the realization of the deferred profits which resulted from the transfer of the mechanical and electrical facilities of the Kaohsiung Rapid Transit Corp. to the Kaohsiung Municipal Government and (b) the decrease of the realized gain on the transactions with the subsidiaries and affiliates recognized under the equity method in 2014.
- (5) The NT\$ 869,392 thousand increase in operating expenses was mainly attributable to the increase of employee salaries and depreciations.
- (6) The NT\$ 3,654,073 thousand increase in operating income was mainly attributable to the causes in (1)~(5).
- (7) The NT\$ 2,530,917 thousand increase in net non-operating income was mainly attributable to the increase of the share of profits from the subsidiaries and affiliates recognized under the equity method.
- (8) The NT\$ 6,184,990 thousand increase in pre-tax income was mainly attributable to the causes in (1) ~ (7).
- (9) The NT\$ 6,178,726 thousand increase in net income was mainly attributable to the increase of pre-tax income, the causes of which were listed in (1) ~ (7) and the NT\$ 6,264 thousand increase in income tax expenses.

Terms and Conditions of Corporate Bonds

Issue	1st Unsecured Corporate Bonds Issue in 2008	2nd Unsecured 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

Issuance date		Nov. 18, 1974	Jan. 31, 1980	Nov. 30, 1980	Dec. 31, 1981
Items					
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	After all the accounts are settled, taxes paid, deficits offset, and the legal reserve appropriated, the remaining earnings will be distributed as follows: (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.			
	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 share (2014 and the first three months of 2015)			
	Unretrieved / unconverted shares	38,268,000 shares (as of March 31, 2015)			
	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 (NT\$)	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		
	2014	High	43.80		
		Low	39.40		
		Average(closing)	41.35		

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		26,583,770 shares (as of March 31, 2015)			
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		Omitted	Omitted	Omitted	Omitted
Closing Price Per GDS(US\$)	2014	High	US\$17.77		
		Low	US\$16.31		
		Average	US\$16.96		

Market Prices of Stock over the Past Three Years

(in NT\$/share)

Stock	Price	2014	2013	2012
Common	Highest	27.00	28.40	30.90
	Lowest	24.60	23.00	24.00
	Average (closing)	25.71	25.88	27.59

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, steel drums, 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

(in tons)

Product	Volume	2014	2013	2012
Plates	Production	964,193	942,028	984,185
	Sales	963,408	948,213	985,454
Bars	Production	621,540	599,466	563,868
	Sales	692,721	658,760	648,410
Wire rods	Production	1,316,976	1,327,892	1,097,243
	Sales	1,438,408	1,373,633	1,220,102
Hot rolled steel products	Production	2,376,013	2,163,166	2,272,624
	Sales	2,787,596	2,541,803	2,485,015
Cold rolled steel products ¹⁴	Production	3,658,877	3,584,764	3,205,589
	Sales	3,724,578	3,650,052	3,280,488
Commercial slabs	Production	10,427	133,973	160,268
	Sales	61,663	292,288	158,794
Pig iron	Production	5,378	4,999	9,307
	Sales	2,088	2,344	2,255
Others ¹⁵	Production	87,493	78,706	90,113
	Sales	6,466	9,761	12,167
Total	Production	9,040,897	8,834,994	8,383,197
	Sales	9,676,928	9,476,854	8,792,685

¹⁴ Including electrogalvanized, hot-dip galvanized products, and electrical steel coils

¹⁵ Including titanium alloys, nickel alloys, and stainless steels

CHINA STEEL CORPORATION

STANDALONE FINANCIAL STATEMENTS

For the Years Ended December 31, 2014 and 2013

AND INDEPENDENT AUDITORS' REPORT



Deloitte.

勤業眾信

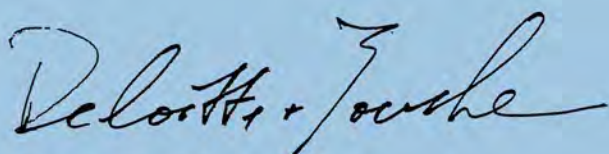
INDEPENDENT AUDITORS' REPORT

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, 2014 and 2013, and the related standalone statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. 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, 2014 and 2013, and its standalone financial performance and its standalone cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China.



March 27, 2015

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.

CHINA STEEL CORPORATION

Standalone Balance Sheets

ASSETS	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 2,603,621	1	\$ 1,331,421	-
Available-for-sale financial assets - current	3,920,578	1	2,589,723	1
Derivative financial assets for hedging - current	46,345	-	13,550	-
Notes receivable, net	586,347	-	408,444	-
Notes receivable - related parties	159,409	-	600,863	-
Accounts receivable, net	1,823,421	-	2,115,874	1
Accounts receivable - related parties	962,523	-	1,318,659	-
Other receivables	2,028,881	1	1,082,512	-
Other receivables - loans to related parties	5,230,000	1	2,320,000	1
Current tax assets	-	-	8,663	-
Inventories	41,179,810	9	46,516,733	10
Other financial assets - current	6,362,957	1	6,621,540	1
Other current assets	1,073,255	-	2,994,363	1
Total current assets	65,977,147	14	67,922,345	15
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent	18,094,873	4	19,013,560	4
Derivative financial assets for hedging - noncurrent	61,858	-	4,357	-
Bond investments with no active market - noncurrent	2,646,000	1	2,839,000	1
Investments accounted for using equity method	181,539,524	39	165,350,184	36
Property, plant and equipment	185,285,861	40	192,022,654	42
Investment properties	6,502,328	1	5,577,685	1
Intangible assets	76,971	-	99,721	-
Deferred tax assets	3,984,551	1	4,213,562	1
Refundable deposits	33,699	-	52,526	-
Prepaid investments	-	-	142,500	-
Other financial assets - noncurrent	65,580	-	42,424	-
Total noncurrent assets	398,291,245	86	389,358,173	85
TOTAL	\$ 464,268,392	100	\$ 457,280,518	100

(In Thousands of New Taiwan Dollars)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31, 2014		December 31, 2013	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft	\$ 7,293,715	1	\$ 7,433,861	2
Short-term bills payable	1,899,630	-	8,968,844	2
Derivative financial liabilities for hedging - current	11,497	-	7,952	-
Accounts payable	3,469,515	1	4,856,273	1
Accounts payable - related parties	890,942	-	1,591,679	-
Other payables	15,076,462	3	15,722,312	3
Current tax liabilities	2,886,183	1	2,047,487	-
Provisions - current	1,459,275	-	1,466,265	-
Current portion of bonds payable	8,148,376	2	3,499,318	1
Current portion of long-term bank borrowings	7,827,211	2	6,642,101	2
Other current liabilities	3,035,637	1	2,125,450	1
Total current liabilities	51,998,443	11	54,361,542	12
NONCURRENT LIABILITIES				
Derivative financial liabilities for hedging - noncurrent	748	-	2,984	-
Bonds payable	77,485,410	17	62,744,803	14
Long-term bank borrowings	15,113,123	3	24,541,232	5
Long-term bills payable	-	-	8,996,565	2
Deferred tax liabilities	11,185,715	2	11,385,765	3
Accrued pension liabilities	3,791,555	1	5,560,573	1
Total noncurrent liabilities	107,576,551	23	113,231,922	25
Total liabilities	159,574,994	34	167,593,464	37
EQUITY				
Share capital				
Ordinary shares	157,348,610	34	154,255,840	34
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	34	154,638,520	34
Capital surplus	37,217,876	8	36,960,818	8
Retained earnings				
Legal reserve	56,957,880	13	55,359,726	12
Special reserve	27,086,283	6	26,920,871	6
Unappropriated earnings	24,125,515	5	16,348,240	3
Total retained earnings	108,169,678	24	98,628,837	21
Other equity	10,162,015	2	7,955,853	2
Treasury shares	(8,587,461)	(2)	(8,496,974)	(2)
Total equity	304,693,398	66	289,687,054	63
TOTAL	\$ 464,268,392	100	\$ 457,280,518	100

CHINA STEEL CORPORATION

Standalone Statements of Comprehensive Income

	For the Year Ended December 31			
	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 205,159,602	100	\$ 200,726,268	100
OPERATING COSTS	183,377,897	89	184,156,015	91
GROSS PROFIT	21,781,705	11	16,570,253	9
REALIZED (UNREALIZED) GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(293,861)	-	394,126	-
REALIZED GROSS PROFIT	21,487,844	11	16,964,379	9
OPERATING EXPENSES				
Selling and marketing expenses	2,956,375	1	2,797,942	1
General and administrative expenses	3,551,917	2	2,893,215	2
Research and development expenses	1,706,970	1	1,654,713	1
Total operating expenses	8,215,262	4	7,345,870	4
PROFIT FROM OPERATIONS	13,272,582	7	9,618,509	5
NON-OPERATING INCOME AND EXPENSES				
Other income	1,215,965	-	1,028,541	1
Other gains and losses	(564,785)	-	(97,816)	-
Finance costs	(1,984,712)	(1)	(1,486,696)	(1)
Share of the profit of subsidiaries and associates	11,753,324	6	8,444,846	4
Total non-operating income and expenses	10,419,792	5	7,888,875	4
PROFIT BEFORE INCOME TAX	23,692,374	12	17,507,384	9
INCOME TAX EXPENSE	1,532,108	1	1,525,844	1
NET PROFIT FOR THE YEAR	22,160,266	11	15,981,540	8

(Continued)

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

	For the Year Ended December 31			
	2014		2013	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	\$ 1,018,234	1	(\$ 484,584)	-
Unrealized gain on available-for-sale financial assets	100,022	-	2,706,636	1
Cash flow hedges	135,763	-	4,123	-
Actuarial gain from defined benefit plans	1,613,095	1	168,894	-
Share of the other comprehensive income of subsidiaries and associates	955,148	-	1,158,933	1
Income tax expense relating to the components of other comprehensive income	(297,306)	-	(29,413)	-
Total other comprehensive income for the year, net of income tax	<u>3,524,956</u>	<u>2</u>	<u>3,524,589</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 25,685,222</u>	<u>13</u>	<u>\$ 19,506,129</u>	<u>10</u>
EARNINGS PER SHARE				
Basic	<u>\$ 1.43</u>		<u>\$ 1.03</u>	
Diluted	<u>\$ 1.43</u>		<u>\$ 1.03</u>	

(Concluded)

CHINA STEEL CORPORATION

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, 2013	\$ 152,724,765	\$ 382,680	\$ 36,575,997	\$ 54,778,577	\$ 29,248,991	\$ 6,156,721
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)
Reversal of special reserve	-	-	-	-	(2,326,617)	2,326,617
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
Appropriation of 2013 earnings						
Legal reserve	-	-	-	1,598,154	-	(1,598,154)
Special reserve	-	-	-	-	166,266	(166,266)
Cash dividends to ordinary shareholders - NT\$0.7 per share	-	-	-	-	-	(10,797,909)
Cash dividends to preference shareholders - NT\$1.2 per share	-	-	-	-	-	(45,922)
Share dividends to ordinary shareholders - NT\$0.2 per share	3,085,117	-	-	-	-	(3,085,117)
Share dividends to preference shareholders - NT\$0.2 per share	7,653	-	-	-	-	(7,653)
Reversal of special reserve	-	-	-	-	(854)	854
Net profit for the year ended December 31, 2014	-	-	-	-	-	22,160,266
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	1,318,794
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	23,479,060
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	218,053	-	-	-
Adjustment from changes in equity of subsidiaries and associates	-	-	39,005	-	-	(1,618)
BALANCE AT DECEMBER 31, 2014	\$ 157,348,610	\$ 382,680	\$ 37,217,876	\$ 56,957,880	\$ 27,086,283	\$ 24,125,515

(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 Other Equity	Treasury Shares	Total Equity
(\$ 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
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(10,797,909)
-	-	-	-	-	(45,922)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	22,160,266
1,392,158	680,187	133,817	2,206,162	-	3,524,956
1,392,158	680,187	133,817	2,206,162	-	25,685,222
-	-	-	-	(90,487)	(90,487)
-	-	-	-	-	218,053
-	-	-	-	-	37,387
\$ 732,469	\$ 9,283,354	\$ 146,192	\$ 10,162,015	(\$ 8,587,461)	\$ 304,693,398

CHINA STEEL CORPORATION

Standalone Statements of Cash Flows

	For the Year Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 23,692,374	\$ 17,507,384
Adjustments for:		
Depreciation expense	19,443,879	18,856,796
Amortization expense	22,750	42,167
Finance costs	1,984,712	1,486,696
Interest income	(183,073)	(98,446)
Dividend income	(206,682)	(229,517)
Share of the profit of subsidiaries and associates	(11,753,324)	(8,444,846)
Loss on disposal of property, plant and equipment	119,214	44,984
Gain on disposal of investments	(116,661)	(147,514)
Impairment loss recognized on financial assets	641,600	-
Increase in provision for loss on inventories	1,303,012	9,775
Unrealized (realized) gain on the transactions with subsidiaries and associates	293,861	(394,126)
Recognition of provisions	3,474,684	3,367,318
Others	(129,755)	(204,746)
Changes in operating assets and liabilities		
Notes receivable	(177,903)	68,252
Notes receivable - related parties	441,454	(81,410)
Accounts receivable	292,453	596,451
Accounts receivable - related parties	356,136	(487,764)
Other receivables	(687,209)	(215,229)
Inventories	4,173,265	974,968
Other current assets	1,921,108	(807,992)
Accounts payable	(1,386,758)	1,340,108
Accounts payable - related parties	(700,737)	1,094,711
Other payables	(1,860,467)	166,795
Provisions	(3,481,674)	(3,304,988)
Other current liabilities	910,187	691,854
Accrued pension liabilities	15,395	57,626
Cash generated from operations	38,401,841	31,889,307
Income taxes paid	(1,216,978)	(66,778)
Net cash generated from operating activities	37,184,863	31,822,529
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(1,028,330)	(4,191,913)
Proceeds from disposal of available-for-sale financial assets	117,662	151,736
Proceeds from the capital reduction on available-for-sale financial assets	-	17,579
Acquisition of investments accounted for using equity method	(7,681,324)	(13,816,428)
Increase in prepaid investments	-	(142,500)
Acquisition of property, plant and equipment	(12,866,036)	(21,636,910)
Decrease in refundable deposits	18,827	92,281

(Continued)

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2014	2013
Increase in other receivables - loans to related parties	(\$ 2,910,000)	(\$ 2,320,000)
Net cash inflow from merger	-	180,605
Decrease in other financial assets	282,203	1,917,045
Interest received	187,797	96,922
Dividends received from subsidiaries and associates	5,291,713	4,930,668
Other dividends received	<u>206,682</u>	<u>234,187</u>
Net cash used in investing activities	(18,380,806)	(34,486,728)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	12,429,522	27,788,870
Repayments of short-term borrowings	(12,388,733)	(31,211,282)
Decrease in short-term bills payable	(7,069,214)	(4,325,590)
Issuance of bonds payable	22,900,000	19,600,000
Repayments of bonds payable	(3,500,000)	(11,300,000)
Proceeds from long-term bank borrowings	6,209,166	17,187,349
Repayments of long-term bank borrowings	(14,208,929)	(8,048,632)
Decrease in long-term bills payable	(9,000,000)	(1,500,000)
Dividends paid	(10,842,383)	(6,176,496)
Interest paid	(1,827,768)	(1,607,656)
Net cash generated from (used in) financing activities	(17,298,339)	<u>406,563</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,505,718	(2,257,636)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	(1,291,780)	<u>965,856</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 213,938</u>	<u>(\$ 1,291,780)</u>
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, 2014 and 2013:		
Cash and cash equivalents in the standalone balance sheets	\$ 2,603,621	\$ 1,331,421
Bank overdraft	(2,389,683)	(2,623,201)
Cash and cash equivalents in the standalone statements of cash flows	<u>\$ 213,938</u>	<u>(\$ 1,291,780)</u>

(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	3,619,953	41
China Steel Chemical Corporation	2,228,887	29
China Ecotek Corporation	1,402,241	45
China Steel Structure Corporation	1,340,709	33
CHC Resources Corporation	823,209	20
Less : Shares held by subsidiaries accounted for as treasury stock	2,048,252	
Subtotal	7,366,747	
Unlisted companies		
Dragon Steel Corporation	102,297,198	100
China Steel Australia Holdings Pty Ltd.	17,588,830	100
China Steel Express Corporation	11,676,384	100
C. S. Aluminum Corporation	9,812,030	100
China Steel Sumikin Vietnam Joint Stock Company	7,984,717	51
Gains Investment Corporation	7,617,683	100
China Steel Asia Pacific Holdings Pte Ltd.	4,615,574	100
China Prosperity Development Corporation	4,124,907	100
China Steel Corporation India Pvt Ltd.	3,518,570	100
China Steel Global Trading Corporation	3,108,575	100
China Steel Machinery Corporation	1,468,863	74
Kaohsiung Rapid Transit Corporation ¹⁶	1,227,413	43
China Steel Resources Corporation	977,632	100
CSC Precision Metal Industrial Corporation	874,763	100
Info-Champ System Corporation	855,879	100
China Steel Security Corporation	544,011	100
Hi-mag Magnetic Corporation	135,310	50
China Steel Management Consulting Corporation	25,339	100
Less : Shares held by subsidiaries accounted for as treasury stock	6,539,209	
Subtotal	171,914,469	
Investments in Associates		
Unlisted companies		
Eminent II Venture Capital Corporation	704,647	46
Kaohsiung Arena Development Corporation ¹⁷	482,234	18
Dyna Rechi Co., Ltd.	378,885	28
Hsin Hsin Cement Enterprise Corp.	375,923	31
Honley Auto Parts Co., Ltd.	284,726	30
White Biotech Corporation	18,346	18
TaiAn Technologies Corporation ¹⁸	13,547	17
Subtotal	2,258,308	
Total	181,539,524	

(Continued)

(as of December 31, 2014)

Companies	Amount (NT\$1,000)	Ownership (%)
Available-For-Sale Financial Assets-Noncurrent		
Domestic investments		
Listed shares		
Tang Eng Iron Works Co., Ltd.	1,240,712	9
Reichi Precision Co., Ltd.	791,270	5
CSBC Corporation Taiwan	307,524	2
Subtotal	2,339,506	
Emerging market shares and unlisted equity securities		
Taiwan High Speed Rail Corporation	1,917,812	9
CDIB Partners Investment Holding Corporation	647,854	5
Industrial Bank of Taiwan	567,424	4
Taiwan Rolling Stock Co., Ltd.	223,792	19
Overseas Investment & Development Corporation	51,774	6
CDIB BioScience Ventures I, Inc.	21,094	5
Mega I Venture Capital Co., Ltd.	7,396	3
Phalanx Biotech Group	6,045	6
Subtotal	3,443,191	
Foreign investments		
Listed shares		
Maruichi Steel Tube Ltd.	1,360,573	2
Yodogawa Steel Works, Ltd.	238,140	1
Subtotal	1,598,713	
Unlisted equity securities		
Nacional Mineros S.A.	2,626,950	1
Dongbu Metal Co., Ltd.	1,047,411	5
Sakura Ferroalloys Sdn Bhd	1,550,304	19
Formosa Ha Tinh Steel Corporation	5,488,798	5
Subtotal	10,713,463	
Total	18,094,873	
Bond Investments with no Active Market		
Unlisted preference shares – overseas		
East Asia United Steel Corp. - Preferred A	2,646,000	29
Total	2,646,000	
TOTAL	202,280,397	

(Concluded)

¹⁶ 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 and China Prosperity Development Corporation and Info-Champ System Corporation and China Steel Security Corporation.

¹⁷ 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.

¹⁸ 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

C. S. Aluminium Corporation

Chairman: W. J. Su
 President: L. C. Pan
 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
 CSC Holding Proportion: 99.98%

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: 886-7-338-1296
 CSC Holding Proportion: 100%

China Steel Chemical Corporation

Chairman: L. M. Chung
 President: C. M. Lee
 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
 CSC Holding Proportion: 29.04%

China Steel Global Trading Corporation

Chairman: J. G. Liu
 President: S. M. Lee
 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
 CSC Holding Proportion: 99.99%

CHC Resources Corporation

Chairman: M. C. Tai
 President: K. N. Chung
 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
 CSC Holding Proportion: 19.83%

China Ecotek Corporation

Chairman: H. N. Lin
 President: T. Y. Ho
 Main business: engineering, design and construction of
 environmental protection installations
 Address: 8F, No.88, Chenggong 2nd Rd. Qianzhen
 Dist., Kaohsiung City 80661, Taiwan, R.O.C.
 Tel: 886-7-330-6138
 Fax: 886-7-339-4016
 CSC Holding Proportion: 44.77%

China Steel Structure Co., Ltd.

Chairman: M. H. Chen
 President: C. S. Huang
 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
 CSC Holding Proportion: 33.24%

Chung Hung Steel Corporation

Chairman: T. Y. Huang
 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
 CSC Holding Proportion: 40.59%

(as of March 31, 2015)

China Steel Machinery Corporation

Chairman: W. D. Hsu
 President: G. Wang
 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
 CSC Holding Proportion: 73.97%

Gains Investment Corporation

Chairman: H. S. Kao
 President: K. C. Lieu
 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
 CSC Holding Proportion: 99.99%

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
 CSC Holding Proportion: 99.96%

China Prosperity Development Corporation

Chairman: H. 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
 CSC Holding Proportion: 99.99%

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
 CSC Holding Proportion: 99.99%

China Steel Management Consulting Corporation

Chairman: H. 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
 CSC Holding Proportion: 99.99%

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
 CSC Holding Proportion: 50.15%

Dragon Steel Corporation

Chairman: J. Y. 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 Holding Proportion: 100%

Main Businesses and Addresses of Subsidiaries

(as of March 31, 2015)

China Steel Resources Corporation

Chairman: W. T. Yau

Main business: desulfurization slag recycling.

Address: No.38, Yanhai 3rd Rd., Siaogang Dist.,
Kaohsiung City 81264, Taiwan, R.O.C.

Tel: 886-7-331-1018

Fax: 886-7-537-3323

CSC Holding Proportion: 100%

CSC Precision Metal Industrial Corporation

Chairman: M. T. Li

Main business: steel rolling, extrusion, post-processing.

Address: 28F, No.88, Chenggong 2nd Rd., Qianzhen
Dist., Kaohsiung City 80661, Taiwan, R.O.C.

Tel: 886-7-331-1018

Fax: 886-7-537-3323

CSC Holding Proportion: 100%

CSC Steel Sdn. Bhd.¹⁹

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

CSC Holding Proportion: 45%

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

CSC Holding Proportion: 51%

China Steel Precision Materials Corporation¹⁹

Chairman: S. C. Wang

President: T. L. Chang

Main business: pure titanium, titanium alloy,
nickel alloy, mold steel

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

Tel: 86-519-89610128

Fax: 86-519-89610120

CSC Holding Proportion: 70%

China Steel Corporation India Pvt. Ltd.

Chairman: C. H. Lin

President: W. J. Lai

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

CSC Holding Proportion: 100%

Qingdao China Steel Precision Metals Co., Ltd.¹⁹

Chairman: H. T. Sung

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

CSC Holding Proportion: 60%



United Steel Engineering and Construction Co., Ltd.¹⁹

Chairman: H. T. Sung

President: S. H. Liou

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

Address: No.168, Shuanghua Road, Huaqiao Economic
Development Area, Jiangsu, CHINA

Tel: 86-512-57601373

CSC Holding Proportion: 80%

¹⁹ China Steel Corporation's investment is through China Steel Asia Pacific Holdings Pte. Ltd.



HEAD OFFICE

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

Tel: 886-7-802-1111

Fax: 886-7-802-2511, 801-9427

Web-site: <http://www.csc.com.tw>

CHINA STEEL BUILDING

88, Chenggong 2nd Rd., Qianzhen, Kaohsiung 80661, Taiwan, Republic of China

Tel: 886-7-337-1111

Fax: 886-7-537-3570

TAIPEI LIAISON OFFICE

Room A, 28F, Taipei 101 Tower, 7, Sec. 5, Xinyi Rd., Xinyi, Taipei 11049, Taiwan, Republic of China

Tel: 886-2-8758-0000

Fax: 886-2-8758-0007

SINGAPORE OFFICE

#14-01 MAS Building, 10 Shenton Way, Singapore 079117

Tel: 65-6223-8777~8

Fax: 65-6225-6054

OSAKA OFFICE

1F, Osaka U2 Bldg., 4-7 Uchihonmachi 2-Chome, Chuoku, Osaka 540-0026, Japan

Tel: 81-6-6910-0888

Fax: 81-6-6910-0887

INDIA OFFICE

S-3 Level, Block-E, International Trade Tower, Nehru Place, New Delhi 110019, India

Tel.: 91-11-4057-3739

Fax: 91-11-4057-3741

