

2015

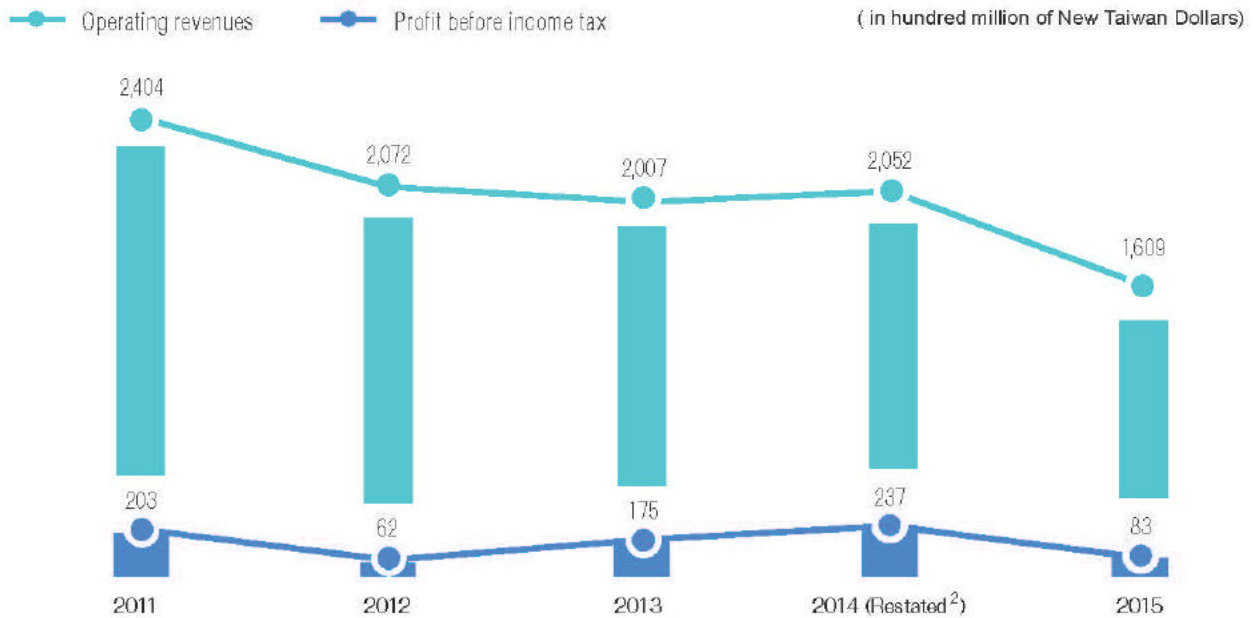
OPERATION REPORT



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Highlights of Operating Results

Operating revenues and profit before income tax¹



¹ The financial statements in 2011 were compiled according to ROC GAAP. Those starting from 2013 were compiled according to the IFRSs (IFRS, IAS, IFRIC Interpretations, and SIC Interpretations). The 2012 financial statements were recompiled retroactively.

² Starting from January 1, 2015, China Steel Corporation^a applied the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the IFRSs. Therefore, some items in the standalone financial statements in 2014 were adjusted to reflect the effects of retroactive application of the above regulations, standards, and interpretations.

		2015	2014 (Restated)
Operating revenues	(Millions of New Taiwan Dollars)	160,909	205,160
Operating costs and expenses		155,981	191,641
Profit from operations		5,154	13,225
Profit before income tax		8,316	23,656
Employment costs ³		17,174	19,723
Depreciation		18,599	19,444
Interest expenses net ³		1,720	1,802
Total assets		464,400	464,250
Capital expenditures		8,948	13,751
Equity		294,321	304,675
Output of steel products	(Thousands of metric tons)	8,142	9,041
Sales volume of steel products		9,528	9,677
Number of employees ⁴		10,251	10,107
Return on sales	(%)	5.17	11.53
Return on equity ⁵		2.54	7.45

³ Excluding capital expenditures

⁴ As of the end of the calendar year

⁵ Based on net income

Chronology of Major Events

1988

1988

April 30, 1988

Phase III is completed. Capacity⁷ reaches 5.652 million tons⁸ per year.

1984

1984

July 1, 1984

Phase III construction commences.

1982

1982

June 30, 1982

Phase II is completed. Capacity⁷ reaches 3.25 million tons⁸ per year.

1978

1977

1977

December 16, 1977

Phase I is completed, with capacity⁷ of 1.5 million tons⁸ per year.

July 1, 1977

CSC becomes a state enterprise.

1978

July 1, 1978

Phase II construction commences.

1975

1975

September 15, 1975

Head office relocates to Kaohsiung. Plant Site Office closes.

1974

1974

December 26, 1974

CSC stock is listed on Taiwan Stock Exchange Corporation.

1972

1972

September 16, 1972

Kaohsiung Plant Site Office is established.

1971

1971

December 3, 1971

CSC is officially registered, with head office located in Taipei.

2013

2013

October 22, 2013

China Steel Building is inaugurated.

March 5, 2013DSC's stage II phase 2 expansion project is completed. CSC Group's⁹ capacity⁷ reaches 15.86 million tons⁸ per year.

2010

2010

June 30, 2010DSC's stage II phase 1 expansion project is completed. CSC Group's⁹ capacity⁷ reaches 13.36 million tons⁸ per year.

2008

2008

October 6, 2008Dragon Steel Corporation¹⁰ becomes a wholly owned subsidiary of CSC.

2006

2006

November 22, 2006

Groundbreaking for the China Steel Building takes place.

1998

1998

June 2, 1998CSC Group's⁹ corporate identity system is formally introduced to the public.**April 15, 2006**Annual production capacity⁷ is officially raised to 9.86 million tons⁸ owing to success in equipment renovations and improvements carried out over the years.

1997

1997

May 31, 1997Phase IV is completed. Capacity⁷ reaches 8.054 million tons⁸ per year.

1995

1995

April 12, 1995

CSC is privatized.

1993

1993

July 15, 1993

Phase IV construction commences.

⁶ Hereinafter also referred to as "the Corporation", "the Company" or "CSC".⁷ In terms of crude steel.⁸ All references to "tons" mean metric tons of 1,000 kilograms.⁹ Hereinafter also referred to as "The group".¹⁰ Hereinafter also referred to as "DSC".

An Overview of the Business Situation



Chairman Jyh-Yuh Sung

The major issues that the international steel industry faced in 2015 were :

1. Continuously weak global economy :

On January 19, 2016, the International Monetary Fund (IMF) published the 2015 global economic growth rate to be 3.1%, which was lower than that of 2014 (3.4%). The main reasons were because of the slowing down of the economic activities and adjustments for re-balance, shifting of the focus from investment and production industries to consumption and service industries, and the decrease of energy prices and other commodities in China; furthermore, while tight monetary policies were adopted for the recovery of the U.S. economy, loose ones were adopted in other major developed economies.

2. Obstacles in the growth of steel demand :

On October 12, 2015, World Steel Association (worldsteel) published the Short Range

Outlook, its autumn report, stating that the willingness to inject investment in the steel industry was weak, and that there were obstacles hindering the growth of demand owing to turbulent financial markets and regional political conflicts, etc. It also reported on April 13, 2016 that the global apparent use of finished steel in 2015 was 1,500 million metric tons, which was decreased by 3.0% compared with that of 2014.

3. The first decrease of global steel production in the past six years :

worldsteel also published on January 25, 2016 that the global crude steel production for 2015 was 1,622 million metric tons, which was decreased by 2.8% compared with that of 2014. The average capacity utilization rate dropped below 70%. It was merely 69.7%, which was lower than that of 2014 (73.4%).

4. Plunges of steel prices : World Steel



President Horng-Nan Lin

Horng-Nan Lin

Dynamics (WSD) stated that there was a death spiral in steel prices; therefore, their recovery would be hard.

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

1. Insufficient momentum for domestic economic growth: On February 17, 2016, the Directorate General of Budget, Accounting and Statistics (DGBAS), Executive Yuan, R.O.C. published the 2015 economic growth rate in Taiwan to be 0.75%, which was not only a significant drop in comparison with that of 2014 (3.92%), but it also reached the lowest point after the 2008 financial crisis. The main causes were because both export and domestic consumption in the second half of 2015 were lower than expected.

2. Slumped demand of steel: According to the

statistics published by worldsteel, there was a 10.3% decrease of the apparent use of finished steel in Taiwan in 2015 in comparison with that of 2014.

3. Unfavorable factors and challenges :

Continuous invasions of low-priced steel products, lack of industries consuming large amounts of steel, regional trade barriers, impact of anti-dumping suits on steel export, and stringent rules and regulations on environmental protection were challenging issues the domestic steel industry faced.

CSC's 2015 operating revenues amounted to NT\$160,909 million, which was 21.57% less than that of 2014 mainly due to the decrease of both sales and average sales prices of steel products. Gross profit in 2015 was NT\$12,398 million, which was 43.08% less than that of 2014 mainly owing to the fact that the decrease of the unit prices of steel products was more than that of the unit

costs. The non-operating income in 2015 was NT\$3,162 million, which was 69.69% less than that of 2014 and mainly attributable to the decrease of the share of the profit from the subsidiaries and affiliates recognized under the equity method. Net income in 2015 amounted to NT\$7,605 million, which was 65.64% less than that of 2014.

CSC's 2015 operating directives included four key points:

1. Enhancement of the cost advantage and increase of profit in addition to maintaining CSC's core businesses:

Scientific methods were applied in raw material utilization and mixes, improvement of production processes, research and development of new technology, upgrades of quality, improvement of management, etc. to systematically reduce costs. A reduction of NT\$4,835 million in costs was achieved in 2015.

2. Innovation of technological capabilities, addition of value, and expansion of sales:

Distribution channels were proactively planned and sought to secure customers and establish steady sales channels. High-grade and strategic steel products were developed continuously. Sales for high-grade steel products accounted for 56.31% of the total sales in 2015.

3. Development of the engineering business to expand CSC's scope of businesses:

CSC has been actively involved in the light rail,

MRT, wind power, and green energy industries. It has carried out the EPC construction project of Phase 1 of the Danhai Light Rail Transit System, completed the installation of the met mast of the Southern Weather Observation Tower, the Offshore Wind Power Energy Project of Taiwan Power Company at Changhua, and established the Wind Power Technology Center to demonstrate the autonomous technologies needed for the development of its wind power business.

4. Rebuilding of the culture of industrial safety to reach the goal of zero major occupational accidents:

Many safety and health management activities were held to enhance all employees' awareness on safety, including counseling and tracking contractors to establish their culture of industrial safety and implement it to ensure the safety of CSC employees and those of the contractors to achieve the aforementioned goal.

In prospect, the IMF published the 2016 global economic growth rate to be 3.4%. Nonetheless, there are still downside risks in terms of the global economy, and the impact is particularly noticeable in emerging markets and developing economies. The DGBAS also published the 2016 economic growth rate in Taiwan to be 1.47%, which resulted from weak external demand. worldsteel estimated the global apparent use of finished steel to be a negative growth rate of 0.8% in 2016. It seems that there are still challenges regarding growth in steel demand. As for steel supply, WSD also published

on February 16, 2016 that global crude steel production would reach 1.572 billion metric tons, which was 2.9% less than that of 2015. Major steel plants have continued to massively cut production in the past two years because of unbearable losses, which eased the pressure of oversupply. In addition, the prices of coal and iron ore have dropped because supply surpassed demand. Both of the aforementioned factors have facilitated steel plants to relieve them of their operational costs; however, there remains tremendous pressure in the global steel market owing to excessive production capacity and steel production. Since the growth in demand remains slow, which makes it hard to bridge the gap between supply and demand, the degree of rebounds in steel prices will be limited.

To enhance CSC's long-term competitiveness, it has mapped out its 2016-2020 operation and development strategies for the steel business as follows: 1. succession of the corporate culture, promotion of career development, establishment of the LOHAS environment, and promotion of the Group's image, 2. enhancement of lean customer services, strengthening of strategic partnership, consolidation of the sales position in the domestic market, and expansion of the export distribution channels, 3. integration of the deployment of Group resources, mapping out of the green industry, investment in the deep processing territory, and increase of the self-sufficiency rates of raw materials, 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, light rail business, and exploration of the engineering business, and 6. value and quantity expansion of the Group's products, continuous reduction of costs, improvement of energy conservation and environmental protection, and enhancement of safety and health.

Based on the 5-year operating strategies, directives for 2016 include: 1. Diversified planning to boost profits, 2. advancement of the steel business by reducing costs, 3. formation of industrial alliances to strengthen competitiveness, and 4. being powerful in the light rail and wind power industries by integrating CSC's engineering capabilities. Targets for 2016 include: 1. reduction of costs equals to or exceeds NT\$3.8 billion, 2. delivery of steel products equals to or exceeds 9.20 million tons, 3. orders for premium products equal to or exceed 5.80 million tons, 4. revenue from external engineering businesses equals to or exceeds NT\$2.3 billion, and 5. no cases of major occupational accidents.

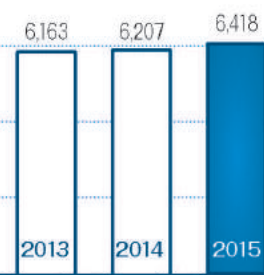
Production and Sales



No.4 blast furnace

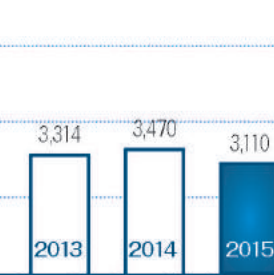
Domestic sales of steel product

(in thousand tons)



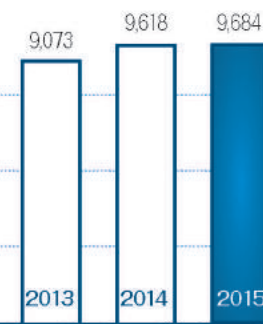
Export sales of steel product

(in thousand tons)



Crude steel production

(in thousand tons)





Pure Titanium coils



Titanium alloy wire coils



Wire rods

Production and Sales

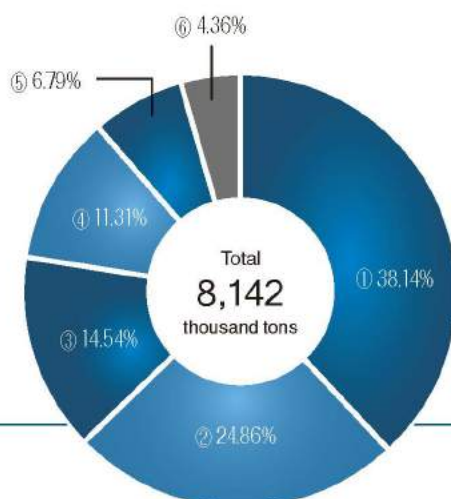
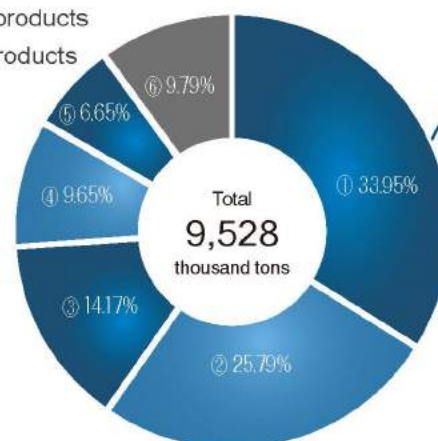
Production of molten iron was 9.460 million tons, and that of liquid steel was 9.684 million tons in 2015. Sales volume of CSC's steel products in 2015 decreased by 1.54% from the 2014 level to 9.528 million tons, 67% of which was domestic sales and 33% of which was overseas sales. Production of steel was 8.142 million tons, which was 9.94% less than that of 2014. The decrease was mainly because the steel market was sluggish, the actual orders did not meet expectations as planned, and downstream producers collaborated on their production to reduce stock.

In terms of raw materials, the price of coal continued to plunge because there was more supply than demand in the international coal market, and the steel market remained stagnant. According to the information provided by Platts, the price of premium low volatility coking coal fell

from US\$119/MT on January 2, 2015 to US\$81.5/MT on December 31, 2015, the decrease of which was 32%. In terms of iron ore, because of the stagnant international steel market, the demand remained relatively low; however, the three major

Percentage of steel sales volume by product, 2015

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



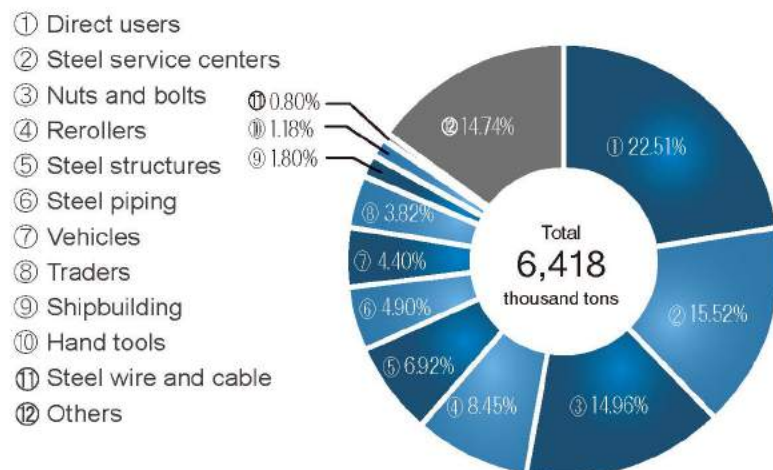
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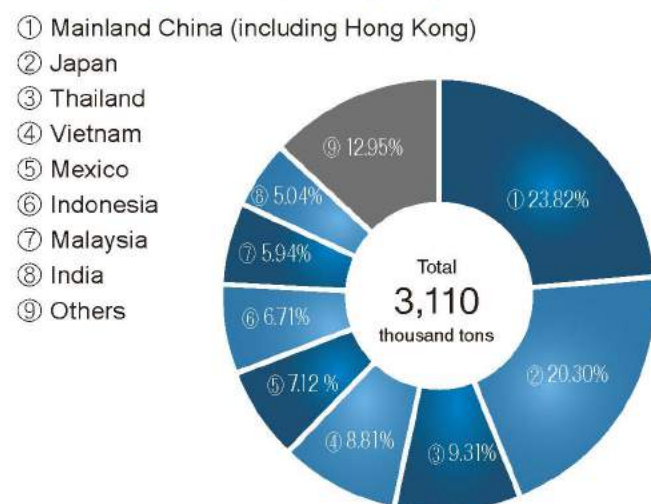


CSC was granted the new version of the ISO/TS 16949 : 2009 certification (quality management systems for the international automotive industry).

Percentage of domestic sales by industry, 2015



Percentage of export by region, 2015



iron ore miners continued to expand their production as planned, which resulted in oversupply. According to the information provided by Platts, the spot price of IODEX 62% Fe dropped from US\$71.75/MT on January 2, 2015 to US\$43.25/MT on December 31, 2015, which was a 40% decrease for the whole year.

CSC generated 57.94% of the electricity it required in 2015; it was more than the amount in 2014 (56.75%) because of the increase of self-produced fuel as well as 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 5,596 million calories, which was 147 million calories less than that in 2014 largely because the production in 2015 was more than that in 2014, 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



A reclaimer at a sinter plant



The No. 2 inspection line at Rolling Mill Department III



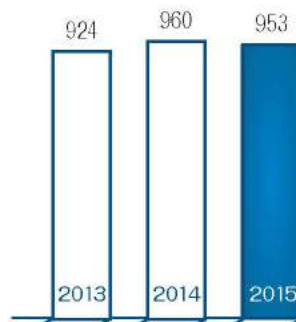
Automatic 3D warehousing systems at the No. 3 Cold Rolling Mill

Sources of coking coal, 2015



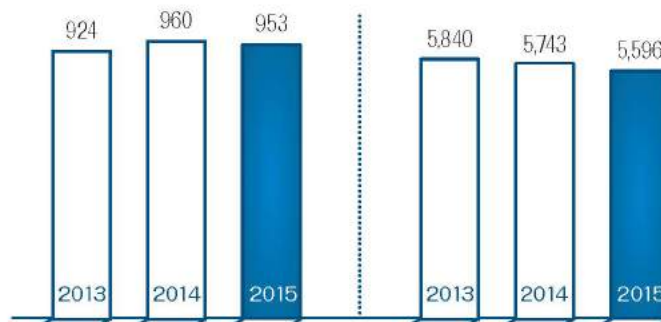
Output per employee in terms of crude steel

(in tons)

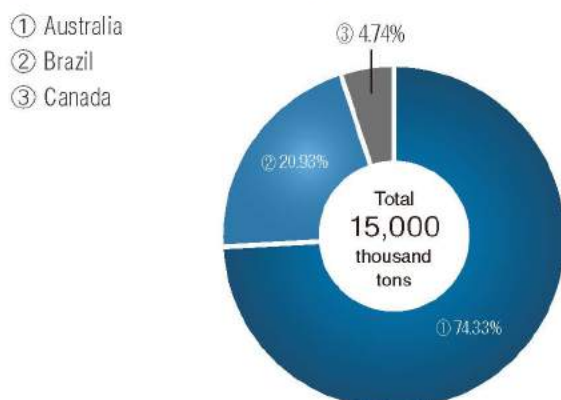


Energy consumption per ton of crude steel

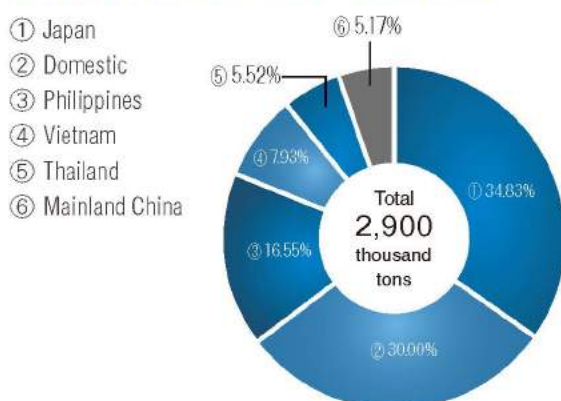
(in million calories)



Sources of iron ore, 2015



Sources of flux materials, 2015



excess quantities of self-produced gases such as steam, oxygen, nitrogen, and argon, which amounted to NT\$1.91 billion, a 30.80% decrease compared with those of 2014, which was due to the decrease of production by China Petrochemical Development Corporation's Siaogang plant, the decrease of consumption owing to the annual maintenance of CPC Corporation's Dalin Refinery, and the drastic plunges of energy prices. The quantity of sales of steam in 2015 was 1.578 million tons, which was 121,000 kiloliters of oil equivalents in terms of energy conservation. 362,000 tons of CO₂, 1,153 tons of SO_x, 799 tons of NO_x, and 114 tons of particulate matters were reduced if converted to benefits in reduction of air pollution and greenhouse gas emissions annually.



No.3 Reversible Cold Rolling Mill



Production of molten iron at a blast furnace

Key tasks and results of quality management in 2015 were listed as follows:

1. New Product Development: fifty-eight new products were developed in 2015, which set a new record. Some highlights included:

- (1) Steel plates:** The development of EN10025 S355ML, 95mm structural steel for use in offshore wind turbine towers, was completed. It can be applied to construct mono-pile offshore wind turbine structures.
- (2) Bars and wire rods:** The development of high cleanliness SAE 9254 spring steel was completed. Its fatigue resistance can reach up to the design stress of 1,900MPa.
- (3) Hot rolled products:** The development of JSH780Y, high strength dual-phase automobile steel with a low Y/T ratio, was completed. It has already passed hydroforming tests.
- (4) Cold rolled products:** The development of CSC CR1900T, hot stamping steel, and JSC 1180Y, cold rolled high strength steel for automobile structural uses, was completed. These products will expand CSC's position in the hot stamping and automobile structure steel markets.
- (5) Hot-dip galvanized products:** The development of environmentally-friendly UL (universal lubricant) products with high lubricity and low wear resistance was completed in response to the material demand due to the extended utilization years of refrigerator slides for CSC's Japanese customers. These products enabled CSC to successfully enter the Japanese refrigerator slide market; domestic customers also switched to adopt

these products instead of the old ones around the same period.

- (6) Electrical steel:** The successful development of 50CS230, premium non-grain oriented (NGO) electrical steel with the thickness of 0.50mm, was completed, which also represented the full specification development of CSC's NGO electrical steel.
- (7) Special alloys:** The development of ASTM 2205, medium thick plates, and SUS329, dual phase stainless steel, was completed. Edge bursts and surface cracks had been significantly improved by controlling reduction ratios in rolling. In terms of bars and wire rods, the development of A286, a nickel alloy for industrial fasteners, Ni200M, industrial welding wire rods with corrosion resistance, and ASTM B863 Gr.9, a titanium alloy for eyeglass frames, was completed. In terms of hot rolled products, the development of Incoloy 800H, a Fe-Ni based superalloy, was completed. Its high temperature resistance and creep resistance are better than those of 310S stainless steel, which enables CSC to enter the high value-added special alloy market.

2. Technological Advancement of Production Processes

- (1) Steelmaking:** The development of the new converter two-slag process smelting technique effectively reduced the amount of lime used and the output of converter slag. Furthermore, both the establishment of the ultrasonic tests for inclusions and evaluation of microporosity in the centers of billets facilitated the development of extra thick steel plates. The reject rate of the tears

on steel plates was reduced from 5.39% to 0.25% with the applications of secondary cooling spraying through improved continuous casting, advancement of production, and slab inspection.

(2) Production of bars and wire rods: In the production of steel for slides, decarburized layers were effectively improved by low-temperature rolling, control of the furnace atmosphere, optimized scheduling systems, etc. The converted annual benefits amounted to NT\$ 9.76 million in 2015.

(3) Hot rolling: There were significant results of cost cuts by improvement of loosened scales of hot rolled products in laser-cutting, hole defects of electrical steel in cold rolling, and surface grinding in finishing, decrease of rejects of hot rolled coils owing to insufficient weight, etc.

(4) Cold rolling: The edge waves of CQSF products from the No.2 CAL (continuous annealing line) as well as the objects which were rolled in from the No.3 CAL were improved, which resulted in the promotion of product yield and reduction of customer complaints and costs of reject losses.

(5) Hot-dip galvanized products: The integration and dynamic production process control of bake hardening steel were completed. The integration of the European, American, and Japanese standards of the compositions of bake hardening steel was advantageous for destocking and the conversion of billets, which would be originally made into steel plates, into other products internally and externally. The dynamic control of the coiling temperature, annealing temperature, and tempering rate was carried

out according to the carbon contents for grouping in order to optimize the mechanical properties of bake hardening steel as well as storability and enhance pass rates in steelmaking.

(6) Electrical steel sheets: One annealing process was utilized to enhance the tempering rate on semi-processed electrical steel sheets.

3. Certification of Management Systems

The regular follow-ups of ISO9001, ISO/TS16949, and QC080000 were completed. The certification of the addition of hot rolled product items in Malaysia was granted to CSC. The annual product inspections in Thailand, Malaysia, Indonesia, and India were also completed. All of the aforementioned certification not only confirmed the effectiveness of CSC's quality management system but also unblocked the sales channels for steel plates, bars and wire rods, cold rolled products, hot-dip galvanized products, and electrical steel sheets, which was advantageous for the expansion of the Southeast Asia markets.

Research and Development (R&D)



The Joint Auto Steel Research Lab established by CSC, Hongli Auto Parts Co., Ltd and Changchun Engley

Abundant R&D results had been accomplished in 2015. 58 new products were developed in 2015, which set a new record. Sales for high-grade steel products accounted for 56.31% of the total sales, which surpassed those in 2014 (51.39%) and greatly enhanced CSC's competitive advantage in promoting product differentiation.

Regarding patent applications and certificates, CSC filed applications for 150 patent cases and ranked the 12th, and was granted patent certification for 275 cases, which ranked the 10th among the top 100 patent recipients in 2015 according to the Intellectual Property Office, MOEA. CSC was the only corporation among the top 10 patent recipients that is in the traditional

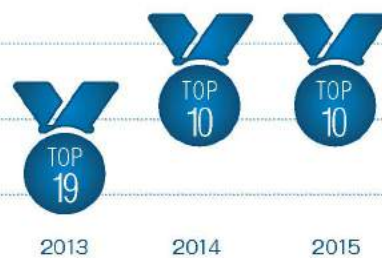
The Trends of the Patent Applications and Certification



The ranking of the top 100 applicants



The ranking of the top 100 certificate recipients





The Advanced Specialty Alloys Engineering Research Center established by CSC and National Tsing Hua University



CSC was granted the 18th Outstanding Photonics Product Award.



The Forging and Roll Forming Engineering Research Center established by CSC and the National Kaohsiung University of Applied Sciences

industry. In addition to paying attention to the development of intellectual property and being dedicated to filing for patents, CSC organized a promotion team for patent authorization to gain greater economic benefits and demonstrate the added value of patents so that it could gradually maximize the commercial value of patents.

In terms of the upgrade of the steel industry, three significant results are listed as follows: 1. CSC established a Joint Automotive Steel Laboratory with Hongli Auto Parts Co., Ltd and Changchun Engley in December, 2015. The three parties will work closely in the development of hot stamping parts and establishment of the application technology of automotive steel. 2. CSC has cooperated with Corporate Synergy Development Center to continue to promote Taiwan Excellent Hand Tool Development Association. A joint production and sales cooperative platform was established by Brighton-Best International and eight hand tool manufacturers, and there have been 382 enterprises so far. 3. CSC established the Forging and Roll Forming Engineering

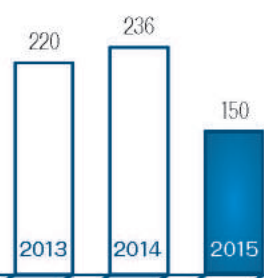
Research Center with the National Kaohsiung University of Applied Sciences (KUAS) in August, 2015 to promote material development and processing applications and facilitate hand tool enterprises to reach the goal of heightening the value and differentiation of their products.

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

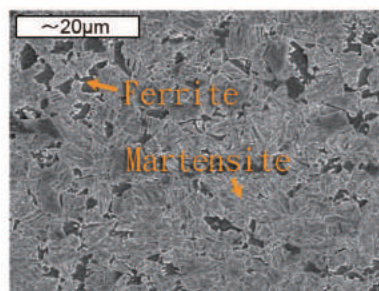
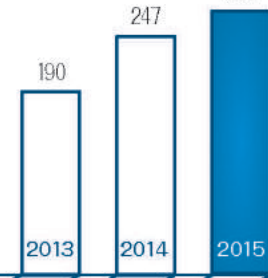
1. Development of JSC1180Y

It is a type of automotive steel with ultra-high strength, which has met the highest JFS Standard and is considered to be the best cold rolled automotive steel. CSC has had the cold rolling control technology to produce this high hardening steel. It has successfully produced steel coils with corresponding properties, which has laid a good foundation for the development of advanced high strength steel and enabled CSC to be a member of the advanced global steel plants.

Number of applications



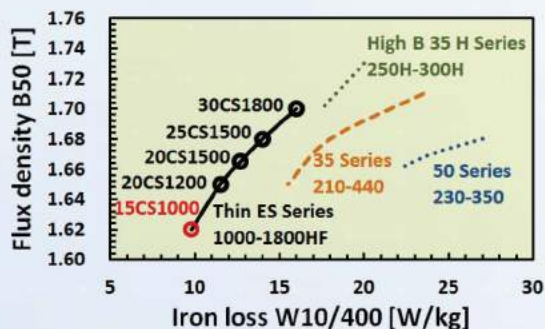
Number of certificates



Martensite and a small amount of ferrite on the microstructures of auto steel JSC1180Y

2. Development of 15CS1000HF

It is a type of thin electrical steel sheet which can be applied to make motors in machine tools with high frequency spindles hybrid vehicles, and electric vehicles. In response to the demand for low high-frequency iron loss, CSC has developed 15CS1000HF, which is extremely thin, by studying the effects that the whole production process has on its texture, microstructure, high-frequency iron loss, and magnetic flux.



3. Development of hot-dip galvanized products with chromium-free lubricating coatings

Lubrication and abrasion resistance functions were introduced in products with chromium-free lubricating coatings besides their excellent corrosion resistance. CSC has applied its self-developed chromium-free passivated paint on its steel products qualified in slide forming, assembly, and performance testing from customer feedback. CSC will continue to promote its products in the slide market.

4. The establishment of the plate cooling system for direct quenching

Rapid cooling production technology was developed to facilitate the installation of the plate cooling system for direct quenching in the Plate Mill in October, 2015 with the completed hot run. The cooling rates were significantly increased after the system was established in the Plate Mill, which enabled CSC to produce offshore structures with high toughness and vessel steel plates.

5. The application of the high-efficiency flue gas desulfurization technology in the No.3 sinter plant

In response to the stringent sintering air emission control standards, CSC adopted the wet magnesium oxide process and used the drained water from the water plant as desulfurization water to undergo the pilot study. The core technology for high-efficiency flue gas desulfurization has been developed and transferred to the sinter plants. The efficiency of desulfurization was stable and over 96%, and the issue of SO_x emissions, which had met stricter emission standards, was solved.

6. The establishment of the BOF slag modification technology

A hot stage BOF slag modification station has been built, and many slag modification techniques have been developed. The modified slag has been tried and applied to make tetrapods, asphalt concrete, railway ballast, high pressure concrete tiles, etc. In the future, its applications will be expanded for the sustainable operations of the reutilization of BOF slag.



Three-part closet slides — an application of the hot-dip galvanized chromium-free lubricating coatings

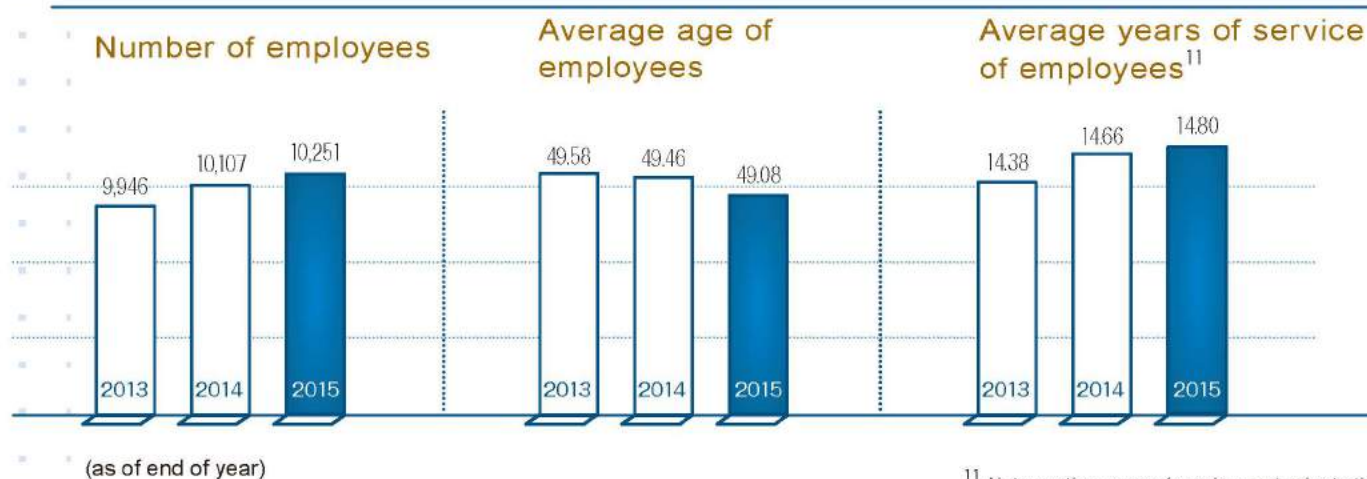


An injector at a modification station

Employee Relations and Human Resource Development



Steel Cup Slow-pitch Softball Invitational Tournament



¹¹ Not counting years of employment prior to the privatization of the Corporation on April 12, 1995

As of the end of 2015, there were 10,251 employees at CSC. Their average age was 49.08 years. Among the 10,251 employees, 10,160 (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.

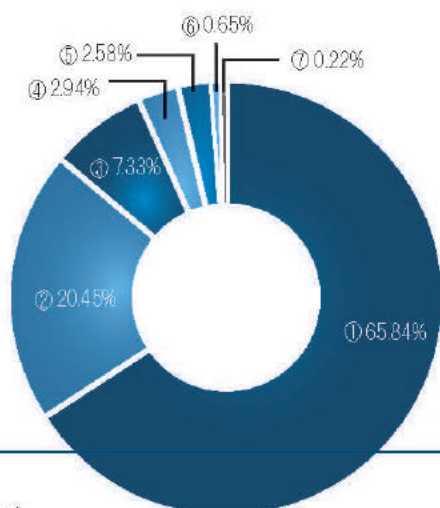
— Advancement of the corporate culture

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 2015 were listed as follows:

1. Enhancement of the industrial safety culture: The resolutions of the CSC Corporate Culture Committee are implemented thoroughly. For example, crane operators must not use their cellphones while in operation, and CSC employees and contractor workers must take part in physical simulated training.
2. CSC cooperated with National Cheng Kung University and National Sun Yat-sen University, respectively, to hold management programs for middle-ranking executives. "Corporate culture" was the theme of their reports at the end of the programs to allow them to gain awareness of the corporate culture of the Group.
3. Twelve sessions of corporate culture classes were held for new recruits.
4. Receptions in the form of a tea party were

Breakdown by employees' position level, 2015

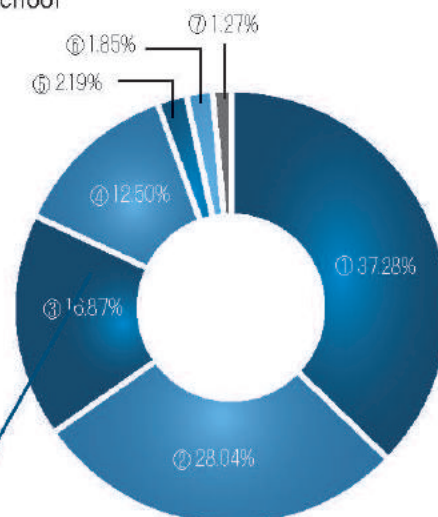
- ① Blue-collar workers
- ② Professional and specialists
- ③ Fourth echelon supervisors
- ④ Third echelon supervisors
- ⑤ Second echelon supervisors
- ⑥ First echelon supervisors
- ⑦ Executives



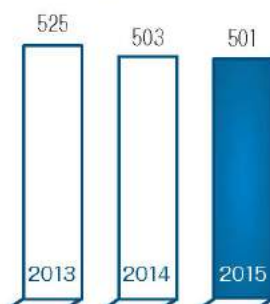
(as of end of year)

Educational background of employees, 2015

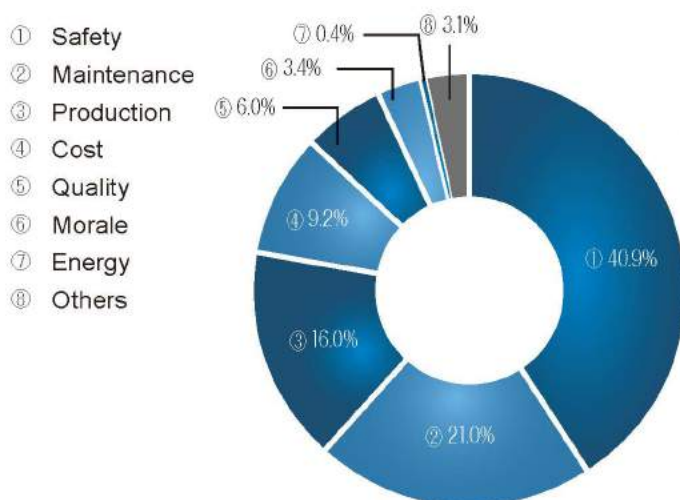
- ① Senior high (Vocational) school
- ② Bachelor's degree
- ③ Master's degree
- ④ Junior college
- ⑤ Junior high school
- ⑥ Doctor's degree
- ⑦ Elementary school



Cases completed by creative development activities



Cases completed by creative development activities by subject matter, 2015



held for mentors and new recruits so that mentees (apprentices) could feel the care and warmth from their mentors, which would facilitate succession of techniques.

- Twelve sessions of seminars related to arts were held for the Group's executives in the hope of establishing the concept of empathic thinking, which would help the establishment of consensus.
- Mountain climbing activities were held for high-ranking managers to strengthen the practice of CSC values.
- To cultivate good corporate culture, employees are informed to obey the guidelines for accepting gifts, treats, entertainment and banquets, and lobbying.

— Succession of manpower

- 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 of the departments.



CSC Group wedding ceremony



A recreational activity held in 2015



Drawing lots to decide the pre-sale of apartments in the CPDC Qianzhen Residential Building



A farewell party held for retirees



CSC sponsors integrated classes on electrical and electronic engineering held at National Hualien Industrial Vocational Senior High School.

Recreation Center of the CSC Group



The gym in the recreation center



The cafeteria

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 experiences 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 National Cheng Kung University, 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.

— 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

Celebration of the 44th anniversary of CSC



Crowds at the anniversary celebration site



A jogging race



A community fair

and knowledge management, professional expertise and quality control, 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. Selected engineers were sent abroad to conduct a one-year special research project on engineering. Selected technicians were sent to College of Industrial Technology in Amagasaki, Hyogo, Japan to attend two-year programs. Middle-ranking executives took part in the “Management Training Program” and “Assessment Center.” Cultural orientation classes were held for dispatched personnel while educational training classes were held for new recruits. Moreover, knowledge management forums, sharing of training knowledge, and professional training courses regarding free software, the laws, quality control, electrical and mechanical research, environmental protection, and safety and health were also held. In 2015, each employee averaged 28.6 hours of classroom work and 2.4 hours of e-learning. To fulfill the manpower needs for CSC’s diversification and globalization, CSC sent employees (116 person-times) to overseas steel plants, academic institutions, and business organizations to study related professional technology and management courses in 2015.

In 2015, CSC reaped more than NT\$ 57,000,000 in benefits from its Creative Development Activities (CDA) and more than NT\$ 80,000,000 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 2015, CDA involved 597 “quality circles” with 5,610 participants (88.0% of the blue-collar personnel of the departments concerned). As for the Employee Suggestion System, a total of 24,454 suggestions had been made in 2015 and 24,340 (99.5%) 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 CSC Labor Union. 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 CSC 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 CSC employees and job applicants.

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 loans 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.

To offer complete dining services to employees who work in the China Steel Building, CSC has built a recreation center next to the China Steel Building. It was officially opened in October, 2015. In addition to the employee restaurant and bookstore on the second and third floors, respectively, an employee gym is located on the fourth floor. The gym is equipped with all kinds of fitness equipment, and professional fitness coaches are hired to provide employees and their family members a variety of leisure activities.

To take care of and keep the talents CSC needs, China Prosperity Development Corporation (CPDC) has implemented the construction of CPDC Qianzhen Residential Building, which is near the China Steel Building, since September, 2014. One hundred and sixty-three pre-sale condominiums have been allotted to CSC employees.

In response to the addition of new recruits, CSC and DSC jointly hold group weddings for them regularly. In addition, CSC holds its anniversary celebration annually to enhance a sense of unity.

As of the end of 2015, 484 activities/group events with 18,135 participants were sponsored by 43 clubs. In addition, to let employees and their family members better understand CSC to strengthen the interaction among them, CSC set up the regulations to promote good neighborliness. 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 10,115 participants took part in activities planned by various departments and units. To thank the employees for their hard work for the whole year, CSC has commissioned each department or unit to hold year-end dinner parties; 10,274 employees attended those parties in 2015.

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



A hoopoe perching in a tree (an example of the excellent result of greening at CSC)



CSC was granted the Green Enterprise Award by BSI.



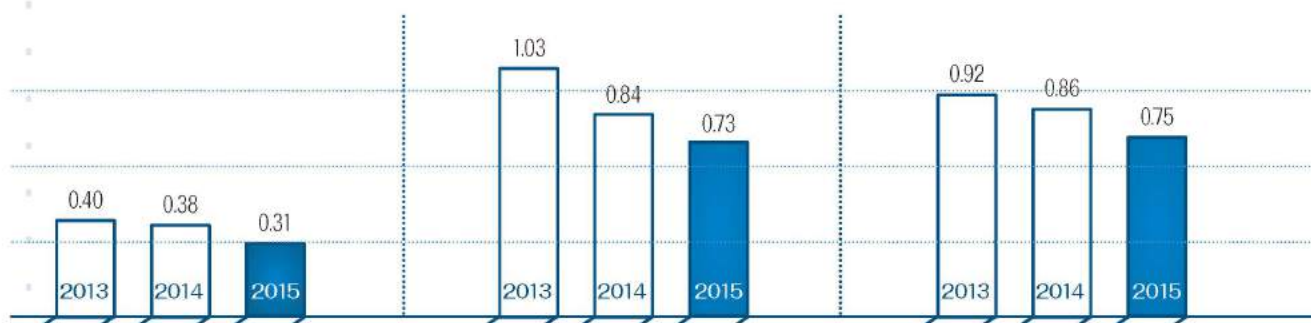
The lease for organic rice farming by employees of the CSC Group in the Morakot post-disaster reconstruction areas

Air Quality

Particulate emission
(Kg/mt of crude steel)

SO_x emission
(Kg/mt of crude steel)

NO_x emission
(Kg/mt of crude steel)



Energy Conservation 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 CSC's vision. It has set up the goal of "two lows and one high — low carbon emissions, low pollution, and high value."

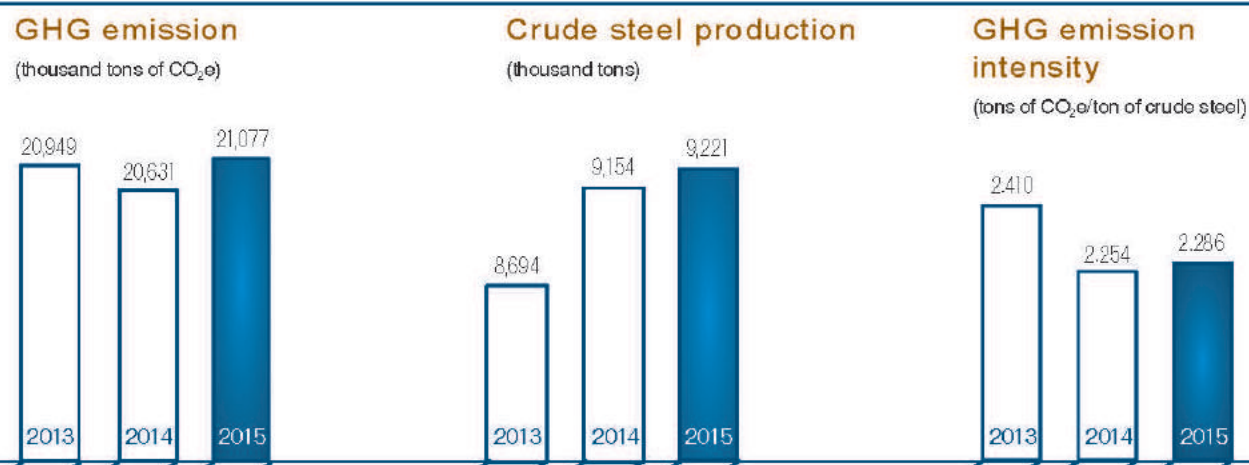
Greenhouse gas (GHG) emissions of business as usual will serve as the baseline to plan the target for the reduction of carbon emissions and promotion strategies. Concrete measures include implementation of internal energy conservation and reduction of carbon emissions, applications of new forms of energy with low carbon emissions, the integration of regional energy and resources, continuous investment in research and development of breakthrough technologies, etc.

Key tasks and results of energy conservation and environmental protection

in 2015 were listed as follows:

1. Energy conservation services: The CSC Energy Conservation Service Corps was established in 2007 to offer energy conservation services outside CSC. In 2015, it had carried out energy diagnosis and audit services for the Dahu Plant, Oriental Union Chemical Corporation and Yuan Long Stainless Steel Corp.
2. Continuous promotion of "Energy Conservation Project 2015": CSC aimed at saving 240,000 kiloliters of oil equivalents between 2011 and 2015. 132 cases were proposed; 67,000 kiloliters of oil equivalents were saved. A total of 335,000 kiloliters of oil equivalents had been saved in the past five years.
3. In response to MOEA's campaign to save electricity consumption by 1% annually between 2015 and 2019, CSC has actively implemented several electricity conservation projects, including improvement of electricity consumption in fans, pumps, cooling towers,

GHG emission trend





A 20-meter dust protection wall



No.1 waste scrap cutting plant dust collector



The waste water recycling system in the electrogalvanizing lines

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 4.79 m³/ton in 2015; the recycling rate was 98.3%. CSC's saving of water consumption in 2015 was exceptional and had been granted awards of excellence by Water Resources Agency, MOEA for 13 consecutive years.
5. Continuation of the GHG Inventory and management of internal auditing and external certification: The 2015 GHG emissions were 21,077,000 tons of CO₂e; the emission intensity was 2.286 tons of CO₂e/ton of crude steel.
6. Continuous reutilization of CSC's waste resources by water quenching: The operation of reutilization of the waste resources, including BF/BOF sludge, sludge from hot rolling, sludge from cold rolling, used refractories, waste acid

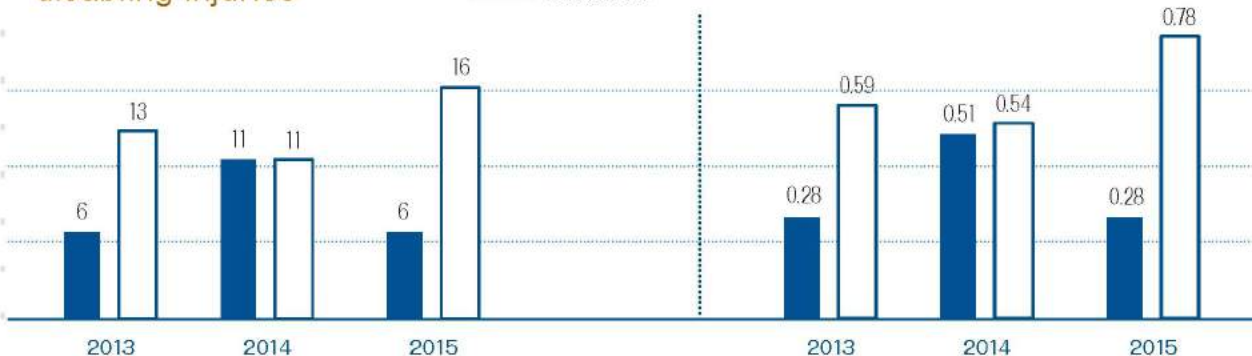
liquids, EP dusts, BF/BOF dusts, IWI fly ash and bottom ash, zinc sludge, chromium sludge, and waste grinding wheels, was carried out.

7. Continuous assistance to the reutilization of the bi-products of the Group: Assistance had been provided to CSC's subsidiaries in reutilizing their bi-products and/or wastes, including tar sludge from China Steel Chemical Corporation, waste vessel oil from China Steel Express Corporation, sludge from hot rolling in Chung Hung Steel Corporation, crystallized calcium carbonate from China Ecotek Corporation, waste acid liquids from China Steel Machinery Corporation, Chung Hung Steel Corporation, and Hung Li Steel Corporation, and reutilization of waste oil from C. S. Aluminium Corporation (CSAC).
8. The tests and reports for particulate, SO_x, and NO_x were completed. The total emission amounts matched the requirements of the environmental impact assessment in 2015. CSC

Occupational Accident Record of CSC

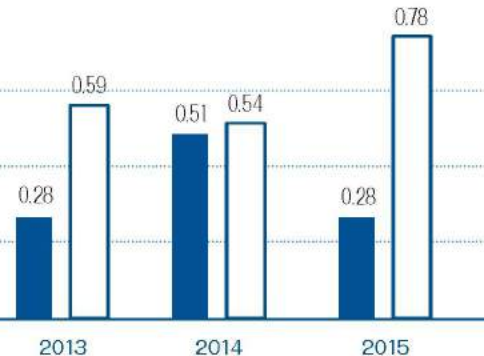
Number of cases with disabling injuries

— CSC
— Contractors



Frequency ratio¹²

— CSC
— Contractors



¹² FR = Number of cases with disabling injuries × 10⁶ ÷ Total number of working hours of the entire company



The rosy trumpet trees along Chung San Road adopted by CSC



Summer Ecology Camps for elementary students



The "Steel Journey" Activity held by CSC in 2015



President Ma Ying-jeou commended CSC for offering its assistance to the Morakot post-disaster reconstruction.



The 2015 King of Wisdom Summer Camp held by CSC



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



General lectures held by CSC for citizens in Kaohsiung



A concert performed by cellist Chen-Chieh Chang for wheelchair users



Recognition of filial piety and granting of meritorious scholarships in Siaogang District

will continue to promote greening inside the plants. The total area of greening has reached 444,236 m²; the greening rate is 8.43%.

9. Honors and awards related to energy conservation and environmental protection: (1) CSC received the Silver 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 the Green Enterprise Award by BSI. (4) CSC was granted the Corporate Citizenship Award by CommonWealth Magazine and ranked the 10th among the large enterprises. (5) CSC received the 100 performance scores in the materials category in the Hong Kong & Southeast Asia Climate Change Report and was listed in the Asian Carbon Disclosure Project Climate

Performance Leadership Index (CPLI) by CDP.

Industrial Safety

Major tasks and results of industrial safety programs for 2015 were listed as follows:

1. CSC passed the 2015 annual follow-ups and reassessment of OHSAS 18001, TOSHMS, ISO 14001, and ISO 50001 verified by the Bureau of Standards, Metrology & Inspection, MOEA.
2. In collaboration with the government's revisions of the Occupational Safety and Health Act and requirements of ISO 50001, seven regulation files regarding internal environmental protection, industrial safety, and hygiene had been revised.
3. In collaboration with the authorized institutions, implementation of the regular inspections of 1,073 pieces of hazardous machinery and

equipment 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 2015.
5. Educational training: (1) Six sessions of educational training on traffic safety were held for 228 participants. (2) CSC held 13 training classes with 78 sessions of various safety licenses for 2,542 licensees on its own. (3) Eight physical simulated training classes with 199 sessions were held for 2,253 participants.
6. Plans for the 2015 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 for those with abnormal physical check-up results. To promote the health of the employees, CSC has held a series of programs, such as management of health examinations, weight loss, health columns, psychological counseling, quarterly lectures on health, and special health campaigns for female employees, with approximately 4,800 participants in 2015. Among them, 232 employees who took part in the weight loss program lost a total of 801.4 kg; the average lost weight was about 3.45 kg per person.

In response to the regulations of the Occupational Safety and Health Act, CSC implemented the Maternal Health Protection Plan in 2015. Health risk assessments were conducted for employees who were in pregnancy, delivered a year ago, or were still breast-feeding after delivery to determine

whether adjustment of work was necessary to achieve the purpose of protecting maternal health. Seven female employees, who were in the first echelon management level, underwent such assessments, and no adjustment of work was required.

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 for their development and sponsor charitable activities in Siaogang District. Its contributions include:

1. It has sponsored equipment and facility upgrades to enhance the students' learning efficiency and greening of the elementary schools in Siaogang District to slow down global warming.
2. It has offered scholarships for meritorious students and tuition assistance to students from disadvantaged families in Siaogang District.
3. It has sponsored various social activities for the communities, associations, and temples in Siaogang District.
4. It has established 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 are invited to participate in the Steel Journey Activity to get a sense of how steel was produced and the measures taken by CSC in energy conservation, reduction of carbon emissions, and environmental protection.
6. Elementary school students in Siaogang District, especially those from disadvantaged families,

are invited to participate in summer camps.

In addition, CSC actively assisted local cultural and artistic activities such as Kaohsiung Spring Arts Festival and others. 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 13,022 participants had been held for employees of the CSC Group and their family members to visit the Da-Ai community in Shanlin District and the Taiwan Indigenous People's Culture Park between Majia Township and Sandimen Township in 2015. In addition to experiencing the indigenous culture, the participants also helped boost the local economy. 2. Tours of Yonglin Organic Farm are held regularly on the basis of leased farming. Two leases on organic rice (Kaohsiung 147) and organic radish farming were available in 2015. 40 employees from the CSC Group, working as one-day farmers, experienced the joy of being farmers. 3. In collaboration with CSC's anniversary activities in 2015, 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\$830,000 were generated. 4. CSC Cafeteria offers organic vegetarian lunch boxes; Ming-Bang Restaurant purchases organic products and ingredients purchased from Yonglin Organic Farm in an effort to help the farmers from the reconstruction areas to be self-reliant.

With the submission of CSC's 2015 CSR Report to the Taiwan Institute for Sustainable Energy, CSC was granted the Ten Most Sustainable Company

Award, the Taiwan Top 50 Corporate Sustainability Report Award, Growth through Innovation Award, Climate Leadership Award, and Sustainable Water Management Award, all of which demonstrated CSC's attention to corporate social responsibility and supports to the sustainable development of the society, environment, and economy.

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 2015 consisted of:

1. Twelve general lectures for citizens in Kaohsiung, six seminars on campus jointly organized with United Daily and the Cloud Gate Foundation, and four lectures on spiritual growth organized by Teacher-Chang Foundation were held and attracted approximately 8,000 attendees and students.
2. The Environment Education Touring Bus had been out 55 times with the participation of approximately 7,000 elementary school students.
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 800 senior high school students in collaboration with IBM for four consecutive years.
5. A concert performed by cellist Chen-Chieh Chang was held for wheelchair users and attracted 500 citizens from Kaohsiung to participate in this event.
6. Nineteen Chinese music and symphony concerts were jointly held by CSC and the Kaohsiung Philharmonic Cultural and Arts Foundation.
7. CSC sponsored the young traveler campaign conducted by Wisland and selected excellent young staff from the CSC Group to take part in this activity.

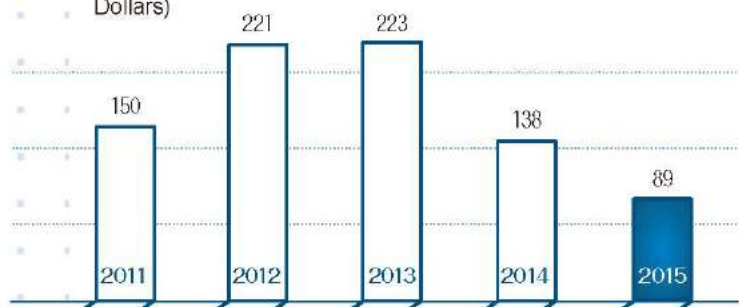
Capital Expenditures and Engineering Business



The EPC construction project of Phase 1 of the Danhai Light Rail Transit System

Capital expenditures

(in hundred million of New Taiwan Dollars)



Capital Expenditures

The investment of capital expenditure projects amounted to NT\$4.291 billion in 2015. The projects were listed as follows :

I. Projects related to equipment revamp

1. Revamp of the BIC(bar in coil) line of the No. 2 bar mill
2. Revamp of the equipment for the No. 2 continuous annealing line
3. Revamp of the program control and electronic control systems of the No. 2 hot strip mill of Rolling Mill Dept. II
4. Revamp of the Nos. 1 and 2 heat furnaces of the No. 1 hot strip mill



Construction of the Southern Weather Observation Tower, Taiwan Power Company

Operations of the new ship loader at the Hualien Lime Stone Yard



The ceremony for the official operations



The new ship loader

5. Revamp for the extended service of Rod Mill I
6. Revamp of the gas tanks of the blast furnaces
7. Revamp of the second major campaign of the No. 3 blast furnace
8. Revamp of the main motors, electrical control system, and welders of the No.1 pickling and cold rolling mill of Rolling Mill Dept. III

II. Projects related to upgrades of production capacity or quality

9. Installation of the B4154 overhead crane and relocation of the ladle maintenance area in the No.1 steelmaking plant
10. Investment of the addition of the quenching equipment in the plate mill of Rolling Mill Dept. I
11. Investment of the special finishing areas for thick plates, wire rods, and bars
12. Investment of Mao Da Storage Yard for cold rolled products
13. Addition of the No.3 ladle refining furnace in the No.1 steelmaking plant

III. Projects related to resource recycling or environmental protection equipment

14. The waste gas desulfurization and denitrification of the No.2 sinter plant
15. Equipment revamp for reduction of effluent ammonia nitrogen ($\text{NH}_3\text{-N}$)

Among the aforementioned projects, projects 1, 2, 9, and 10 were completed in 2015; 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:

3	Revamp of the program control and electronic control systems of the No. 2 hot strip mill of Rolling Mill Dept. II	The estimated reduction of CO ₂ emissions is 2,989 tons per annum because of the saved electricity consumption and low-temperature rolling, which is due to the reduction of delay rates and enhancement of equipment performance.
7	Revamp of the second major campaign of the No. 3 blast furnace	The introduction of the best available technology (BAT) and the adoption of innovative campaign practices will not only prolong the usable life of the campaign but also enhance and stabilize production, which will reduce CSC's operational costs and make CSC become more competitive.
10	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.
14	The waste gas desulfurization and denitrification 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 100ppm, which is in line with the new emission regulations and standards so as to effectively improve the environment quality of the perimeter.
15	Equipment revamp for reduction of effluent ammonia nitrogen (NH ₃ -N)	After the revamp is completed, the discharged concentration of effluent ammonia nitrogen will be reduced to 20 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 and fulfill its corporate social responsibility.

Engineering Businesses

Revenue generated from engineering businesses from outside parties amounted to NT\$925 million in 2015, which was 48% more than that in 2014. The engineering focal point was the EPC construction project of Phase 1 of the Danhai Light Rail Transit System; the cumulative total project schedule was 9.10% as of the end of December, 2015.

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. CSC established the Wind Power Technology Center in April, 2015 in order to research and develop the engineering technology for offshore wind power generation. It has also planned to promote from

R&D to R&D + E&S (engineering + solutions) to provide the technological service demand needed for the development of the Group's wind power business. Major tasks and results in 2015 were listed as follows :

1. Integration of the resources of the CSC Group to bring out its synergy: To expand CSC's wind power business successfully, the Wind Power Business Development Committee has organized the construction team, established the positioning and division of labor of the wind power business, and held regular platform meetings for its development to enhance the transparency and exchange rates of information.
2. The establishment of the offshore wind industry assembly harbor and industrial park: CSC has actively contacted relevant government agencies to implement the establishment of such domestic facilities as soon as possible according to the short-, medium-, and long-term demands. CSC will deploy its resources to establish the special bases for manufacturing, assembly, transportation, and maintenance in accordance with the progression of the different stages of the plan.
3. Securing the EPC projects of domestic offshore wind farms: By adopting the strategy of introducing imported equipment and nurturing localized construction and operating experiences, CSC will cooperate with wind turbine manufacturers as well as domestic and foreign enterprises to jointly undertake businesses.
4. Securing the projects to set up onshore wind farms: To effectively reduce the development costs of the subsequent planning of offshore wind farms, CSC will evaluate and then secure potential onshore wind farms domestically as the foundation in order to obtain relevant experiences for the development, design, and planning of wind farms so as to nurture the technological energy for its autonomous development in the future.
5. The installation of the offshore met mast of the Southern Weather Observation Tower, the Offshore Wind Power Energy Project of Taiwan Power Company at Changhua was completed on November 15, 2015.

Investments and Other Equity Interests



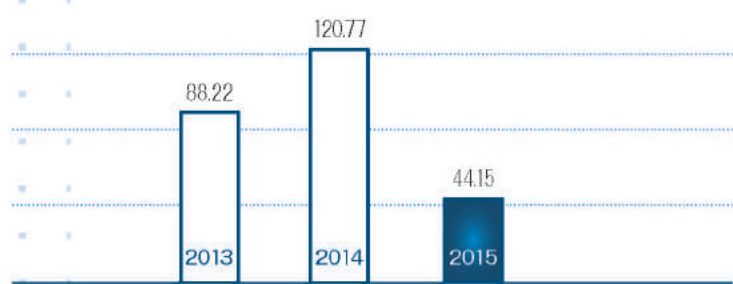
Wind turbine towers at the Maanshan Nuclear Power Plant built by CSMC



The groundbreaking ceremony for the construction of a new plant by MagnPower Corporation

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

(in hundred million of New Taiwan Dollars)



As of the end of 2015, CSC has invested in holdings of 62 companies. Newly added companies were Sino Vietnam Hi-Tech Material Co., Ltd and CSC Bio-Coal Sdn. Bhd., manufacturing color coils and bio-coal, respectively.

Operating Performance

Because of the downturn of the steel market and the decrease of sales and production from steel-related businesses, CSC's recognized reinvestment gains in 2015 amounted to NT\$4.415 billion, which demonstrated a considerable decrease (63.44%) compared with those in 2014 (NT\$12.077 billion). The operating performance of the subsidiaries was listed as follows :



The pickling and oiling line at China Steel Sumikin Vietnam Joint Stock Company



CSEC's "China Steel Success" set sail.



The signing ceremony of a 5-year US\$500 million joint loan

1. Steel Business : Because of the decline in sales and production and plunged steel prices, DSC's gross profit was drastically decreased. Although Chung Hung Steel Corporation's sales in 2015 were increased in comparison with those in 2014, its annual loss before income tax reached NT\$1.1 billion, which was a drastic decrease in comparison with its annual profit before income tax in 2014 (NT\$210 million), owing to the decline of steel prices and recognized loss on inventory. In regard to CSC's overseas operations, there were listed gains in CSC Steel Sdn. Bhd. due to the reduction of raw material costs and devaluation of the dollar against Malaysian Ringgit. Its annual profit before income tax in 2015 reached CNY\$62,440,000. There were listed losses in China Steel Sumikin Vietnam Joint Stock Company and China Steel Corporation India Pvt. Ltd. (CSCI)'s operational performance in 2015 because of the impact of the low-priced imported steel products in these two markets, failed sales targets, recognized loss on inventory, and the small scales of their initial production and sales.

2. Trading and Logistics Business : Because of the sluggish bulk shipping market and freight as well as the lack of the injection of insurance claims, China Steel Express Corporation's revenue in 2014 was less than that in 2014. The profit China Steel Global Trading Corporation, which is the trading agent

for CSC, DSC, Chung Hung Steel Corporation, and CSAC, made in 2015 were 33.83% less than those in 2014 due to the decreased sales of the aforementioned corporations and reduction of recognized reinvestment gains and business. There were reported losses from Qingdao China Steel Precision Metals Co., Ltd.'s operations in 2015 due to the exchange losses resulted from the devaluation of Renminbi (RMB).

3. Industrial Materials Business : CSAC's sales in 2015 were less than those in 2014 owing to the decrease of unit sales prices of aluminum products and increase of costs of goods sold, which resulted in the loss of gross profit. In addition, with the recognized reinvestment losses, its annual loss before income tax reached NT\$744 million. China Steel Chemical Corporation's sales were decreased in 2015 because plummeted oil prices brought a severe impact on the sales prices of coal tar and charging naphtha feedstock. As a result, there was a 43.91% decrease in its profitability in 2015 when compared with that in 2014. Although the sales and revenue of CHC Resources Corporation's pulverized blast-furnace slag in 2015 were increased in comparison with those in 2014, its annual profit before income tax was less than that in 2014 owing to the increase of costs of water-quenched slag and reduction of recognized reinvestment gains. Although

the sales of HIMAG Magnetic Corporation's special chemicals were increased, its annual profit before income tax was 18.67% less than that in 2014 owing to the decrease of sales of ferrite powder and recognized reinvestment losses of MagnPower Corporation, which is under construction. China Steel Precision Materials Corporation's revenue declined significantly in the second half of 2015 because of economic stagnation; in addition, there were exchange losses resulted from the devaluation of CNY, both of which contributed to an annual loss before income tax of CNY\$9.99 million. The construction of China Steel Resources Corporation, invested in 2014, was completed in June, 2015, and its production was initiated. Its annual profit before income tax in 2015 was NT\$9.54 million. CSC Precision Metal Industrial Corporation, which is still under construction, was also CSC's new reinvestment in 2014. There was a cash injection in White Biotech Corporation in the third quarter of 2015, and CSC's shareholding ratio has been increased to 87.05%. There was no technology licensing revenue; nonetheless, there were operating expenses. As a result, the loss before income tax reached NT\$18.93 million in 2015.

4. **Engineering Business:** There was a decline in the revenue of China Steel Machinery Corporation and China Ecotek Corporation in 2015 in comparison with that in 2014. In addition, with the recognized reinvestment losses, there was also a decline

in their annual profit before income tax. There was a 26.33% decrease in the profit before income tax of China Steel Structure Co., Ltd. in 2015 when compared with that in 2014 because of the reduction of sales of its steel structure related products and the decline of their unit sales prices, which resulted in the drop of its gross profit. InfoChamp Systems Corporation's revenue and profit in 2015 were more than those in 2014 because of the completion of part of its information systems and reduction of costs, which resulted in the increase of its gross profit. Therefore, there was a 29.64% increase in its profit before income tax when compared with that in 2014.

5. **Service and Investments Business:**

Because the stock market slumped in 2015, Gains Investment Corporation's profit was influenced. Its profit before income tax was NT\$441 million in 2015, which was 11.78% less than that of 2014. China Steel Security Corporation's revenue in 2015 was less than that in 2014. Moreover, owing to the reduction of the recognized reinvestment gains listed under the equity method, its profit before income tax was 16.52% less than that in 2014. China Prosperity Development Corporation's rental income was stable. Due to the recognized gains from the disposal of the land of the CPDC Qianzhen Residential Building and increase of the reinvestment gains, its profit before income tax was NT\$809 million in 2015, which was 282.63% more than that in 2014.

Business Development

In terms of the investment in raw material sources, CSC seeks prudent investment in valuable raw material sources to increase its self-sufficiency rates to be 30% by taking the advantage of the timing of dropped raw material prices. As of the end of 2015, the self-sufficiency rates of metallurgical coal and iron ore were 1.8% and 15%, respectively. CSC's average self-sufficiency rate of raw materials was 10.8%. In the future, CSC will form strategic alliances with other steel plants or steel trading companies to raise the stakes for raw material investment. Moreover, CSC will adjust its raw material investment flexibly according to the pulse of the steel market.

Regarding CSC's overseas business deployment, the New Asia Project will be promoted continuously. The electrical steel coil production line of CSCI was completed in May, 2015, and its operations were officially initiated. The production of China Steel Precision Metals Kunshan Co., Ltd., CSC's coil center in east China, was initiated in the third quarter of 2015. The production of the home appliance pre-painting line of Sino Vietnam Hi-Tech Material Co., Ltd, a joint venture between CSC and Taiwanese businessmen in Vietnam, was initiated in the second quarter of 2015.

CSC will make it a priority to invest in emerging Asian countries with relatively higher growth of steel demands. From the perspective of the CSC Group's overall deployment and cross-support capabilities among its production and sales basis

as well as the specific steel demands in those countries and its products with comparative advantages in various markets, it will determine the types and scale of its investment to gradually implement its international deployment.

Customer Services



A seminar on the operations and management of steel plants

Twenty one new enterprises became CSC's customers in 2015. New customers accounted for 2.50% of the total customers while the old ones accounted for 99.81% of the total revenue. 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 techniques.

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 steel industry, visiting its customers, and holding technological seminars.

Sales Services

In 2015, 39 confabs regarding domestic sales and four confabs regarding export sales had been held. Overall sales supporting services are provided through e-business and initiation to the supply chain. Moreover, executives and personnel in related businesses usually visit CSC's 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 2015 included:

1. One hundred and ninety-seven cases of assistance to customers in improving their manufacturing processes and solving problems related to application of raw materials and processing techniques were completed. 42 surveys of market quality feedbacks were obtained to effectively promote quality improvement.
2. Ten surveys of material application and quality trends according to industries as well as 10 surveys of new products and quality functions were completed. Certification of 12 items of automobile use materials was granted.
3. Twelve domestic and international technical symposia and seminars were held.
4. Representatives from CSC paid 128 visits to key customers. Moreover, professional staff



A technical exchange seminar on hydraulic/hot stamping



The 2015 Steel Engineering Technology Seminar



A seminar on heat treatment on steel for hand tools

(570 man-days) were sent abroad to conduct technical interaction and promote CSC's products in China, Japan, South Korea, India, Southeast Asia, Europe, and the United States.

The Supply Chain System of Production & 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 closely meets the demand of the market and 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 get instant answers in regard to the delivery dates, quantities, and prices of their orders by linking up with CSC's Supply Chain System, which keeps track of the planning of sales and production, quotations, order entries and revisions, production plans and schedules, follow-ups of existing orders, storage and transportation, and delivery in a smooth and fast manner. The results and benefits of the system are listed as follows:

1. Assistance of the linking service of the ERP information systems between CSC and its customers has been offered. The operation of customers' purchases, receipt of their orders, inspection, and requests of reimbursement

can be interacted with CSC's information on orders, production, delivery, and invoices. Efficiency and precision have been enhanced, and tasks have been simplified. Product value has been raised because there are no borders for accompanying experts, and CSC offers instantaneous information responses.

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 from its inventories, rationalizing delivery, tracking overdue delivery, coordinating production, sales, and shipping of export products, and improving punctual inventory rates.

Customer Satisfaction

CSC always commissions an academic institution to conduct a domestic and overseas customer satisfaction survey every year. Results of the 2015 survey were satisfaction indices of 73 points, which was the same as those of 2014, from domestic customers and 71.7 points, which was an increase of 0.5 points compared with those of 2014, from overseas customers. The top three items of the domestic satisfaction index were the service attitudes of the salespeople, the speed of the salespeople's responses to customers' inquiries, and the salespeople's expertise. The top four items of the overseas satisfaction index were the service attitudes of the salespeople, the interaction between the salespeople and customers, the salespeople's expertise, and the technical staff's expertise in products.

Risk Management



CSC was granted the Climate Action Recognition by worldsteel.

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

2015 Hong Kong and South East Asia Climate Disclosure Leadership Index (CDLI)



Sector	Company	Country	2015 Score
Consumer Discretionary	Hongkong & Shanghai Hotels Ltd	Hong Kong	97 C
Energy	PTT Exploration & Production Public Company Limited	Thailand	100 A
Financials	Swire Pacific	Hong Kong	97 B
Industrials	MTR Corporation	Hong Kong	97 C
Industrials	Singapore Technologies Engineering	Singapore	97 C
Industrials	Hong Kong Aircraft Engineering	Hong Kong	97 B
Information Technology	Innolux Corporation	Taiwan	100 B
Information Technology	United Microelectronics	Taiwan	99 A-
Information Technology	Lite-On Technology	Taiwan	99 B
Information Technology	Delta Electronics	Taiwan	98 B
Information Technology	Siliconware Precision Industries Co.	Taiwan	98 C
Information Technology	Compal Electronics	Taiwan	97 C
Information Technology	Taiwan Semiconductor Manufacturing	Taiwan	97 B
Information Technology	AU Optonics	Taiwan	97 B
Information Technology	Qisda	Taiwan	97 B
Materials	China Steel	Taiwan	100 B
Materials	PTT Global Chemical	Thailand	100 A-

CSC received the 100 performance scores by CDP.



A seminar on the maintenance of mechanical and electrical equipment

measures include coordination of the allocation of slab purchase quotas among the subsidiaries in the CSC Group, reduction of production in the furnaces and campaign adjustments, adjustments of the schedules of seasonal/annual maintenance of the production lines, scheduling of raw material transportation, and planning of commissioned rolling. Production plans can be adjusted by various means whenever necessary.

Risk Control of Raw Material Supply

1. Procurement of Raw Materials

To avoid the disruptions of the supply of raw materials, such as coal, iron ore, and lime stone, due to the weather or the conditions of the mines, railways, and loading ports, CSC has adopted the following countermeasures :

- (1) The sources and suppliers are cautiously evaluated.
- (2) Safe inventory levels are properly maintained.
- (3) The sources of the raw material supply are diversified; short-, medium-, and long-term contracts, 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 Group 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.

2. Development of Raw Material Sources

- (1) Cooperative investment projects are carefully carried out only with prestigious miners with the experience of coal and iron mining and exploration or joint venture partners, including steel plants and trading companies.
- (2) Investigation on the spot is carried out with due diligence so that CSC can fully grasp the status of its raw material investment.
- (3) Professional consultants in geology, finance, taxation, and law are commissioned to help carry out feasibility assessment.
- (4) Overall assessment and reviews are conducted by related departments internally when necessary.
- (5) Decision-making meetings of raw material

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



Checks on ammonia leakages in the tanks conducted by technical personnel in a drill



When an ammonia leakage in a tank is detected by the detection system, water is sprayed immediately to prevent the massive diffusion of ammonia.

joint ventures are attended to protect CSC's investment interests.

- (6) 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, special vessels or provisional chartered ones are flexibly deployed, and their movements are continuously tracked until their discharge is completed. 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 on fixed amounts 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

Joint energy systems, including the water, electricity, oil, steam, and gas systems, are monitored and dispatched by the Utility Dispatching Center (UDC) at CSC. Besides the

implementation of economic dispatching to control system safety by UDC, PDAs are also utilized to facilitate the examination of the facilities in periodic patrol checks. Revamp of pipelines and power distribution facilities has been conducted continuously to ensure the safety of all systems. Emergency drills in regard to facility failures are held every year to reduce the risks of energy supply. The measures in risk control of utilities taken by CSC include:

1. Electricity and gas

- (1) 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.
- (2) Replacement of the old gas pipelines will be carried out to reduce risks.
- (3) Revamping of the tanks of the blast furnaces gas is being implemented, and it is expected to be completed in August, 2017.

2. Water

Emergency limited water usage administrative regulations were established to avoid the damage in the furnaces and coke ovens caused by the tightening of water supply by Taiwan Water Corporation in dry seasons. CSC hoped to reduce the damage in production or facilities caused by the lack of water supply; therefore, it actively took 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 2018 and it will be gradually increased to 44,000 m³/day year by year.

An emergency response drill of the gas leakage in the converter



Repairs carried out in a controlled area by technical personnel wearing breathing apparatus



Repairs carried out by technical personnel



Emergency response measures taken in a simulated fire in a plant

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

1. Machinery

(1) Maintenance of spares: Proper inventory levels are maintained according to past maintenance experience and the amounts of spare 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 domestically manufactured machinery; therefore, delivery of machinery can be controlled. Arrangements of regional storehouses will be promoted in order

to have good spare part management.

- (2) 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.
- (3) Maintaining of manpower and succession: Technical retiring 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.

2. Electrical Control Facilities

- (1) Risk assessment and hazard identification of the OHSAS18000 management systems are carried out.
- (2) Fire and emergency evacuation response drills and preparation of the off-site backups of the process control system are implemented to effectively control the safety of the process control equipment.

Risk Control of Construction

Management

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

In order to have a full grasp of the contractors' financial statuses, CSC commissions domestic credit reporting agencies to conduct credit checks on registered contractors/subcontractors on a regular basis. If the checks of the persons in charge (contractors/subcontractors) bounce, or when they are classified as dishonored account holders by banks, they will be considered as suspended and/or disqualified contractors/subcontractors and prohibited from bidding, or their maximum bidding amounts will be limited.

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 been devoted to reducing the emissions of air pollutants and waste water; moreover, it has reinforced water conservation and recycling of waste water.

Risk control of the utilization of recycled resources is enhanced.

CSC has paid close attention to the levies of environment tax and energy tax to help 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:

1. Based on the concept of sustainable development, the goal of the reduction of carbon emissions and promotional strategies are set. The performance of the reduction of carbon emissions is enhanced by best available technology, development and applications of low-carbon energy, the expansion of regional energy integration, etc.
2. 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.
3. 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 operations of carbon rights.
4. Low carbon lifestyles and consumption will be promoted within CSC in the hope of developing a low carbon society.

CSC completed its 2015 Climate Change Adaptation Assessment Report and identified possible major climate impact items. In terms of the promotion of the adaptation action plan, CSC has commissioned the Industrial Sustainable Development Center and the Disaster Prevention Research Center of National Cheng Kung University to collaborate the development of the Climate Risk Adaptation Response System, which will enable CSC to have a full grasp of the climate conditions as well as to conduct forecast analyses of the climate conditions of its plant and the surrounding areas. The timely information will be offered to the decision-makers of the CSC Group as references for response and management.

Financial Risk Control

CSC keeps close watch on the daily balance of

foreign currency transactions. In accordance with its demand on foreign exchange funds and the trends of the foreign exchange market, it adjusts its holdings of strong and weak foreign currencies flexibly to promote the effectiveness of foreign currency manipulation. 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 out an equivalent long-term loan in foreign currencies.

- CSC has a full grasp of its short-, medium-, and long-term credit lines to ensure adequate liquidity; priorities for the use of funds are planned. Depending upon the capital demands and market conditions, it will use different financing instruments in order to reduce its capital costs.
- In terms of the short-term financing for NTD, commercial papers, short-term bank loans, and so on will be used to effectively reduce capital costs when interest rates are low in the money market. Depending upon the daily balance of NTD payments, short-term loans will be adjusted. To take into account the liquidity and adequate sources for funding, CSC is currently deliberating on finding other sources for medium- and long-term NTD loans in addition to the corporate bonds which are outstanding. It hopes to increase other channels for financing so that there will be abundant sources and flexibility.
- 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 of ordered products.
- CSC keeps close watch to ensure the faultless

operation of its electronic business and security mechanisms and the accuracy and timeliness of the information at all times; 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 will be 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.



CSC was granted the AEO certification.

Corporate Governance



CSC and its seven subsidiaries were granted the Taiwan Corporate Sustainability Awards in 2015.

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. 2015 was the fourth year when electronic voting, which was

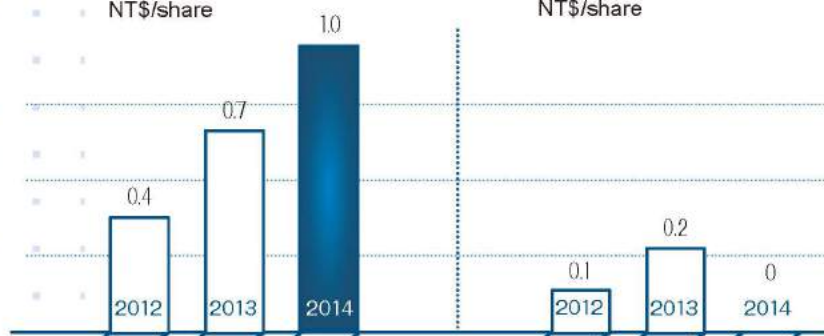
avored by more investors in comparison with that in 2014, was adopted. Approximately 23.48% of all the totaled issued shares were voted in such a manner by shareholders when exercising their rights; in particular, over 95% of foreign shareholders also exercised their rights in the same manner.

CSC has paid much attention to its shareholders'

Common Stock Dividend Payout

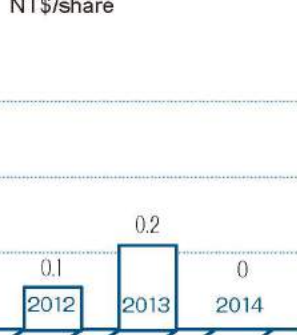
Cash dividend

NT\$/share



Stock dividend

NT\$/share



Earnings per share

NT\$/share



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

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 revenue, operating income, and profit before income tax 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 arrange factory tours. The management

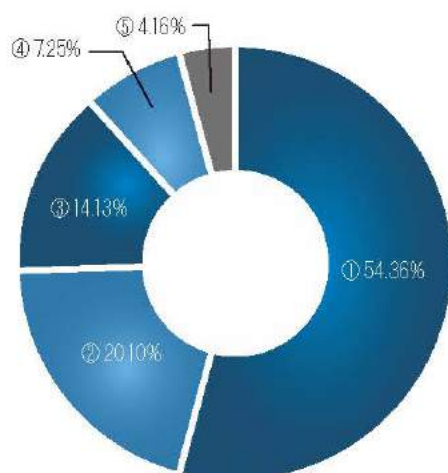
will also take part in investor conferences/conference calls actively to let domestic and foreign investors have a better understanding of CSC.

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 posts major issues related to corporate social responsibility and CSC's annual CSR reports over the years and serves as a reference for investors and related parties, is also available on the same website.

The Board of Directors

There are currently 11 directors in the Board of Directors, three of whom are independent directors. "Rules Governing the Election of Directors" have been established, and nominated candidates who are elected will be appointed as directors.

Under the Board of Directors are two functional committees, the Corporate Governance Committee and the Remuneration Committee,



Shareholders' structure¹⁴

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

¹⁴ As of August 1, 2015, the record date for ex-right/dividend.

which enhance the operations of the Board of Directors. 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. Two meetings were held in 2015, the key points of which were the discussion of the related systems of corporate governance and deliberation 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. Four meetings of the Remuneration Committee were convened in 2015, 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.

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

Supervisors

Two supervisors 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.

In accordance with the provisions of the Securities and Exchange Act and regulations of the Financial Supervisory Commission (FSC), CSC will establish an Audit Committee in lieu of the supervisors in the shareholders' meeting of the 16th Board of Directors in June, 2016.

Internal Auditing

To forestall irregularities and strengthen the effectiveness of corporate administration, key point activities of the Internal Auditor for 2015 were to test and assess whether the operational procedures including business of: 1. the sales and receipt cycle, 2. purchase and payment cycle, 3. production cycle, 4. labor and wage cycle, 5. finance cycle, 6. property, plant, and equipment cycle, 7. investment cycle, and 8. research and development cycle, 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 FSC, 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. management of budgets, 5. acquisitions and disposal of assets, 6. management of assets, 7. management of endorsements and guarantees, 8. derivative financial products, 9. management of liabilities, commitments, and contingencies, 10. implementation of authorization and deputy systems, 11. management of loans to others, 12. management of financial and non-financial

information, 13. management of the transactions of related parties, 14. management of the procedures for preparation of financial statements, 15. supervision and management of subsidiaries, 16. management of operation of board meetings, 17. management of shareholder services, 18. management of personal information protection, 19. control of information flow security inspection, 20. management of the prevention of insider trading, and 21. compliance with IFRSs. Furthermore, the Internal Auditor also assessed the internal control systems of CSC's 19 subsidiaries with due diligence.

In 2015, 49 audit reports and 449 items for improvement were presented by the Internal Auditor. The auditees 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.

Performance of Corporate Governance

The FSC has published the "Corporate Governance Roadmap 2013," which will be modified periodically on a rolling basis in the next five years. "Evaluation of corporate governance" has replaced "evaluation of information disclosure" since 2015; that is, the scope of evaluation has expanded from merely information disclosure to corporate governance. Furthermore, the Taiwan Stock Exchange (TWSE) released the results of the first corporate governance evaluation in 2015, and CSC was among the top 20% listed companies and belonged to the TWSE Corporate Governance 100 Index, which affirmed CSC's efforts in corporate governance.

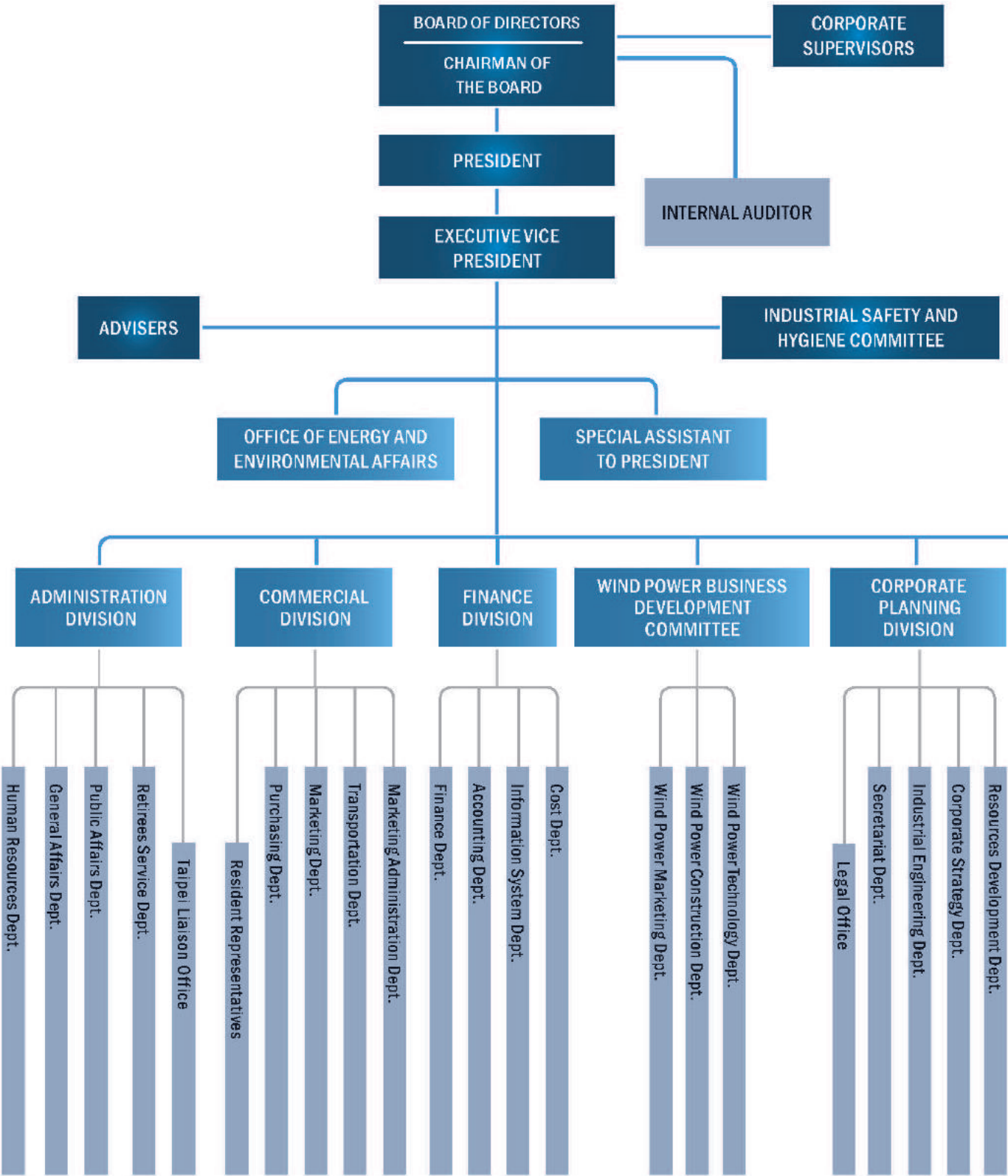


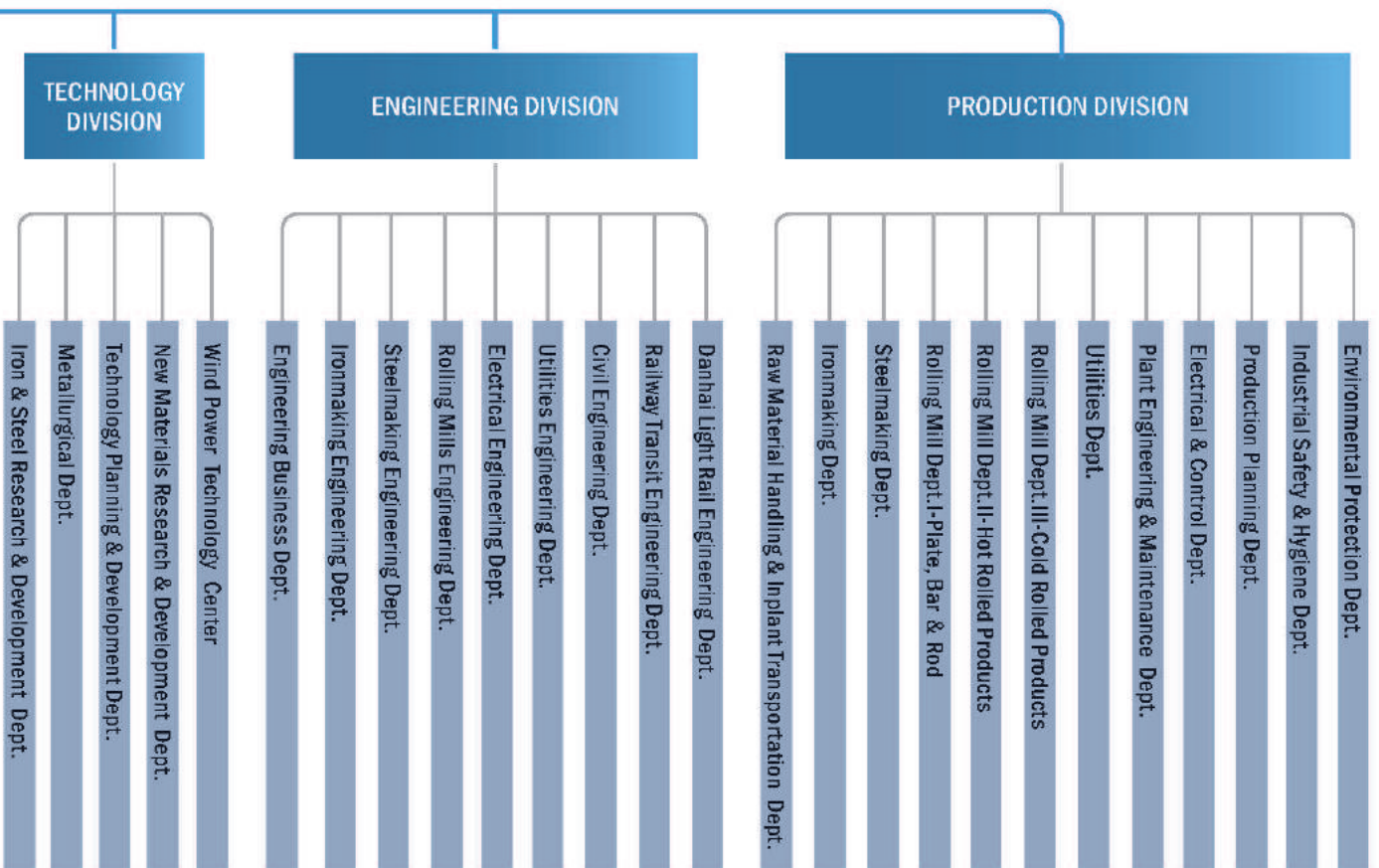
CSC was granted Corporate Citizenship Award by CommonWealth Magazine.



CSC's 2015 shareholders' meeting

Organization Chart





Directors and Supervisors

(as of December 31, 2015)



Chairman of the Board
Jyh-Yuh Sung
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
Horng-Nan Lin
Representing Gau Ruei
Investment Corporation



Director
Shyi-Chin Wang
Representing Ever Wealthy
International 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
Steel Corporation



Supervisor
Andrew Deng

Senior Management

(as of December 31, 2015)



President
Horng-Nan Lin



Executive Vice President
(Concurrently Spokesman
for the Corporation)
Shyi-Chin Wang



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
Tsan-Ying Ho



Vice President - Engineering
Ching-Chung Cheng



Vice President - Production
Hsiu-Chang Liang

Five-Year Summary of Selected Financial Data and Operating Results

(in thousands of New Taiwan Dollars unless otherwise noted)

IFRSs				
	2015	2014 (Restated)	2013	2012
Operating revenues	160,909,464	205,159,602	200,726,288	207,193,105
Operating costs	148,511,291	183,377,897	184,156,015	198,229,265
Gross profit	12,398,173	21,781,705	16,570,253	8,963,840
Realized(Unrealized) gain on the transactions with subsidiaries and associates	225,679	(293,861)	394,126	(36,337)
Operating expenses	7,469,515	8,263,257	7,345,870	6,184,405
Profit from operations	5,154,337	13,224,587	9,618,509	2,743,098
Non-operating income and expenses	3,161,977	10,431,496	7,888,875	3,478,191
Profit before income tax	8,316,314	23,656,083	17,507,384	6,221,289
Net income	7,604,721	22,132,134	15,981,540	5,894,806
Total other comprehensive income, net of income tax	(2,531,685)	3,561,821	3,524,589	(1,130,537)
Total comprehensive income for the period	5,073,036	25,693,955	19,506,129	4,764,269
Current assets	63,791,939	65,977,147	67,922,345	66,717,348
Property, plant and equipment	175,420,761	185,285,861	192,022,654	189,509,120
Other assets	225,187,698	212,986,584	197,335,519	173,496,455
Total assets	464,400,398	464,249,592	457,280,518	429,722,923
Current liabilities	57,914,294	51,998,443	54,361,542	64,301,232
Noncurrent liabilities	112,165,285	107,576,551	113,231,922	89,550,540
Total liabilities	170,079,579	159,574,994	167,593,464	153,851,772
Capital stock	157,731,290	157,731,290	154,638,520	153,107,445
Capital surplus	37,612,027	37,217,876	36,960,818	36,575,997
Retained earnings	99,630,738	108,150,878	98,628,837	90,184,289
Other equity	7,924,408	10,162,015	7,955,853	4,585,717
Treasury stock	(8,577,644)	(8,587,461)	(8,496,974)	(8,582,297)
Total equity	294,320,819	304,674,598	289,687,054	275,871,151
Total liabilities and equity	464,400,398	464,249,592	457,280,518	429,722,923
Equity per common share (NT\$)	19.04	19.72	19.11	18.39
Earning per common share (NT\$)	0.49	1.43	1.05	0.39
Earning per common share (NT\$) ¹⁵	-	1.43	1.03	0.38

(in thousands of New Taiwan Dollars unless otherwise noted)

ROC GAAP	2012	2011
Operating revenues	207,193,105	240,376,019
Operating costs	198,229,265	218,781,975
Gross profit	8,963,840	21,594,044
Realized (Unrealized) gain from affiliates, net	(36,337)	61,894
Operating expenses	6,237,929	7,056,957
Operating income	2,689,574	14,598,981
Nonoperating income (expenses)	3,440,997	5,685,712
Income before income tax	6,130,571	20,284,693
Net income	5,811,490	19,493,679
Current assets	67,574,496	87,239,677
Investments	163,700,388	144,049,544
Property, plant and equipment	189,506,218	187,141,146
Other assets	6,484,671	3,504,473
Total assets	427,265,773	421,934,840
Current liabilities	64,448,686	49,454,425
Long-term liabilities	72,333,005	71,243,534
Reserve for land value increment tax	10,011,916	10,011,916
Other liabilities	2,120,099	2,637,956
Total liabilities	148,913,706	133,347,831
Capital stock	153,107,445	150,844,773
Capital surplus	36,673,528	36,247,705
Retained earnings	68,356,193	80,051,881
Unrealized revaluation increment	26,750,124	26,757,590
Unrealized gain on financial instruments	2,458,247	3,020,919
Cumulative translation adjustments	(393,229)	17,192
Net loss not recognized as pension cost	(184,893)	(230,590)
Treasury stock	(8,415,348)	(8,122,461)
Total stockholders' equity	278,352,067	288,587,009
Total liabilities and stockholders' equity	427,265,773	421,934,840
Stockholders' equity per common share (NT\$)	18.56	19.51
Earning per common share (NT\$)	0.38	1.36
Earning per common share (NT\$) ¹⁵	0.37	1.30

¹⁵ After making retroactive adjustments to take into account stock dividends.

Five-Year Summary of Selected Financial Ratios and Percentages

IFRSs		2015	2014	2013
Current ratio	(%)	110	127	125
Ratio of long-term liabilities and equity to property, plant and equipment	(%)	223	214	201
Total liabilities to total assets	(%)	37	34	37
Net profit rate	(%)	5	11	8
Return on total assets	(%)	2	5	4
Return on equity	(%)	3	7	6
Revenue growth rate, year to year	(%)	(21.57)	2.21	(3.12)
Equity growth rate, year to year	(%)	(3.40)	5.18	5.00

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

Analysis of Financial Status and Operating Results

1. Two-year analysis of flow ratios

		December 31, 2015	December 31, 2014	Increase(Decrease)
Cash flow ratio	(%)	44	72	(39)
Cash flow adequacy ratio ¹⁶	(%)	78	78	0
Cash reinvestment ratio	(%)	1.36	3.69	(63)

¹⁶ Based on data over the past five years.

Analysis of the increase (decrease) of percentages

- (1) The cash flow ratio: The 39% decrease in the cash flow ratio over the previous year was mainly attributable to the decrease in the net cash flow from the operation activities and the increase of current liabilities.
- (2) The cash reinvestment ratio: The 63% decrease in the cash reinvestment ratio over the previous year was mainly attributable to the decrease in the net cash flow from the operation activities and the increase of the appropriation of cash dividends.

2. Analysis of operating results

- (1) The NT\$44,250,138 thousand decrease in the operating revenue was mainly attributable to the decline of the sales volume and sales prices of steel products.
- (2) The NT\$34,866,606 thousand decrease in the operating costs was mainly attributable to the reduced prices of the raw materials (coal and iron ore) and decline of the sales volume of steel products.
- (3) The NT\$9,383,532 thousand decrease in the gross profit was mainly attributable to the fact that the decrease of the unit sales prices of steel products was more than that of the unit costs.
- (4) The NT\$519,540 thousand increase in the realized gain on the transactions with the subsidiaries and associates was mainly attributable to that fact that the unrealized profit in 2014 became realized in 2015. Furthermore, the unrealized gain in 2015 was less than that in 2014 owing to the decrease of the gross margin in 2015.
- (5) The NT\$793,742 thousand decrease in the operating expenses was mainly attributable to the decrease of "salaries expense."
- (6) The NT\$8,070,250 thousand decrease in the operating income was mainly attributable to the causes in (1) ~ (5).
- (7) The NT\$7,269,519 thousand decrease in the net non-operating income was mainly attributable to the decrease of the share of profit from the subsidiaries and affiliates recognized under the equity method.
- (8) The NT\$15,339,769 thousand decrease in the profit before income tax was mainly attributable to the causes in (1) ~ (7).
- (9) The NT\$14,527,413 thousand decrease in the net income was mainly attributable to the decrease of the profit before income tax, the causes of which were listed in (1) ~ (7), and the NT\$812,356 thousand decrease in income tax expenses.

Terms and Conditions of Corporate Bonds

Issue	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 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
Issue Price	At par value	At par value	At par value	At par value	At par value
Amount	NT\$3,500 million	NT\$4,650 million	NT\$10,400 million	NT\$5,000 million	NT\$15,000 million
Coupon	2.30%	1.36%	1.57%	1.37%	1.50%
Maturity	Seven years	Five years	Seven years	Seven years	Ten years
Trustee	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
Auditor of the Issuer	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 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) Common stock dividends at no more than 14% of the par value (3) The rest of the remaining earnings will be appropriated proportionally to the preferred stockholders and common stockholders as bonuses. In accordance with amendments to Company Act including Article 235, 235-1 and Article 240, amendment to Articles of Incorporation was proposed by the board of directors and effective upon the approval of meeting of shareholders.			
	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	1 shares (2015 and the first three months of 2016)			
	Unretrieved / unconverted shares	38,267,999 shares (as of March 31, 2016)			
	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\$)	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		
	2015	High	42.30		
		Low	36.70		
		Average(closing)	40.33		

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 are 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		26,427,170 shares (as of March 31, 2016)			
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\$)	2015	High	US\$17.15		
		Low	US\$10.19		
		Average	US\$14.48		













Market Price of Stock over Past Three Years

(in NT\$ / share)

Stock	Price	2015	2014	2013
Common	Highest	26.75	27.00	28.40
	Lowest	16.75	24.60	23.00
	Average (closing)	22.77	25.71	25.88

Source of Information: Taiwan Stock Exchange Corporation

Principal Products and Uses

Steel 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, plates and sheets		Steel pipes and tubes, vehicle parts, containers, pressure vessels, building structures, hydraulic jacks, cold rolled and galvanized substrate, hand tools, light shapes and formed parts, etc.
 Cold rolled coils		Steel pipes and tubes, steel furniture, kitchenware, home appliances, oil barrels, automobile panels and parts, enamelware, substrate for galvanized and coated steel sheets, and hardware, etc.
 Electro-galvanized coils		Computer cases/parts and accessories, home appliance panels/parts and accessories, LCD TV back plates/parts, motor cases, construction materials, furniture hardware and components, and motorcycle fuel tanks, etc.
 Hot-dip galvanized coils		Automobile panels and parts, home appliance panels/parts and accessories, computer cases/parts and accessories, PPGI substrate, construction materials, furniture hardware and components, etc.
 Electrical steel coils		Motors, generators, transformers, reactors, and traditional ballast, etc.
Special Alloy Product		Major Uses
 Ti and Ni Plates		Storage tanks, pressure vessels, flange, target material, high temperature furnace lined material, electronic equipment parts, etc.
 Ti, Ni Bars and Wire rods		Nuts and bolts, glasses frame, valve, welding consumables, etc.
 Hot rolled Ti, Ni coils, plates and sheets		Storage tanks, pressure vessels, electrode plate, high temperature furnace lined material, etc.
 Cold rolled Ti, Ni coils and sheets		Construction materials, furniture, kitchenware, home appliances, heat exchanger, thermal reactor, flue pipe.

Three-Year Summary of Production and Sales Volumes

(in tons)

Product	Volume	2015	2014	2013
Plates	Production	920,472	964,192	942,028
	Sales	919,637	963,408	948,213
Bars	Production	552,941	621,539	599,466
	Sales	633,732	692,721	658,760
Wire rods	Production	1,184,045	1,316,977	1,327,892
	Sales	1,350,458	1,438,408	1,373,633
Hot rolled steel products	Production	2,024,285	2,376,013	2,163,166
	Sales	2,457,216	2,787,596	2,541,803
Cold rolled steel products ¹⁷	Production	3,105,005	3,658,877	3,584,764
	Sales	3,235,267	3,724,578	3,650,052
Commercial slabs	Production	265,863	10,427	133,973
	Sales	926,631	61,663	292,288
Pig iron	Production	6,816	5,378	4,999
	Sales	947	2,088	2,344
Others ¹⁸	Production	82,375	87,494	78,706
	Sales	4,456	6,466	9,761
Total	Production	8,141,802	9,040,897	8,834,994
	Sales	9,528,344	9,676,928	9,476,854

¹⁷ Including electrogalvanized, hot-dip galvanized products, and electrical steel coils.

¹⁸ Including alloy products, stainless steels, blooms, and billets.

CHINA STEEL CORPORATION

STANDALONE FINANCIAL STATEMENTS

**for the Years Ended December 31, 2015 and 2014 and
Independent Auditors' Report**

Deloitte.

勤業眾信

INDEPENDENT AUDITORS' REPORT

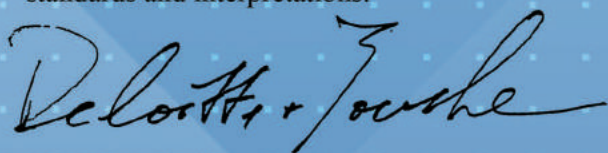
The Board of Directors and Shareholders
China Steel Corporation

We have audited the accompanying standalone balance sheets of China Steel Corporation (the "Corporation") as of December 31, 2015 and 2014, and the related standalone statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. 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 Regulations Governing Auditing and Attestation 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, 2015 and 2014, and its standalone financial performance and its standalone cash flows for the years then ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China.

As discussed in Note 3 to the accompanying standalone financial statements, starting from January 1, 2015, the Corporation applied the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS, and Interpretations of IAS endorsed by the Financial Supervisory Commission ("FSC"). Therefore, some items in the standalone financial statements of prior reporting periods were adjusted to reflect the effects of retrospective application of the above regulations, standards and interpretations.



March 25, 2016

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, 2015		December 31, 2014 (Restated)	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents	\$ 7,518,687	2	\$ 2,603,621	1
Available-for-sale financial assets - current	1,341,235	-	3,920,578	1
Derivative financial assets for hedging - current	79,125	-	46,345	-
Notes receivable	443,376	-	586,347	-
Notes receivable - related parties	198,399	-	159,409	-
Accounts receivable, net	903,126	-	1,823,421	-
Accounts receivable - related parties	686,746	-	962,523	-
Other receivables	1,496,979	1	2,028,881	1
Other receivables - loans to related parties	5,890,000	1	5,230,000	1
Inventories	37,640,539	8	41,179,810	9
Other financial assets - current	6,804,939	2	6,362,957	1
Other current assets	988,788	-	1,073,255	-
Total current assets	63,791,939	14	65,977,147	14
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent	12,389,861	3	18,094,873	4
Derivative financial assets for hedging - noncurrent	36,205	-	61,858	-
Debt investments with no active market - noncurrent	1,818,091	-	2,646,000	1
Investments accounted for using equity method	200,381,399	43	181,520,724	39
Property, plant and equipment	175,420,761	38	185,285,861	40
Investment properties	7,163,037	1	6,502,328	1
Intangible assets	65,736	-	76,971	-
Deferred tax assets	3,140,979	1	3,984,551	1
Refundable deposits	44,083	-	33,699	-
Other financial assets - noncurrent	148,307	-	65,580	-
Total noncurrent assets	400,608,459	86	398,272,445	86
TOTAL	\$ 464,400,398	100	\$ 464,249,592	100

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	December 31, 2015		December 31, 2014 (Restated)	
	Amount	%	Amount	%
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft	\$ 11,466,879	3	\$ 7,293,715	1
Short-term bills payable	12,847,014	3	1,899,630	-
Derivative financial liabilities for hedging - current	26,497	-	11,497	-
Accounts payable	2,057,194	-	3,469,515	1
Accounts payable - related parties	357,453	-	890,942	-
Other payables	11,956,612	3	15,076,462	3
Current tax liabilities	822,723	-	2,886,183	1
Provisions - current	1,699,678	-	1,459,275	-
Current portion of bonds payable	4,649,075	1	8,148,376	2
Current portion of long-term bank borrowings	9,087,829	2	7,827,211	2
Other current liabilities	2,943,340	1	3,035,637	1
Total current liabilities	57,914,294	13	51,998,443	11
NONCURRENT LIABILITIES				
Derivative financial liabilities for hedging - noncurrent	17	-	748	-
Bonds payable	72,847,061	16	77,485,410	17
Long-term bank borrowings	24,276,027	5	15,113,123	3
Deferred tax liabilities	10,925,638	2	11,185,715	2
Net defined benefit liabilities	4,057,302	1	3,791,555	1
Other noncurrent liabilities	59,240	-	-	-
Total noncurrent liabilities	112,165,285	24	107,576,551	23
Total liabilities	170,079,579	37	159,574,994	34
EQUITY				
Share capital				
Ordinary shares	157,348,610	34	157,348,610	34
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	34	157,731,290	34
Capital surplus	37,612,027	8	37,217,876	8
Retained earnings				
Legal reserve	59,173,907	12	56,957,880	13
Special reserve	27,132,983	6	27,086,283	6
Unappropriated earnings	13,323,848	3	24,106,715	5
Total retained earnings	99,630,738	21	108,150,878	24
Other equity	7,924,408	2	10,162,015	2
Treasury shares	(8,577,644)	(2)	(8,587,461)	(2)
Total equity	294,320,819	63	304,674,598	66
TOTAL	\$ 464,400,398	100	\$ 464,249,592	100

CHINA STEEL CORPORATION

Standalone Statements of Comprehensive Income

	For the Year Ended December 31			
	2015		2014 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 160,909,464	100	\$ 205,159,602	100
OPERATING COSTS	148,511,291	92	183,377,897	89
GROSS PROFIT	12,398,173	8	21,781,705	11
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	225,679	-	(293,861)	-
REALIZED GROSS PROFIT	12,623,852	8	21,487,844	11
OPERATING EXPENSES				
Selling and marketing expenses	2,633,416	2	2,956,375	1
General and administrative expenses	3,217,154	2	3,599,912	2
Research and development expenses	1,618,945	1	1,706,970	1
Total operating expenses	7,469,515	5	8,263,257	4
PROFIT FROM OPERATIONS	5,154,337	3	13,224,587	7
NON-OPERATING INCOME AND EXPENSES				
Other income	1,068,481	1	1,215,965	-
Other gains and losses	1,643,968	1	(564,785)	-
Finance costs	(1,886,133)	(1)	(1,984,712)	(1)
Share of the profit of subsidiaries and associates	2,335,661	1	11,765,028	6
Total non-operating income and expenses	3,161,977	2	10,431,496	5
PROFIT BEFORE INCOME TAX	8,316,314	5	23,656,083	12
INCOME TAX EXPENSE	711,593	-	1,523,949	1
NET PROFIT FOR THE YEAR	7,604,721	5	22,132,134	11

(Continued)

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

For the Year Ended December 31

	2015		2014 (Restated)	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	\$ (163,686)	-	\$ 1,661,090	1
Share of the other comprehensive income of subsidiaries and associates	(158,219)	-	(23,046)	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	27,827	-	(282,385)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	393,288	-	1,018,234	1
Unrealized gain and losses on available-for-sale financial assets	(2,344,410)	(2)	100,022	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(1,360)	-	135,763	-
Share of the other comprehensive income of subsidiaries and associates	(285,356)	-	975,223	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	231	-	(23,080)	-
Other comprehensive income (loss) for the year, net of income tax	(2,531,685)	(2)	3,561,821	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 5,073,036	3	\$ 25,693,955	13
EARNINGS PER SHARE				
Basic	\$ 0.49		\$ 1.43	
Diluted	\$ 0.49		\$ 1.42	

(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, 2014	\$ 154,255,840	\$ 382,680	\$ 36,960,818	\$ 55,359,726	\$ 26,920,871	\$ 16,348,240
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(27,533)
BALANCE AT JANUARY 1, 2014 AS RESTATED	154,255,840	382,680	36,960,818	55,359,726	26,920,871	16,320,707
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	-	-	-	-	-	22,132,134
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	1,355,659
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	23,487,793
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 AS RESTATED	157,348,610	382,680	37,217,876	56,957,880	27,086,283	24,106,715
Appropriation of 2014 earnings						
Legal reserve	-	-	-	2,216,027	-	(2,216,027)
Special reserve	-	-	-	-	47,049	(47,049)
Cash dividends to ordinary shareholders - NT\$1.0 per share	-	-	-	-	-	(15,734,861)
Cash dividends to preference shareholders - NT\$1.4 per share	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(349)	349
Net profit for the year ended December 31, 2015	-	-	-	-	-	7,604,721
Other comprehensive income(loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(294,078)
Total comprehensive income(loss) for the year ended December 31, 2015	-	-	-	-	-	7,310,643
Disposal of the Corporation's shares held by subsidiaries	-	-	(707)	-	-	-
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	318,021	-	-	-
Adjustment from changes in equity of subsidiaries and associates	-	-	76,837	-	-	(42,347)
BALANCE AT DECEMBER 31, 2015	\$ 157,348,610	\$ 382,680	\$ 37,612,027	\$ 59,173,907	\$ 27,132,983	\$ 13,323,848

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

Other Equity					
Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedges	Total Other Equity	Treasury Shares	Total Equity
\$ (659,689)	\$ 8,603,167	\$ 12,375	\$ 7,955,853	\$ (8,496,974)	\$ 289,687,054
-	-	-	-	-	(27,533)
(659,689)	8,603,167	12,375	7,955,853	(8,496,974)	289,659,521
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(10,797,909)
-	-	-	-	-	(45,922)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	22,132,134
1,392,158	680,187	133,817	2,206,162	-	3,561,821
1,392,158	680,187	133,817	2,206,162	-	25,693,955
-	-	-	-	(90,487)	(90,487)
-	-	-	-	-	218,053
-	-	-	-	-	37,387
732,469	9,283,354	146,192	10,162,015	(8,587,461)	304,674,598
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(15,734,861)
-	-	-	-	-	(53,575)
-	-	-	-	-	-
-	-	-	-	-	7,604,721
466,327	(2,710,006)	6,072	(2,237,607)	-	(2,531,685)
466,327	(2,710,006)	6,072	(2,237,607)	-	5,073,036
-	-	-	-	9,263	8,556
-	-	-	-	-	318,021
-	-	-	-	554	35,044
\$ 1,198,796	\$ 6,573,348	\$ 152,264	\$ 7,924,408	\$ (8,577,644)	\$ 294,320,819

CHINA STEEL CORPORATION

Standalone Statements of Cash Flows

	For the Year Ended December 31	
	2015	2014 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 8,316,314	\$ 23,656,083
Adjustments for :		
Depreciation expense	18,598,624	19,443,879
Amortization expense	11,071	22,750
Finance costs	1,886,133	1,984,712
Interest income	(166,372)	(183,073)
Dividend income	(222,530)	(206,682)
Share of the profit of subsidiaries and associates	(2,335,661)	(11,765,028)
Loss on disposal of property, plant and equipment	22,915	119,214
Gain on disposal of investments	(1,857,244)	(116,661)
Impairment loss recognized on financial assets	416,000	641,600
Increase in provision for loss on inventories	2,883,645	1,303,012
Unrealized (realized) gain on the transactions with subsidiaries and associates	(225,679)	293,861
Recognition of provisions	3,949,768	3,474,684
Others	249,953	(129,755)
Changes in operating assets and liabilities		
Notes receivable	142,971	(177,903)
Notes receivable - related parties	(38,990)	441,454
Accounts receivable	920,295	292,453
Accounts receivable - related parties	275,777	356,136
Other receivables	1,156,871	(687,209)
Inventories	674,674	4,173,265
Other current assets	84,467	1,921,108
Accounts payable	(1,412,321)	(1,386,758)
Accounts payable - related parties	(533,489)	(700,737)
Other payables	(1,314,346)	(1,860,467)
Provisions	(3,709,365)	(3,481,674)
Other current liabilities	(92,297)	910,187
Net defined benefit liabilities	102,061	63,390
Other noncurrent liabilities	59,240	-
Cash generated from operations	27,842,485	38,401,841
Income taxes paid	(2,163,500)	(1,216,978)
Net cash generated from operating activities	25,678,985	37,184,863
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(462,930)	(1,028,330)
Proceeds from disposal of available-for-sale financial assets	1,941,520	117,662
Proceeds from the capital reduction on available-for-sale financial assets	541,925	-
Proceeds from the capital return on investment accounted for using equity method	13,748	-

(Continued)

(In Thousands of New Taiwan Dollars)

For the Year Ended December 31

	2015	2014 (Restated)
Proceeds from disposal of debt investments with no active market	\$ 848,915	\$ -
Acquisition of investment properties	(594,606)	-
Acquisition of investments accounted for using equity method	(22,533,483)	(7,681,324)
Acquisition of property, plant and equipment	(10,661,694)	(12,866,036)
Proceeds from disposal of property, plant and equipment	125,537	-
Decrease (increase) in refundable deposits	(10,384)	18,827
Increase in other receivables - loans to related parties	(660,000)	(2,910,000)
Decrease (increase) in other financial assets	(318,927)	282,203
Interest received	165,095	187,797
Dividends received from subsidiaries and associates	11,071,395	5,291,713
Other dividends received	222,530	206,682
Net cash used in investing activities	(20,311,359)	(18,380,806)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	17,530,000	12,429,522
Repayments of short-term borrowings	(13,962,453)	(12,388,733)
Increase (decrease) in short-term bills payable	10,947,384	(7,069,214)
Issuance of bonds payable	-	22,900,000
Repayments of bonds payable	(8,150,000)	(3,500,000)
Proceeds from long-term borrowings	16,683,267	6,209,166
Repayments of long-term borrowings	(6,339,917)	(14,208,929)
Decrease in long-term bills payable	-	(9,000,000)
Dividends paid	(15,784,094)	(10,842,383)
Interest paid	(1,982,364)	(1,827,768)
Net cash used in financing activities	(1,058,177)	(17,298,339)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,309,449	1,505,718
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	213,938	(1,291,780)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	\$ 4,523,387	\$ 213,938
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, 2015 and 2014 :		
Cash and cash equivalents in the standalone balance sheets	\$ 7,518,687	2,603,621
Bank overdraft	(2,995,300)	(2,389,683)
Cash and cash equivalents in the standalone statements of cash flows	<u>\$ 4,523,387</u>	<u>213,938</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	3,185,392	41
China Steel Chemical Corporation	2,003,375	29
China Steel Structure Corporation	1,410,151	33
China Ecotek Corporation	1,267,207	45
CHC Resources Corporation	804,861	20
Less : Shares held by subsidiaries accounted for as treasury stock	2,044,682	
Subtotal	6,626,304	
Unlisted companies		
Dragon Steel Corporation	97,585,417	100
China Steel Asia Pacific Holdings Pte Ltd.	30,191,571	100
China Steel Australia Holdings Pty Ltd.	16,772,503	100
China Steel Express Corporation	10,872,594	100
C. S. Aluminum Corporation	9,218,405	100
China Steel Sumikin Vietnam Joint Stock Company	7,551,639	56
Gains Investment Corporation	7,241,995	100
China Prosperity Development Corporation	4,155,720	100
China Steel Global Trading Corporation	2,962,214	100
China Steel Corporation India Pvt Ltd.	2,848,099	100
China Steel Machinery Corporation	1,638,156	74
Kaohsiung Rapid Transit Corporation	1,260,321	43
China Steel Resources Corporation	986,382	100
Info-Champ System Corporation	940,267	100
CSC Precision Metal Industrial Corporation	871,991	100
White Biotech Corporation	808,390	87
China Steel Security Corporation	541,985	100
Hi-mag Magnetic Corporation	390,199	70
China Steel Management Consulting Corporation	24,965	100
Less : Shares held by subsidiaries accounted for as treasury stock	6,532,962	
Subtotal	190,329,851	
Investments in Associates		
Unlisted companies		
Eminent II Venture Capital Corporation	823,683	46
Honley Auto Parts Co., Ltd.	778,319	49
Taiwan Rolling Stock Co., Ltd.	609,393	36
Kaohsiung Arena Development Corporation ¹⁹	485,389	18
Hsin Hsin Cement Enterprise Corp.	363,181	31
Dyna Rechi Co., Ltd.	350,588	25
TaiAn Technologies Corporation ²⁰	14,691	17
Subtotal	3,425,244	
Total	200,381,399	

(December 31, 2015)

Companies	Amount (NT\$1,000)	Ownership (%)
Available-For-Sale Financial Assets-Noncurrent		
Domestic investments		
Listed shares		
Tang Eng Iron Works Co., Ltd.	1,340,745	9
Reichi Precision Co., Ltd.	567,000	5
CSBC Corporation Taiwan	264,250	2
Subtotal	2,171,995	
Emerging market shares and unlisted equity securities		
Taiwan High Speed Rail Corporation	2,012,734	4
Industrial Bank of Taiwan	645,517	4
CDIB Partners Investment Holding Corporation	521,003	5
Overseas Investment & Development Corporation	53,840	6
CDIB BioScience Ventures I, Inc.	12,012	5
Mega I Venture Capital Co., Ltd.	3,429	3
Phalanx Biotech Group	7,724	2
Subtotal	3,256,259	
Foreign investments		
Listed shares		
Maruichi Steel Tube Ltd.	1,957,986	2
Yodogawa Steel Works, Ltd.	265,828	1
Subtotal	2,223,814	
Unlisted equity securities		
Congonhas Minerios S.A.	1,983,286	-
Dongbu Metal Co., Ltd.	1,021,091	4
Sakura Ferroalloys Sdn Bhd	1,455,119	19
Sakura Ferroalloys Sdn Bhd-Preferred	278,297	19
Subtotal	4,737,793	
Total	12,389,861	
Bond Investments with no Active Market		
Unlisted preference shares-overseas		
East Asia United Steel Corp.-Preferred A	1,818,091	19
Total	1,818,091	
TOTAL	214,589,351	

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

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

Main Businesses and Addresses of Subsidiaries

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 Ownership : 99.98%

China Steel Express Corporation

Chairman : C. L. Wu
 President : Y. H. Chen
 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 Ownership : 100%

China Steel Chemical Corporation

Chairman : S. C. Wang
 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 Ownership : 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 Ownership : 99.99%

CHC Resources Corporation

Chairman : H. C. Liang
 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 Ownership : 19.83%

China Ecotek Corporation

Chairman : C. T. Wong
 President : R. Q. Chen
 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 Ownership : 44.76%

China Steel Structure Co., Ltd.

Chairman : H. C. Kuo
 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 Ownership : 33.24%

Chung Hung Steel Corporation

Chairman : T. Y. Huang
 President : H. M. 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 Ownership : 40.59%

(as of March 31, 2016)

China Steel Machinery Corporation

Chairman : W. P. Wang

President : C. T. Chen

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 Ownership : 73.97%

Gains Investment Corporation

Chairman & President : C. R. Hsyu

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 Ownership : 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 Ownership : 99.96%

China Prosperity Development Corporation

Chairman : H. Lee

President : H. E. Chang

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 Ownership : 99.99%

InfoChamp Systems Corporation

Chairman : C. Y. Lin

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 Ownership : 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 Ownership : 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 Ownership : 69.49%

Dragon Steel Corporation

Chairman : J. Y. SUNG

President : C. P. Chen

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 Ownership : 100%

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 : 886-7-802-1111#6262

Fax : 886-7-805-1529

CSC Ownership : 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 : 886-7-802-1111#2766

Fax : 886-7-805-1296

CSC Ownership : 100%

CSC Steel Sdn. Bhd.²¹

Managing Director : C. H. Huang

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 Ownership : 45%

China Steel Sumikin Vietnam Joint Stock Co.

Chairman & President : M. H. Chen

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 Ownership : 56%

China Steel Precision Materials Corporation²¹

Chairman : J. L. Lee

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 Ownership : 70%

China Steel Corporation India Pvt. Ltd.

Chairman : D. S. Chen

President : W. Y. Fu

Main business : electrical steel coils

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

Tel : 91-922-7989880

CSC Ownership : 100%

Qingdao China Steel Precision Metals Co., Ltd.²¹

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 Ownership : 60%

United Steel Engineering and Construction Co., Ltd.²¹

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 Ownership : 80%

CSC Bio-Coal Sdn. Bhd.²¹

Managing Director : Y. C. Chen

Main business : Bio-coal products

Address : 49-B Jalan Melaka Raya 8, Taman
Melaka Raya, 75000 Melaka, Malaysia

Tel : 60-6-2815300

CSC Ownership : 100%

White Biotech Corp.

Chairman & President : S. L. Chang

Main business : Biotechnology introduction
and development

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

Tel : 886-7-536-6590

CSC Ownership : 87.05%

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

**HEAD OFFICE**

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

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Fax: 886-7-537-3570

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Tel.: 91-11-4057-3739

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