



		2000	1999
Revenues	(Millions of New Taiwan Dollars)	100,635	89,882
Operating costs		79,414	75,088
Income from operations		21,221	14,794
Income before income tax		21,606	15,512
Employment costs ⁽¹⁾		13,586	12,608
Depreciation		12,097	11,183
Interest expenses net ⁽¹⁾		2,083	2,096
Total assets		208,982	204,465
Capital expenditures		4,089	8,268
Stockholders' equity		134,654	127,443
Output of steel products	(Thousands of metric tons)	9,492	9,116
Sales volume of steel products		9,717	9,192
Number of employees ⁽²⁾		8,876	8,994
Return on sales	(%)	21.47	17.26

Return on stockholders' equity ⁽³⁾

14.18

11.62

⁽¹⁾ Excluding capitalized expenses

⁽²⁾ As of the end of the calendar year

⁽³⁾ Based on net income



Note: Figures for 1996 – 1997 are *proforma* for the respective calendar years.



DATE	MAJOR EVENTS
December 3, 1971	China Steel Corporation (the Corporation) officially registered, with head office located in Taipei
September 16, 1972	Kaohsiung Plant Site Office established
September 1, 1974	Construction of Phase I commenced
December 26, 1974	Public listing of China Steel stock on Taiwan Stock Exchange
September 15, 1975	Head office relocated to Kaohsiung, Plant Site Office closed
July 1, 1977	China Steel Corporation became a state enterprise.
December 16, 1977	Phase I completed. Capacity ⁽¹⁾ 1.5 million tons ⁽²⁾ per year
July 1, 1978	Construction of Phase II commenced
June 30, 1982	Phase II completed. Capacity ⁽¹⁾ reached 3.25 million tons per year
July 1, 1984	Phase III construction commenced
April 30, 1988	Phase III completed. Capacity ⁽¹⁾ reached 5.652 million tons per year
July 15, 1993	Phase IV construction commenced
April 12, 1995	China Steel Corporation privatized
May 31, 1997	Phase IV completed. Capacity ⁽¹⁾ reached 8.054 million tons per year
June 2, 1998	CSC Group's corporate identity system formally introduced to the public

⁽¹⁾ In terms of crude steel

⁽²⁾ All references to "tons" mean metric tons of 1,000 kilograms



A bird's eye view of China Steel Corporation



The Year 2000

The domestic economy showed signs of prosperity during the first half of 2000. Contributing factors were (1) gradual subsiding of the Asian financial upheaval, (2) recovery in Southeast Asia's economies, (3) continued warming up of economic growth in Europe and America, and (4) benefits of global recovery enjoyed by Taiwan's foreign trade.

Economic recovery fueled the price rises in agricultural and industrial materials worldwide. Domestic steel demand turned brisk, creating a rise in both prices and quantities traded. As a result the Corporation's 2000 target for income before income tax was raised from NT\$20,200 million to NT\$25,000 million.

However international steel prices plunged in the second half of 2000. Factors at play were (1) loss of momentum in the economic growth in the United States, (2) intensification of anti-dumping actions initiated by U. S. steel producers, (3) diverting of cheap steel to the Asian regions by steel producers in the former Soviet Union, and (4) low priced sales drives by Korean and Japanese producers to fill up their excess production capacities. In fact steel prices even fell through the bottom levels that existed during the Asian financial crisis. As a result the Corporation fell short of the targets that had been raised in June. Nevertheless, year-on-year growth was achieved on all fronts: 4.12% in production, which reached 9.4918 million tons; 5.71% in sales of 9.7168 million tons; 11.96% in sales revenues, which attained NT\$100,635 million; and a very impressive 39.28% in income before income tax which set an all time record of NT\$21,606 million.

The Corporation's "1020 cost reduction" drive the previous year, targeting 10% reduction in direct costs and 20% reduction in indirect costs, has slashed average cost to an impressive low level. Realizing that the dynamics for future growth have shifted from

quantity to quality, the Corporation centered its operating goal in 2000 on company-wide overall elevation of quality, with particular focus on satisfying customer needs for product quality. With all resources and training related this goal given topmost priority, the Corporation hopes to further strengthen its corporate health and boost its vitality. Additionally, in order that efforts are mustered in the right direction toward the above goal, each plant and department is required to draw up its so-called "3 BEST" plan of action in the realm(s) of environment, customer services, products and/or administration as the case may be. This calls for each department to bring forth at least three areas in its operations of topmost importance and with pressing needs for improvements, and to set for itself challenging targets and work plans for carrying them out. All actions must zero in on the objectives of "highest quality, most accurate deliveries and lowest cost". A year of concerted effort during 2000 has resulted in significant and substantial improvements in on-timeness of deliveries and reduction of customer complaints and claims.

Outlook for 2001

Following the cooling down of economies the world over, the first half of the year will not see the return of optimism on steel demand. However, the effects of (1) enlarged scale of production cutbacks by producers to relieve the pressure of over-supply and (2) inventory rebuilding by steel users and service centers following a period of inventory drawdowns are beginning to be felt. Prices of some steel products have shown signs of bottoming out. Overall steel prices are expected to return to normal during the second half of the year. Heading into 2001 the Corporation is confronted with an operating environment harsher than ever. Reaching the operating targets will call for further cost slashing, quality upgrading and search for new opportunities for revenues. The Corporation has thereupon adopted its 2001 directions as (1) keeping up the "1020 cost reduction" spirit, (2) making it everybody's concern to innovate and discover new revenue opportunities, and (3) quest for ever higher quality in products and customer services. Target for 2001 is NT\$92,761 million in revenues and NT\$17,250 million in income before income tax, averaging NT\$1.59 per share.



Chairman of the Board

C. Y. Wang



President

J. Y. Chen



The Corporation's total steel sales reached 9,716,768 tons, up 5.71% over 1999. Domestic markets took 71.71% while exports took the remaining 28.29%. Again re-rollers' intake accounted for the largest share---25.40%---of domestic shipments. Service centers and nut and bolt makers again formed the next two largest customer groups. As for geographic distribution of exports, Southeast Asia (including Hongkong) and Northeast Asia accounted for 52.90% and 41.60% respectively.

Owing to a number of technical breakthroughs in maintenance and equipment operations, and the continued adoption of oxygen enrichment at the blast furnace, new production records were set both in hot metal (molten iron) and in liquid steel, resulting in a high ratio of



Basic oxygen furnace control room

self-produced slabs and blooms. Steel product output registered a gain of 4.12%, reaching an all time high of 9,491,832 tons----bright performance indeed. This was achieved thanks to (1) close coordination between sales and production, (2) proper planning of semi-product purchases during the first half of the year, and (3) continued advances in rolling techniques----all despite adversities brought about by disruptions to the rolling operations caused by the market decline in the third quarter, shortfall in order booking, and rise in the Corporation's inventory.

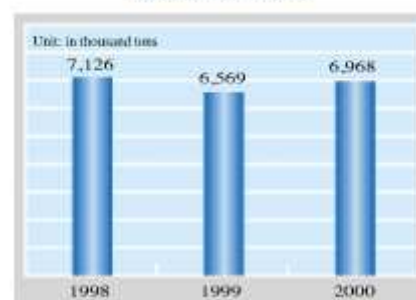
Output per employee in terms of crude steel



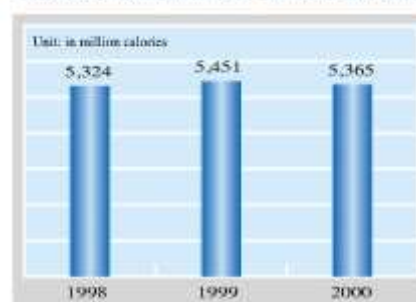
Export steel sales



Domestic steel sales



Energy consumption per ton of crude steel





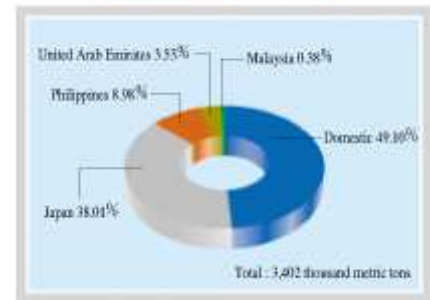
Wire rod mill control room

Price of coal continued to decline in 2000. As for iron ore the Corporation felt the pressure of price boosts, but with the targets of the “1020 cost reduction” in mind, its negotiating team applied itself to clinching the most favorable deal with the mining companies. As a result FOB prices of coal and iron ore felt by 10.00% and 0.63% respectively from the previous year's level. With No. 3 blast furnace returned to operation from the previous year's campaign revamp, total consumption of coal and iron ore registered year-on-year increases of 13.01% and 11.96% respectively.

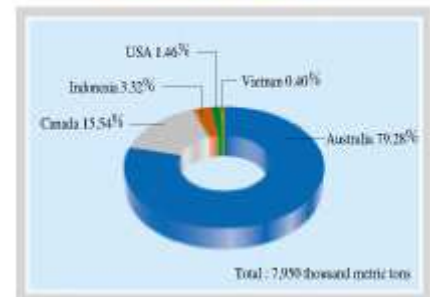
The Corporation continued to make progress in cogeneration and vigorously develop the sale of steam, oxygen, nitrogen and argon from its utility facilities. These measures aim at effective overall resource utilization and regional integration and self-sufficiency in energy supply and demand. Total sales of these items again set new records in both quantity and value. Of the electricity consumed by the Corporation in 2000, 75.4% was generated in its own power plants, up by 6.6 percentage points from the percentage level of the previous year. This was made possible largely by the completion and phasing in of the new No. 8 turbo-generator. Overall energy consumption fell to 5,365 million calories per ton of crude steel, down by 86 million from the 1999 level.

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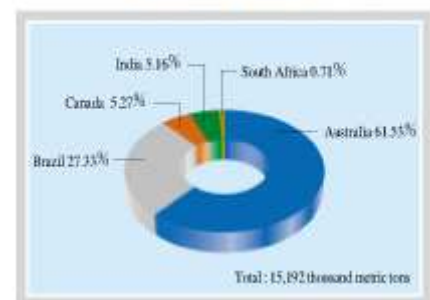
Sources of flux materials



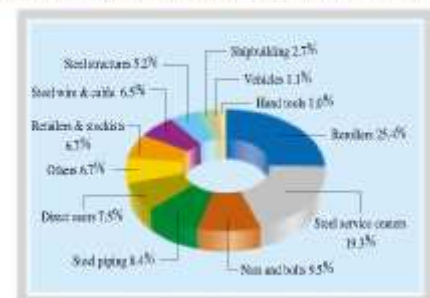
Sources of coking coal



Sources of iron ore



Percentage of domestic sales by industry, 2000





Cold rolled coil

As a part of the Corporation's effort to bolster the competitiveness of its products worldwide, it focused on a number of specific quality

improvement projects. Such actions are on top of the day-to-day close monitoring of product quality. They paid off in greater customer satisfaction and higher percentage of prime quality product yield, making possible the attainment of operating goal objectives. Among the achievements of this endeavor, the development of total quality management information system for steel plate, the digitalization of quality annual report, and the streamlining of slab release operations have all produced marked positive results. Improvements in the oil application for pickled and oiled hot rolled coils, and in the quality of hot rolled stainless steel coils have brought wide acclaim from customers. Such new products as low iron-loss high-grade electrical steel sheets, galvanized steel coils for automotive applications and resulfurized free cutting steel have satisfied the customers' needs for such quality materials.

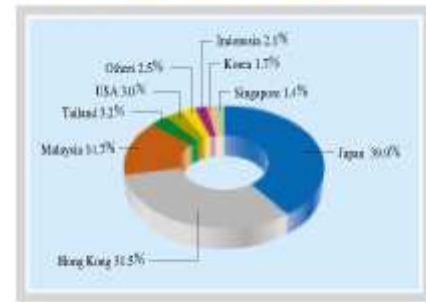


Steel plates

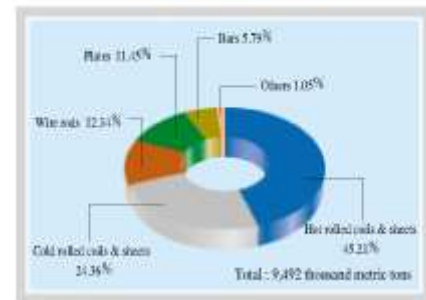
After two years of restructuring the Corporation's total quality management (TQM) system has taken a new appearance. What used to encompass only

the physical quality of steel products and work-in-process now spells out the requirements in output quality of all activities across the entire Corporation, whether in production, customer-facing functions or support activities within the Corporation. Each department has followed the essential requirements of the TQM system in drawing up its own "rules for operation", as well as incorporated ISO

Percentage of export by region, 2000



Steel production 2000



Steel sales 2000



9000 and ISO 14001 into its internal audit system so as to impart greater effectiveness to the Corporation's management as a whole.



Wire rods

The Corporation has used to good advantage its profound technological base built up over the years to provide technical service to local industries in

such realms as quality management, customer service, non-destructive inspection of machines and testing of components, and chemical and environment analyses. The Corporation believes in sharing with the local industrial community.



Raw material piers and storage yards



RESEARCH AND DEVELOPMENT (R&D)

Investment in the Corporation's research and development in 2000 exceeded NT\$800 million. R&D's primary mission is twofold:

- elevating the effectiveness of R&D endeavors toward the objectives of quality upgrading and cost reduction, and
- continued back-up for the diversified development of the CSC Group, while drawing upon the Corporation's solid technological base built up over the years.

R&D activities and accomplishments in 2000 were:

Related to product research and development

Major strategy focus is on the development of new high value-added products and quality upgrading of the existing products. Also in this category is the assistance to downstream customers in their endeavors to develop new products, upgrade their quality and lower their costs. Among the items completed are:

- boron-added non-aging steel
- success in eliminating coil break defects on high surface quality pickled and oiled coils
- substantial narrowing down of the fluctuations in iron-loss in 50A1300 electrical steel.

Related to process research

Emphasis is on process improvement, raising efficiency and cost reduction.

Among the significant items completed are:

- coke temperature monitoring system on No. 1 coke guide



Ultramicrotome



Controlled atmosphere furnace



Simulation equipment used in electric scooter battery research

car---raise energy utilization efficiency and reduce pollution

- lateral temperature control system at No. 2

sinter plant---improve the uniformity of sinter quality

and reduce return fines

— computer model for estimating the melting temperature of multi-component slag system in vacuum refining at the steel-making plant---maintain high productivity and improve quality of liquid steel

— automatic gauge control system for strip tail at No.1 hot strip mill. This system has elevated the success rate in achieving 1/2 thickness tolerance to 99%, reflecting a substantial improvement.

Related to automation and development of inspection and measurement systems

These activities focus on the integrated application of the computer, photoelectric devices and control technology to impart new life to conventional production lines. Major items completed during 2000 are:

- development of a control system analyzer for hydraulic servo-valves--- improve stability in rolling operations
- facility vibration diagnostic rules for down-coiler pinch rolls---reduce unscheduled shut-downs, reduce cost and raise stability of product quality.

Related to environmental protection and prevention of pollution

Items completed in 2000 include:

- minimizing the generation of chromium sludge from the waste water treatment plant at the electro-galvanizing line. This is in line with the Corporation's waste reduction policy and reduces waste disposal expenses.
- process improvement in the treatment of waste acid from the rod mill pickling solution---raise the quality of recovered iron oxide.

Related to R&D support for members of the CSC Group

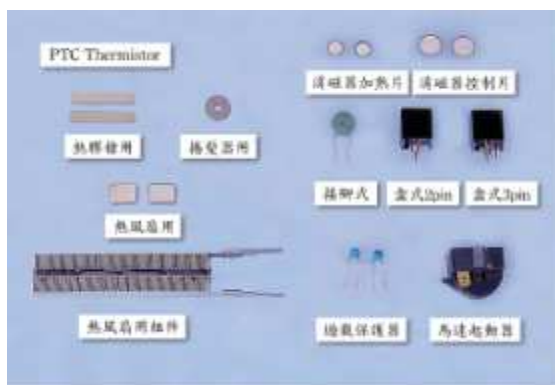
Items completed in 2000 include:

- assistance to C. S. Aluminum Corporation in developing cathode aluminum foil for use in the manufacture of electrical

capacitors. This marks C. S. Aluminum's entry into the field of electro-metals.

- solving the oil stain problem and oxidation defects on aluminum shells for electric capacitors---reduce customer complaints
- assistance to BETACERA Inc.* in the commercial production of positive temperature coefficient resistors (PTCR) for use on thermostats and motorcycle carburetors
- assistance to HIMAG Magnetic Corporation in the development of corrosion resistant material for HIMAG's scrubber---lower maintenance costs and improve working environment as well as reduce pollution.

The Corporation believes that it is the mission of its R&D to utilize the strong capabilities of its R&D team in leading the other members of the CSC Group in their technology developments. The Corporation will henceforth redouble its effort in R&D backup for the Group's members as well as search for new opportunities and realms for research and development. The ultimate goal is to consolidate the technology base and boost the competitiveness of the Group as a whole.



PTCR thermistor related component products

* One of the companies with investment from Gains Investment Corporation.



As of the end of 2000 the Corporation employs 8,876 persons, with 8,796 or 99.10% eligible for union membership and belonging to the China Steel Labor Union. Average age of employees is 44.87 years.

The concepts of labor-management harmony and interdependence for prosperity have long guided the Corporation in its relations with the employees. It has therefore continued to:

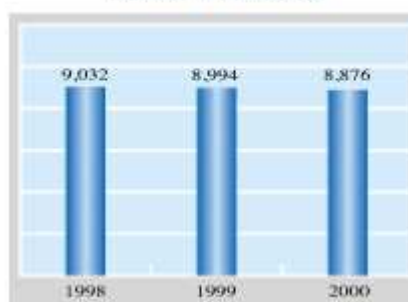
- maintain diverse communication channels
- enhance communication and conciliation plant-wide
- improve workplace environment
- ensure the effectiveness of the existing grievance system.

The Corporation and the union signed an amended three-year extension to the management-union collective agreement.

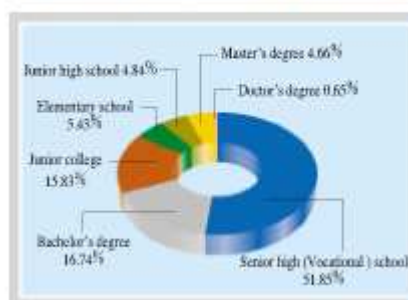
The Corporation continued to carry out the “peer counseling volunteer program”. This program selects and trains compassionate employee volunteers to participate in the counseling of fellow employees on their personal problems.

The Corporation continued to push forward the rationalization of manpower deployment and to re-examine the related personnel rules and regulations. In addition to continuing its review for manpower

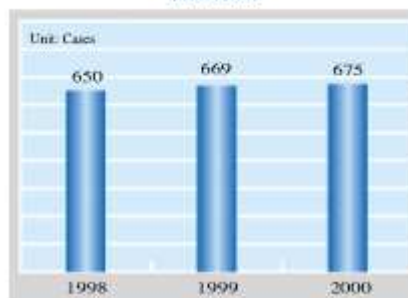
Number of employees



Educational background of employees



Cases completed by Creative Development Activities

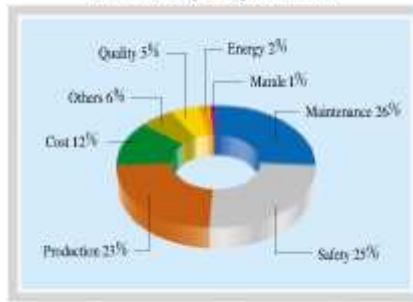


structure improvement, it also undertook a review for improving the Corporation's performance management system. All these activities aim at improving morale and raising manpower effectiveness. Along with the creation of subsidiaries, the Corporation continued to revamp, review and pare down in current organization structure.

Training in 2000 continued to focus on:

- improving the quality of overall management and decision making
- upgrading leadership and communication skills
- inspiring the employees to develop their potential and creativity
- strengthening quality management and raising the employees' environment-consciousness to meet the requirements of ISO accreditation

Cases completed by Creative Development Activities by subject matter



Signing of renewed labor-management collective agreement

Looking ahead into future development requirements in talent and manpower, the Corporation has launched a series of programs that may be conceptualized as a non-degree granting "Corporate University of China Steel" within the China Steel organization. The initial two programs*, the Global Business Manpower Program and the Administrative Personnel Program, both focus on current needs of the Corporation, and are designed with a systematic and comprehensive curriculum.

The Corporation continued with the programs that are tailored to consolidate the Corporation's capabilities in production, technology and administration. They are designed to meet the demands generated by the Corporation's diversification and globalization and by the creation and growth of the CSC Group. In 2000 the Corporation selected 256 persons for short courses in academic institutions or for observation trips on job-related subjects in business organizations overseas. Also on a continuing basis from year to year the Corporation selected promising employees for further education at company expense: 20 persons at universities in Taiwan and 5 abroad.



Celebrating the Corporation's 29th anniversary

The Corporation's time-honored suggestion system and Creative Development Activities (CDA) aim at bringing out the employees' initiative to offer constructive suggestions and inspire them to discover problems and work out solutions through team effort. In 2000, 571 active CDA "circles" with 5,513 participants (93% of the blue collar employees of the departments involved) completed 675 topics with total benefit amounting to approximately NT\$100 million. Out of a total of 18,642 suggestions processed 17,129 (94%) were adopted, yielding tangible benefits of more than NT\$170 million.



Executives of CSC Group member companies

*Classes are conducted one day a week for each program. They are available only to the Corporation's employees. Trainees attend classes on company time. Nearly all the lectures are given by professors from universities nearby while the few not given by university professors are given by the Corporation's experienced personnel to impart their experience to the trainee. The trainee is required to file study reports during the "semester" and to pass a final examination at the end of the "semester". His performance in the program is recorded in his personnel file, but no college credits are given.



Plant-wide enforcement of health and safety measures, as well as the proactive promotion of the “voluntary protection system” and plant-wide implementation of workplace review and inspection --- these are the actions taken by the Corporation to eradicate occupational accidents and to provide the worker a safe and healthy.



*Shou Shan regains its beauty**

Major activities and events related to industrial health and safety in 2000 include:

- putting in place a comprehensive and economically feasible assessment model, and plant-wide promotion of the use of risk assessment. These actions are to coordinate with the promotion of the OHSAS-18001 occupational health and safety management system. They are accompanied by measures to ensure the carrying out of the safety observation procedures of the above system: health and safety education and training for employees and instruction in the skills of safety observation for supervisors.



Plant greenery

- plant-wide review and revision of safe work procedures. Putting in place a set of standards for safe work procedures that is compatible with international trends as well as the Corporation's health and safety management.

- plant-wide promotion of “voluntary protection system”.

The steel-making and the plant engineering and maintenance departments were awarded by the Labor Inspection Bureau the highest award of three-year recognition as plants conforming to the Bureau's “voluntary protection program” standards.



Dust collecting equipment

— plant-wide participation in the Bureau's review and inspection of hazardous workplaces, and obtaining the Bureau's approvals.

Environmental Protection

The Corporation continued to push forward various environmental protection programs under the guidance of ISO 14001 environmental management system requirements; namely commitments of compliance with relevant legislation and regulations, prevention of pollution and continual improvement. Active measures are taken to correct the flaws on the pollution prevention and control equipment to ensure smooth normal operation. Close checks and maintenance of the monitoring systems ensures the reduction of emission and minimizes the occurrence of violations.

Waste Management

The Corporation abides by the related laws and regulations in the removal, treatment and disposal of wastes. It also continues its waste-to-resource and waste reuse drives. Additionally it enters into close cooperation with other members of the CSC Group to expand the dimensions of waste reduction as well as to raise the level and self-reliance for waste-to-resource activities within the Group.

Prevention of Water Pollution

The Corporation continues to reduce the quantity of pollutants as well as to find ways of water reuse and reduction of water consumption. The Corporation utilizes recycled water of different qualities according to the water quality requirement at the point of use so that part of the water is actually reused a number of times before being discharged. Such endeavors have enabled the Corporation to achieve a water recovery ratio of as high as 97% while at the same time conforming to the current (1998) government control standards.

The Corporation has long regarded anti-pollution facilities as an integral part of the production equipment. Facing increasingly

strict regulations, it constantly reviews the situation relating to environmental protection both within and outside the plant and conducts plant-wide reviews on the pollution-causing equipment and factors. Results of such reviews are turned into plans, projects and targets for improvement as well as timetables for their execution and progress reviews. Only in this manner can the Corporation ensure the attainment of the standards set by the environmental protection authorities. Investments in 2000 for pollution prevention and control equipment amounted to NT\$297 million. Items completed include:

- reduction of emission from phase III coke plant pushing operations
- reduction of emission from charging operations at phase I and II coke ovens
- addition of multi-pulse high voltage power supply system to the electrostatic precipitators at No.3 and 4 sinter plants
- application of cooling tower technique at the water treatment plant for No. 2 air station (avoiding the need for refrigeration)
- improvements in the dust collection and ventilation system in phase I and II steel-making plants.

Community Relations

The Corporation continues to be involved with the neighboring communities and constantly has their needs in mind. Activities undertaken as a continuation from previous years include:

- assistance to local schools in replenishing and improving their facilities
- scholarship for outstanding students
- financial assistance to indigent students
- gifts to low income families at the Lunar New Year, Dragon Boat and Autumn Festivals
- assistance and participation in local festivities, senior citizen day activities, and other community activities

- athletic competitions and sport events
- open-house and familiarity tours of the steel mill for primary school students of the community.

To convey the message “Being a part of Kaohsiung, China Steel cares” the Corporation sponsored in February a family outing event to the Shou Shan* area with the theme “Love from China Steel --- Shou Shan Regains Beauty”. This activity brings to public attention the greenery by the Corporation to restore the area to its original beauty after it terminated its limestone mining operations there. It also serves to demonstrate an example of industry's concern for environmental matters.

In May the Corporation sponsored concerts with the theme “Great Stars Shine on Our Port Metropolis”. Ma Yo-yo and Lin Cho-liang, artists of international renown, performed. This event infused a cultural atmosphere to the vitality of Kaohsiung.



Prevention of stream pollution - oil containment boom

* The Chinese words Shou Shan translate as Longevity Hill. It is situated on the outskirts of metropolitan Kaohsiung. From 1986 to 1992 the Corporation mined for limestone there with mining rights valid until January 28, 2000. On November 27, 1992, with more than seven years remaining in the validity of its mining rights, the Corporation terminated the mining operations voluntarily and of its own initiative as a gesture of concern for ecological preservation.



Fifteen project-type capital expenditure projects were in progress during 2000. Disbursements during the year totaled NT\$2,778 million. They were:

- Related to equipment revamping

1. No. 3 blast furnace first campaign revamp
2. No. 3 sinter plant revamping
3. Revamp of coke oven machines for phase I and II coke ovens
4. Revamp of hot stoves 21, 22 and 23 on No. 2 blast furnace
5. Revamp of 4-hi reversing plate mill



Power plant expansion

- Related to raising of production capacity

6. Hydrogen batch annealing furnaces for cold rolled coils
7. Modification of reduction sizing block on No. 1 bar mill
8. Addition of No. 8 oxygen plant
9. Addition and modification of billet conditioning equipment for billet mill
10. Addition of bloom preheating furnace for billet mill
11. Modification of equipment and addition of reducing and sizing mill for rod outlet line of No.2 bar mill
12. New non-oriented high-grade electrical sheet line



Billet reheating furnace

13. Addition of pulverized coal injection and coal conveyor line for No. 2 blast furnace
14. Additional coal bin for phase II coke over plant

- Related to office space

15. Acquisition of new office for Taipei Liaison Office in the Nankang Software Industrial Park



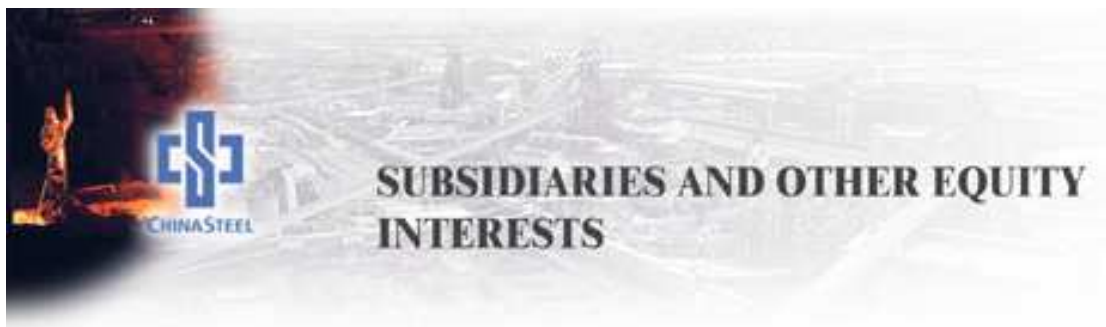
*Inauguration of new conference room at the Taipei
Office*

Items 1 and 6 have been completed in March and June, three months and two months ahead of schedule respectively. Item No. 2 was completed in June on schedule. As for item 15, Taipei Liaison Office moved into the new premises on September 25. All the remaining items are proceeding on schedule.

Non-project type capital expenditures in 2000 totaled NT\$1,311 million. They cover a wide range of objectives including equipment revamping, safety and environmental protection, bottleneck elimination, computerization, and others.

The principal construction projects undertaken by the Corporation on a turnkey basis are the refuse resource recovery plants at Kangshan in Kaohsiung Prefecture and Lutsao in Chiayi Prefecture. Actual progresses as of the end of 2000 are 99.9% and

88%, ahead of schedule by 3.4% and 6.9% respectively. These projects are expected to complete early 2001 and late 2001 respectively.



Investments were made in 2000 in Yieh Loong Enterprise* in Taiwan and in Ornasteel Enterprise* and Group Steel Corporation* in Malaysia. The investment in Yieh Loong was to strengthen the Corporation's competitiveness in the core business, and the investment in the two Malaysia companies was for a controlling interest. It formally marked the initial step of the Corporation's investment activities onto the global stage. The investment in Malaysia carries the additional advantage of further facilitating the Corporation's market expansion and investment deployment in that region with the expected inauguration of the Free Trade Area among the ASEAN countries in 2003.



Product also at China Hi-ment Corporation

Basing on considerations of cash flow and timely realization of capital gains, the Corporation divested itself of its interests in MoBiTai Communications Ltd. at a profit of NT\$1,542 million.



Edge profiler at Taisil Electronic Materials Corporation

Among the companies in which the Corporation holds a controlling interest, China Steel Express* produced a net income of NT\$3.18 per share, thanks to its expanded fleet and effective cost control. China Steel Chemical* benefited from oil price rises which drove up prices for its products. Its net income per share was NT\$3.59. The construction-related companies, China Steel Structure*, China Himent* and China Ecotek* each posted net incomes over NT\$1.5 per share, a remarkable performance considering the unfavorable business environment

and limited profit opportunities. The companies in which Gains Investment invested have gradually entered into normal operations. Gains Investment* took timely action in divesting itself of its holdings at a profit. Net income for 2000 was NT\$6.16 million. As to Yieh Loong*, the downward slide of hot rolled coil prices without concomitant decline in slab prices, plus the company's heavy interest burden, caused the company to post a loss for 2000. As to Kuei Yi Industrial Corporation, of which the Corporation holds 30% of the issued shares, an NT\$4,280 million loss has occurred, despite the profit gained from rising market prices for H-beams. This loss was the result of misappropriation by its former chairman through illegal means. While conducting the necessary reforms in the company to save the situation, the Corporation is currently pursuing the proper legal action in collaboration with other shareholders to ensure protection of the investors' rights.

Worldwide Semiconductor Manufacturing Corporation, in which the Corporation held equity interests, was merged by Taiwan Semiconductor Manufacturing Co. (TSMC) on June 30, 2000. Exchange of shares resulted in the Corporation's owning 86.141 million TSMC shares. When divided into the Corporation's original investment in Worldwide, this results in a cost of NT\$28.6 per share of TSMC, reflecting considerable potential gains for the Corporation.

The Corporation's strategy with respect to its investments in the domestic steel business is toward division of labor and integration of resources to strengthen international competitiveness. As for non-steel businesses, Kaohsiung Rapid Transit Corporation (KRTC), where the Corporation has a 30% interest and has assumed the leading role, was formally incorporated in December 2000. Ceremony for groundbreaking and the signing of agreement



Groundbreaking and agreement signing ceremony for the Kaohsiung Rapid Transit system



Continuous caster at C.S. Aluminum Corporation



China Steel Chemical Corporation

with Kaohsiung Municipal Government will take place on January 12, 2001. A new wave of immense business opportunities will be created for the CSC Group during the construction of the system and after its completion from the business and commercial complexes in the peripheral areas. There is great expectation that KRTC may well become the second core business of the Group. As to investments in new material industries the Corporation will continue to pursue such hi-tec industries with competitive advantage as electronic materials, opto-electronic devices, and high precision materials. Along with new energy source development and the top ten emerging industries promoted by the government with incentives, they will form the focal points for the Group's long term deep-rooted growth and development.

* For the full names of the companies please refer to the last item of 'MAIN BUSINESSES AND ADDRESSES OF SUBSIDIARIES AND OTHER CHINASTEEL-INVESTED COMPANIES' of this report.



CHINA STEEL CORPORATION

BALANCE SHEETS

December 31, 2000 & December 31, 1999

(In Thousand New Taiwan Dollars)

	December 31, 2000		December 31, 1999			December 31,2000		December 31, 1999	
ASSETS	Amount	%	Amount	%	LIABILITIES AND STOCKHOLDERS' EQUITY	Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 15,161,618	7	\$ 19,992,607	10	Short-term bank loans and overdrafts	\$ 2,933,033	1	\$ 3,625,612	2
Marketable securities	7,207,497	4	-	-	Commercial papers and bank acceptances payable	1,092,919	-	6,313,806	3
Notes receivable	327,427	-	409,095	-	Accounts payable	2,426,340	1	2,757,609	1

Accounts receivable	1,727,905	1	1,142,401	1	Income tax payable	3,339,555	2	1,250,408	1
Inventories	19,064,329	9	14,749,289	7	Other payables	5,553,083	3	3,874,384	2
Pledged time deposits	7,600,000	4	7,568,787	4	Long-term liabilities due within one year	12,809,033	6	7,750,654	4
Other current assets	472,115	-	737,940	-	Other current liabilities	1,682,907	1	1,930,072	1
Total Current Assets	51,560,891	25	44,600,119	22	Total Current Liabilities	29,836,870	14	27,502,545	14
LONG-TERM INVESTMENTS	34,504,547	16	28,213,609	14	LONG-TERM LIABILITIES				
PORPERTIES					Bonds	30,050,000	14	34,812,000	17
Cost					Debts	5,245,363	3	4,862,980	2
Land	5,129,690	2	5,016,459	2	Total Long-Term Liabilities	35,295,363	17	39,674,980	19
Land improvements	4,316,764	2	4,305,016	2	RESERVE FOR LAND VALUE INCREMENT TAX	3,370,813	2	3,370,813	2
Buildings and improvements	35,432,748	17	35,075,684	17					
Machinery and equipment	203,832,573	98	201,692,260	99	OTHER LIABILITIES	5,824,702	3	6,473,636	3

Transportation equipment	1,569,793	1	1,542,424	1	Total Liabilities	74,327,748	36	77,021,974	38
Miscellaneous equipment	2,631,889	1	2,536,308	1					
Total cost	252,913,457	121	250,168,151	122	STOCKHOLDERS' EQUITY				
Appreciation	18,536,364	9	18,851,108	9	Capital stock				
Total cost and appreciation	271,449,821	130	269,019,259	131	Common	87,483,626	42	85,621,689	42
Accumulated depreciation	(157,493,844)	(75)	(147,723,588)	(72)	Preferred, 14% cumulative and participating	477,770	-	487,340	-
	113,955,977	55	121,295,671	59	Total capital stock	87,961,396	42	86,109,029	42
Constructions in progress	4,460,016	2	6,675,962	3	Capital surplus	409,005	-	487,340	-
Net Properties	118,415,993	57	127,971,633	62	Retained earnings	46,380,081	22	40,955,888	20
OTHER ASSETS	4,500,797	2	3,679,765	2	Unrealized loss on long-term investments	(149,728)	-	(1,101)	-
					Cumulative translation adjustments	53,726	-	15,341	-
					Total Stockholders' Equity	134,654,480	64	127,443,152	62

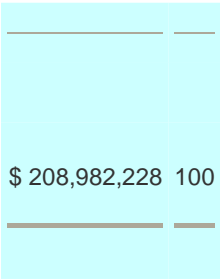
TOTAL ASSETS



\$ 208,982,228 100

\$ 204,465,126 100

TOTAL LIABILITIES AND STOCKHOLDERS'
EQUITY



\$ 208,982,228 100

\$
204,465,126 100



FINANCIAL REPORTS

STATEMENTS OF INCOME

CHINA STEEL CORPORATION

STATEMENTS OF INCOME

(in thousand New Taiwan Dollars, Except Earnings Per Common Share)

	Year Ended Dec. 31, 2000		Year Ended Dec. 31, 1999	
	Amount	%	Amount	%
REVENUES	\$ 100,634,849	100	\$ 89,859,030	100
COST OF REVENUES	74,724,305	74	70,816,558	79
CROSS PROFIT	25,910,544	26	19,065,120	21
OPERATING EXPENSES				
Selling	1,777,245	2	1,723,141	2
General and administrative	2,055,655	2	1,704,412	1
Research and development and employees training	856,301	1	843,260	1
Total Operating Expenses	4,689,201	5	4,270,813	4
INCOME FROM OPERATIONS	21,221,343	21	14,794,307	17
NON-OPERATING INCOME				
Interest	1,140,795	1	956,749	1
Investment income - net	2,053,155	2	2,432,875	3
Other	717,964	1-	589,358	-
Total Non-Operating Incomes	3,911,914	4	3,978,982	4

NON-OPERATING EXPENSES				
Interest	3,223,830	4	3,052,341	4
Other	303,880	1	209,070	-
Total Non-Operating Expenses	3,527,710	4	3,261,411	4
INCOME BEFORE INCOME TAX	21,605,547	21	15,511,878	17
INCOME TAX (BENEFIT)	3,024,012	3	(76,135)	-
INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLES	18,581,535	18	15,588,013	17
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLES	-	-	(466,731)	-
NET INCOME	\$ 18,581,535	18	\$ 15,121,282	17
EARINGS PER COMMON SHARE				
Based on weighted average number of outstanding common shares of 8,748,363 and 8,562,169 thousand for the year ended December 31, 2000 and 1999, respectively, after deducting preferred stock dividends of \$66,888 and \$68,228, respectively				
Income before cumulative effect of a change in accounting principles	\$ 2.12		\$ 1.81	
Cumulative effect of a change in accounting principles	-		(0.05)	
Net income	\$ 2.12		\$ 1.76	
Based on weighted average number of outstanding shares of 8,746,430 thousand after giving retroactive adjustment to year 2000 stock dividends			\$ 1.73	



FINANCIAL REPORTS

STATEMENTS OF CASH FLOWS

CHINA STEEL CORPORATION

STATEMENTS OF CASH FLOWS

(In Thousand New Taiwan Dollars)

	Year Ended December 31	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 18,581,535	\$ 15,121,282
Depreciation	12,096,839	11,183,446
Amortization	570,418	327,814
Deferred tax	(577,691)	(236,636)
Reversal of allowance for loss on inventories	(197,356)	(284,026)
Investment income under equity method	(253,647)	(1,583,482)
Loss on disposal of properties	38,813	25,460
Cash dividends on long-term investments under equity method	126,831	1,115,968
Gain on sale of long-term investments	(1,541,563)	(70,648)
Amortization and exchange (gain) loss of forward exchange	(18,494)	92,766
Changes in operating assets and liabilities		
Marketable securities	(4,743,303)	2,301,321
Notes receivable	81,668	1,989,384
Accounts receivable	(585,504)	(236,639)
Inventories	(4,117,684)	3,851,065
Other current assets	208,313	(74,771)
Accounts payable	167,726	23,305
Income tax payable	2,089,147	(1,648,126)
Other payables	1,652,380	392,489

Other current liabilities	(247,165)	(337,470)
Net Cash Provided by Operating Activities	23,330,808	31,952,502
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in long-term investments	(9,177,850)	(3,077,914)
Acquisition of properties	(2,494,358)	(8,263,766)
Proceeds from disposal of land	-	3,052,795
Decrease (increase) in other assets	(1,431,018)	(149,720)
Decrease (increase) in pledged time deposits	(77,299)	171,568
Proceeds from sale of long-term investments	1,954,120	200,237
Net Cash Used in Investing Activities	(11,226,405)	(7,767,360)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	(11,150,096)	(20,471,274)
Increase (decrease) in commercial papers payable	(5,220,887)	1,731,192
Decrease in short-term bank loans and overdrafts	(692,579)	(438,738)
Decrease in payable on properties purchased	(498,995)	(66,919)
Increase (decrease) in bonds payable	(41,000)	9,167,000
Increase (decrease) in long-term debts	719,762	(3,422,889)
Bonus to employees, directors and supervisors	(39,056)	(266,956)
Net decrease from purchased forward	(12,541)	(122,977)
Net Cash Used in Financing Activities	(16,935,392)	(13,891,561)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,830,989)	10,293,581
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,992,607	9,699,026
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 15,161,618	\$ 19,992,607
SUPPLEMENTAL INFORMATON		
Interest paid, excluding capitalized amounts	\$ 3,276,364	\$ 2,720,935

Income tax paid		
Payment for prior years' income taxes	\$ 1,238,141	\$ 1,671,310
Current year		
Prepayment and withholding	172,928	61,369
Tax on interest from commercial papers	101,487	75,948
	<u>\$ 1,512,556</u>	<u>\$ 1,808,627</u>
NON-CASH INVESTING AND FINANCING ACTIVITES		
Long-term liabilities due within one year	<u>\$ 12,809,033</u>	<u>\$ 7,750,654</u>
SUPPLEMENTAL INFORMATION FOR SUBSIDIARIES ACQUIRED		
Fair value of assets and liabilities of subsidiaries acquired		
Cash	\$ 9	\$—
Long-term investments	1,597,253	—
Others	75	—
Liabilities	(90)	—
	<u>\$ 1,597,247</u>	<u>—</u>
Shareholdings acquired	X 99.44%	—
	<u>\$ 1,588,302</u>	<u>—</u>
Deferred credit	(210,977)	—
Price Paid	<u>1,377,325</u>	<u>—</u>
Cash balances based on shareholdings acquired	(9)	—
Cash paid	<u>\$1,377,316</u>	<u>\$ —</u>



CHINA STEEL CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand New Taiwan Dollars, Except Par Value and Per Share)

CAPITAL STOCK - \$10 PAR VALUE

ISSUED			RETAINED EARNINGS				UNREALIZED	CUMULATIVE	TOTAL
Authorized	Preferred	Common	CAPITAL	Legal	Special	Unappropriated	LOSS ON	TRANSLATION	STOCKHOLDERS'
	Stock	Stock	SURPLUS	Reserve	Reserve	v	LONG-TERM	ADJUSTMENTS	EQUITY
							INVESTMENTS		

BALANCES, JANUARY 1, 1999	\$95,000,000	\$533,000	\$81,437,995	\$361,948	13,324,464	\$10,915,701	\$26,494,516	\$50,734,681	(\$203,073)	\$37,813	\$132,902,364
Increase in authorized shares	4,000,000	-	-	-	-	-	-	-	-	-	-
Conversion of preferred stock to common stock	-	(45,660)	45,660	-	-	-	-	-	-	-	-
Transfer of special reserve	-	-	-	-	-	(1,100,000)	1,100,000	-	-	-	-
Appropriations of prior years' earnings - from July 1, 1997 to December 31, 1998											
Legal reserve	-	-	-	-	2,640,611	-	(2,640,611)	-	-	-	-
Bonus to employees	-	-	-	-	-	-	(197,436)	(197,436)	-	-	(197,436)
Bonus to directors and supervisors	-	-	-	-	-	-	(71,076)	(71,076)	-	-	(71,076)
Cash dividends to preferred stock - \$2.5 per share	-	-	-	-	-	-	(131,267)	(131,267)	-	-	(131,267)
Cash dividends to common stock - \$2.5 per share	-	-	-	-	-	-	(20,361,481)	(20,361,481)	-	-	(20,361,481)
Capitalizatio of retained earnings	-	-	4,138,034	-	-	-	(4,138,034)	(4,138,034)	-	-	-

Net income for 1999	-	-	-	-	-	-	15,121,282	15,121,282	-	-	15,121,282
Translation adjustments of investee's long-term investments	-	-	-	-	-	-	-	-	-	(22,472)	(22,472)
Reversal of unrealized loss on investees' long-term investmnets	-	-	-	-	-	-	-	-	201,972	-	201,972
Others	-	-	-	2,047	-	-	(781)	(781)	-	-	1,266
BALANCES, DECEMBER 31, 1999	\$99,000,000	\$487,340	\$85,621,689	\$ 363,995	\$ 15,965,075	\$ 9,815,701	\$ 15,175,112	\$ 40,955,888	(\$1,101)	\$ 15,341	\$127,443,152
Conversion of preferred stock to common stock	-	(9,570)	9,570	-	-	-	-	-	-	-	-
Appropriations of prior years' earnings -1999											
Legal reserve	-	-	-	-	1,512,123	-	(1,512,123)	-	-	-	-
Bonus to employees	-	-	130,187	-	-	-	(130,187)	(130,187)	-	-	-
Bonus to directors and supervisors	-	-	-	-	-	-	(39,056)	(39,056)	-	-	(39,056)
Cash dividends to preferred stock - \$1.3 per share	-	-	-	-	-	-	(62,115)	(62,115)	-	-	(62,115)

Cash dividends to common stock - \$1.3 per share	-	-	-	-	-	-	(11,132,059)	(11,132,059)	-	-	(11,132,059)
Capitalization of retained earnings	-	-	1,722,180	-	-	-	(1,722,180)	(1,722,180)	-	-	-
Net income for 2000	-	-	-	-	-	-	18,581,535	18,581,535	-	-	18,581,535
Adjustment of equity in investees due to change in percentage of ownership	-	-	-	42,506	-	-	(71,600)	(71,600)	-	-	(29,094)
Unrealized loss on investees' long-term investments	-	-	-	-	-	-	-	-	(148,627)	-	(148,627)
Translaton adjustments of investees' long-term investments	-	-	-	-	-	-	-	-	-	38,385	38,385
Others	-	-	-	2,504	-	-	(145)	(145)	-	-	2,359
BALANCES, DECEMBER 31, 2000	\$ 99,000,000	\$ 477,770	\$ 87,483,626	\$ 409,005	\$ 17,477,198	\$ 9,815,701	\$ 19,087,182	\$ 46,380,081	(\$ 149,728)	\$ 53,726	\$134,654,480



FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA AND OPERATING RESULTS⁽¹⁾

(in thousands of New Taiwan Dollars unless otherwise noted)

	2000	1999	1998	1997	1996
Revenues	100,634,849	89,881,678	98,458,902	97,755,649	85,376,974
Operating costs	79,413,506	75,087,371	80,306,218	75,474,832	69,946,231
Income from operations	21,221,343	14,794,307	18,152,684	22,280,817	15,430,743
Non-operating income (loss)	384,204	717,571	(1,320,631)	(2,167,208)	291,240
Income before income tax	21,650,547	15,511,878	16,832,053	20,113,609	15,721,983
Net income	18,581,535	15,121,282	18,329,908	15,655,853	9,604,412

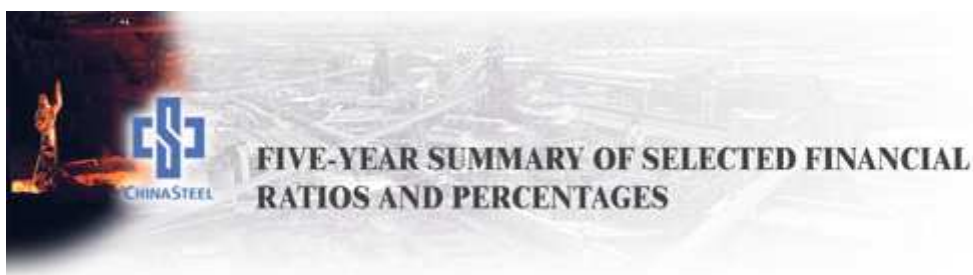
Current assets	51,560,891	44,600,119	42,065,939	43,464,973	45,342,574
Long-term investments	34,504,547	28,213,609	24,268,233	18,519,057	11,550,674
Net properties	118,415,993	127,971,633	131,438,295	133,372,805	127,571,994
Other assets	4,500,797	3,679,765	5,272,302	5,642,137	4,427,848
Total assets	208,982,228	204,465,126	203,404,769	200,998,972	188,893,090
Current liabilities	29,836,870	27,502,545	28,878,577	50,857,208	45,963,466
Long-term liabilities	38,666,176	43,045,793	36,279,535	29,749,611	29,679,559
Deferred income tax credit	5,824,702	6,473,636	5,344,293	5,597,080	5,874,006
Total liabilities	74,327,748	77,021,974	70,502,405	86,203,899	81,517,031
Capital stock	87,961,396	86,109,029	81,970,995	74,466,741	72,650,479
Capital surplus	409,005	363,995	361,948	361,998	362,708
Retained earnings	46,380,081	40,955,888	50,734,681	39,909,051	34,362,872
Unrealized loss on long-term investments	(149,728)	(1,101)	(203,073)	-	-
Cumulative translation adjustments	53,726	15,341	37,813	57,283	-

Total stockholders' equity	134,654,480	127,443,152	132,902,364	114,795,073	107,376,059
Total liabilities and stockholders' equity	208,982,228	204,465,126	203,404,769	200,998,972	188,893,090
Stockholders' equity per common share (NT\$)	15.31	14.80	16.21	15.42	14.78
Earnings per common share (NT\$)	2.12	1.76	2.24	2.11	1.32
Earnings per common share (NT\$) ⁽²⁾	2.12	1.73	2.10	1.79	1.10

⁽¹⁾ Beginning January 1, 1998 the fiscal year has been changed to coincide with the calendar year.

Proforma figures are shown here for the respective calendar years 1996-1997.

⁽²⁾ After making retroactive adjustments to take into account stock dividends.



FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA AND OPERATING RESULTS⁽¹⁾

(in thousands of New Taiwan Dollars unless otherwise noted)

FIVE-YEAR SUMMARY OF SELECTED FINANCIAL RATIOS AND PERCENTAGES^{*}

	2000	1999	1998	1997	1996
Current ratios (%)	178.79	162.17	145.66	85.46	98.65
Ratio of fixed assets to long-term liabilities and stockholders' equity	68.32	75.06	77.69	92.27	93.08
Total liabilities to stockholders' equity	0.55	0.60	0.53	0.75	0.76
Net income rate (%)	18.46	16.82	18.62	16.02	11.25
Profitability in terms of total assets (%)	10.16	8.54	10.22	9.07	6.03
Profitability in terms of stockholders' equity (%)	14.18	11.62	14.80	14.09	8.96
Revenue growth rate, year to year (%)	11.96	(8.71)	0.72	14.50	2.17
Stockholders' equity growth rate, year to year (%)	(5.66)	(4.11)	15.77	6.91	0.37

^{*} Figures shown here for 1996-1997 are *proforma* for the respective calendar years



Ratios	December 31, 2000	December 31, 1999	increase (decrease)
Cash Flow Ratio (%)	92.12	107.37	(14.20)
Appropriate Cash Flow Ratio * (%)	88.00	89.96	(2.18)
Cash Reinvestment Ratio (%)	4.53	2.79	62.37

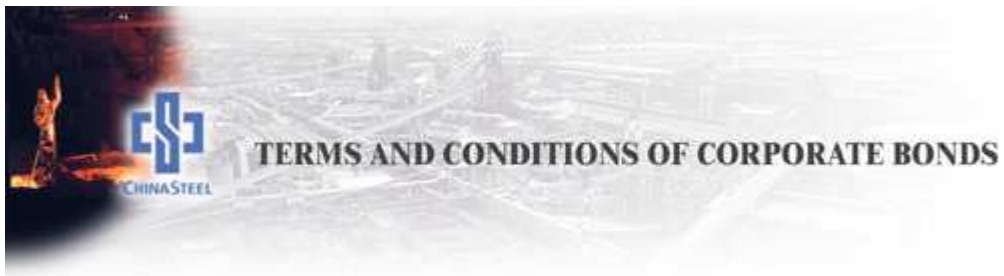
* Based on calendar year

Comments on ratio variations:

The increase of approximately 62% in cash reinvestment ratio is mainly attributed to the lower payment of cash dividends in 2000 than in 1999.

Operation Analysis:

1. The increase of NT\$6,845,424 thousand (about 36%) in gross profit is mainly attributed to increase in both average sales price and sales volume.
2. The decrease in total non-operating income of NT\$67,068 thousand (about 2%) is mainly attributed to decrease in investment income.
3. The increase in total non-operating expenses of NT\$266,299 thousand (about 8%) is mainly attributed to higher interest expenses in 2000 than in 1999.



Issue	Unsecured Corporate Bond	Unsecured Corporate Bond	Unsecured Corporate Bond	Unsecured Corporate Bond	Unsecured Corporate Bond	Unsecured Corporate Bond	Unsecured Corporate Bond	Unsecured Corporate Bond	Unsecured Corporate Bond
Issue Date	March 27, 1996	June 27,1997	May 6, 1998	From July 21, 1998 to July31, 1998	From November 23,1998 to December 8, 1998	From March 1, 1999 to March 16, 1999	From May 13, 1999 to June 1, 1999	From July 15, 1999 to July 20, 1999	From November 20, 2000 to December 11, 2000
Face Amount	NT\$ 1,000,000	NT\$ 1,000,000	NT\$ 1,000,000	NT\$ 1,000,000	NT\$ 1,000,000	NT\$ 10,000,000	NT\$ 1,000,000	NT\$ 1,000,000	NT\$ 1,000,000
Issue Price	NT\$ 1,000,000	Market Price	NT\$ 1,000,000	Market price	NT\$ 1,000,000	NT\$ 10,000,000	Market price	Market price	Market price
Amount	NT\$4,300,000,000	NT\$5,000,000,000	NT\$5,000,000,000	NT\$5,000,000,000	NT\$5,000,000,000	NT\$5,000,000,000	NT\$7,750,000,000	NT\$2,250,000,000	NT\$5,000,000,000
Coupon	6.88%	6.50%	7.40%	7.30%	6.875%	6.50%	5.69%	5.99%	5.18%

Maturity	Five years (due March 27, 2001)	Five years (due June 27, 2002)	Five years (due May 6, 2003)	Three years (due from July 21, 2001 to July 23, 2001)	Five years (due from November 23, 2003 to December 8, 2003)	Five years (due from March 1, 2003 to March 16, 2003)	Five years (due from May 13, 2004 to June 1, 2004)	Five years (due from July 15, 2004 to July 20, 2004)	Five years (due from November 20, 2005 to December 11, 2005)
Trustee	The International Commercial Bank of China, Head Office - Trust Department	The International Commercial Bank of China, Head Office - Trust Department	Chiao Tung Bank, Head Office -Trust Department	Chiao Tung Bank, Head Office -Trust Department	Chiao Tung Bank, Head Office -Trust Department	Chiao Tung Bank, Head Office -Trust Department	Chiao Tung Bank, Head Office -Trust Department	Chiao Tung Bank, Head Office -Trust Department	China Trust Commercial Corporation Head Office-Trust Department
Lead Manager	Grand Cathay Securities Corporation	Captial Securities Corporation	Citicorp International Securities limited	Grand Cathay Securities Corporation	MasterLink Securities Corporation	-	MasterLink Securities Corporation	Grand Cathay Securities Corporation	China Trust Securities Corporation
Legal Advisor to the Issuer	Prosperity United Firm Attorneys at Law	Prosperity United Firm Attorneys at Law	Prosperity United Firm Attorneys at Law	Prosperity United Firm Attorneys at Law	Prosperity United Firm Attorneys at Law	Prosperity United Firm Attorneys at Law	Prosperity United Firm Attorneys at Law	Prosperity United Firm Attorneys at Law	Prosperity United Firm Attorneys at Law
Auditor of the Issuer	T.N. Soong & Co. (A member firm of Arthur Andersen & Co., SC)	T.N. Soong & Co. (A member firm of Arthur Andersen & Co., SC)	T.N. Soong & Co. (A member firm of Arthur Andersen & Co., SC)	T.N. Soong & Co. (A member firm of Arthur Andersen & Co., SC)	T.N. Soong & Co. (A member firm of Arthur Andersen & Co., SC)	T.N. Soong & Co. (A member firm of Arthur Andersen & Co., SC)	T.N. Soong & Co. (A member firm of Arthur Andersen & Co., SC)	T.N. Soong & Co. (A member firm of Arthur Andersen & Co., SC)	T. N. Soong & Co.(A member firm of Arthur Andersen & Co.,

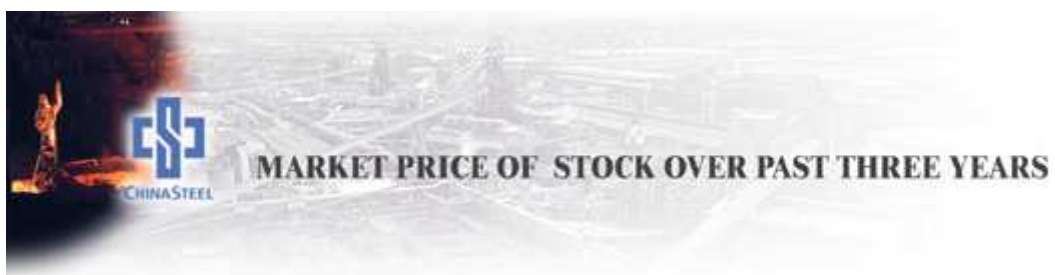
									SC)
Repayment	33% after 3 years and 4 years, 34% on maturity, respectively, interest shall be compounded semiannually and paid annually against interest coupon commencing from the issue date.	33% after 3 years and 4 years, 34% on maturity, respectively, interest shall be compounded semiannually and paid annually against interest coupon commencing from the issue date.	33% after 3 years and 4 years, 34% on maturity, respectively, interest shall be compounded semiannually and paid annually against interest coupon commencing from the issue date.	100% on maturity; interest shall be compounded semiannually and paid annually against interest coupon commencing from the issue date.	50% after 4 years, 50% on maturity, respectively; interest shall be compounded semiannually and paid annually against interest coupon commencing from the issue date.	100% on maturity, interest shall be compounded semiannually and paid annually against interest coupon commencing from the issue date.	100% on maturity, interest shall be compounded semiannually and paid annually against interest coupon commencing from the issue date.	100% on maturity, interest shall be compounded semiannually and paid annually against interest coupon commencing from the issue date.	100% on maturity, interest shall be paid annually against interest coupon commencing from the issue date.



DECEMBER 31, 2000

(in Thousand of New Taiwan Dollars)

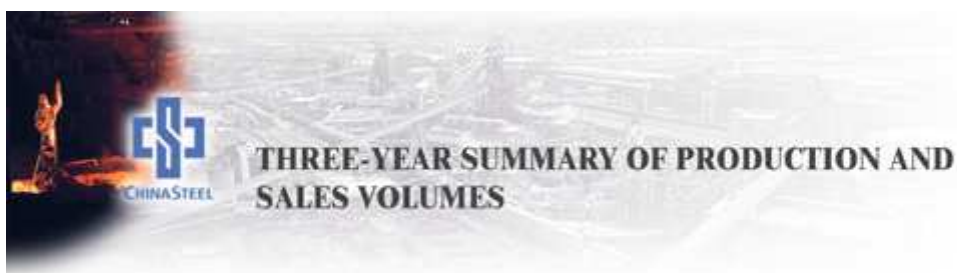
Item	Book Value	Accumulated Depreciation	Net Value
Land	10,980,287	-	10,980,287
Land improvements	4,809,754	2,572,991	2,235,763
Buildings and improvements	37,878,210	12,324,228	25,553,982
Machinery and equipment	213,494,098	139,367,220	74,126,878
Transportation equipment	1,620,071	1,186,637	433,434
Miscellaneous equipment	2,667,401	2,041,768	625,633
Constructions in progress	4,460,016	-	4,460,016
Total	275,909,837	157,493,844	118,415,993



(in New Taiwan Dollars per share)

Stock	Price	2000	1999	1998
Common	Highest	26.8	28.4	25.2
	Lowest	17.0	16.0	19.1
Preferred	Highest	26.6	27.6	26.3
	Lowest	18.8	20.0	20.9

Source of Information: Taiwan Stock Exchange Corporation



(In tons)

Products	Volume	2000	1999	1998
Steel plates	Production	1,086,782	1,012,404	1,142,934
	Sales	1,109,936	1,021,401	1,100,096
Steel bars ⁽¹⁾	Production	549,802	551,767	600,288
	Sales	560,119	576,121	593,884
Wire rods	Production	1,152,210	1,204,187	1,137,004
	Sales	1,168,666	1,171,029	1,142,313
Hot rolled steel products ⁽²⁾	Production	4,291,131	4,072,518	4,077,190
	Sales	4,286,760	4,116,919	4,206,092
Cold rolled steel products ⁽³⁾	Production	2,312,358	2,232,959	1,860,019
	Sales	2,431,461	2,241,372	1,973,646
Commercial slabs, blooms and billets	Production	88,232	31,539	25,758
	Sales	150,647	53,819	13,133
Pig iron	Production	11,317	10,488	10,177
	Sales	9,179	11,162	7,351
Total	Production	9,491,832	9,115,861	8,853,370

	Sales	9,716,768	9,191,823	9,036,515
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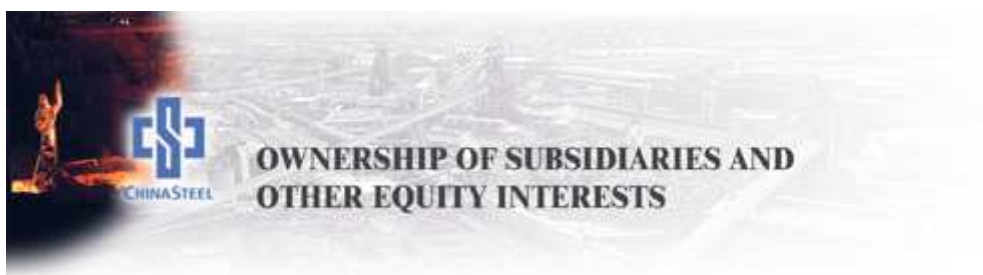
⁽¹⁾Including bars contracted out for hire-rolling

⁽²⁾Including stainless steel hot rolled products

⁽³⁾Including electrogalvanized, hot-dip galvanized products and electric sheets



Products		Major Uses
Carbon steels	Plates	Shipbuilding, bridges, steel structures, oil country tubular goods (OCTGs), storage tanks, boilers, pressure vessels, truck chassis and general construction.
	Bars	Nuts and bolts, hand tools, loudspeaker parts, automobile and motor cycle parts, machinery parts.
	Wire rods	Nuts and bolts, steel wire and rope, welding electrodes, hand tools, tire cord and bead, umbrella parts, chains.
	Hot rolled coils and sheets	Steel pipes and tubes, vehicle parts, containers, pressure vessels, hydraulic jacks, cold rolled and galvanized products, light shapes, formed parts in general.
	Cold rolled coils	Steel pipes and tubes , steel furniture, home appliances, drums, automobile bodies, hardwares, and as raw material for galvanized and coated steel sheets.
	Electro-galvanized coils	Computer and home appliance outer shells, parts and accessories, automobile bodies, building materials and components, and hardwares.
	Hot-dip galvanized coils	Automobile parts and components, computer outer shells, coated sheets, building materials and components.
	Electrical steel coils	Motors, transformers and stabilizers.
Stainless steel	Hot rolled bands	Cold rolled stainless steel products, stainless pipes and tubes, processing in general into tanks and pressure vessels.



December 31, 2000

Companies	Investment Amounts ⁽¹⁾ (NT\$1,000)	Holding Ratio (%)	Evaluation Method
C.S. Aluminum Corporation	5,356,052	97.95	Equity
China Steel Express Corporation	4,413,181	99.97	Equity
China Steel Global Trading Corporation	738,892	99.87	Equity
Gains Investment Corporation	4,312,754	100.00	Equity
China Steel Security Corporation	183,380	99.98	Equity
China Prosperity Development Corporation	4,085,176	100.00	Equity
Info-Champ System Corporation	377,510	99.98	Equity
China Steel Asia Pacific Holdings Pte Ltd ⁽²⁾	1,631,167	100.00	Equity
HIMAG Magnetic Corporation	119,287	50.15	Equity
China Steel Structure Co., Ltd.	416,112	18.04	Equity

China Steel Chemical Corporation	717,423	31.21	Equity
China Hi-ment Corporation	460,901	31.64	Equity
China Ecotek Corporation	364,228	36.29	Equity
Taisil Electronic Materials Corporation	1,047,511	35.00	Equity
Kuei Yi Industrial Co. Ltd.	923,655	30.00	Equity
Tang Eng Iron Works Co., Ltd.	597,214	8.53	Cost
Overseas Investment & Development Corporation	50,000	5.56	Cost
CPIB & Partners Investment Holding Corporation	500,000	4.95	Cost
Industrial Bank of Taiwan	1,000,000	4.35	Cost
Yieh Loong Enterprise Co., Ltd. (3)	2,399,469	23.72	Equity
Goang Yaw Investment Corporation	137,353	99.47	Equity
Horng Yih Investment Corporation	130,564	99.44	Equity
Tay Yih Investment Corporation	130,027	99.45	Equity

Woei Sheng Investment Corporation	130,026	99.45	Equity
Yeong Horng Investment Corporation	130,027	99.45	Equity
Long Yuan Fa Investment Corporation	130,047	99.45	Equity
Min Long Feng Investment Corporation	130,027	99.45	Equity
Horng Sheng Investment Corporation	130,020	99.45	Equity
Diing Feng Investment Corporation	114,895	99.37	Equity
Kaohsiung Rapid Transit Corporation	1,475,890	30.50	Equity
Allied Material Technology Corporation	182,200	3.00	Cost
Maruichi Steel Tube Ltd.	757,920	2.00	Cost
Eastern Broadband Telecommunications Co., Ltd.	1,200,000	1.83	Cost
Sino-Canada Biotechnology Development Fund	31,643	17.24	Cost
Taiwn Semiconductor Manufacturing	2,464,194	0.74	Cost

⁽¹⁾ Invested amounts are based on balances in the account Long-term Investments.

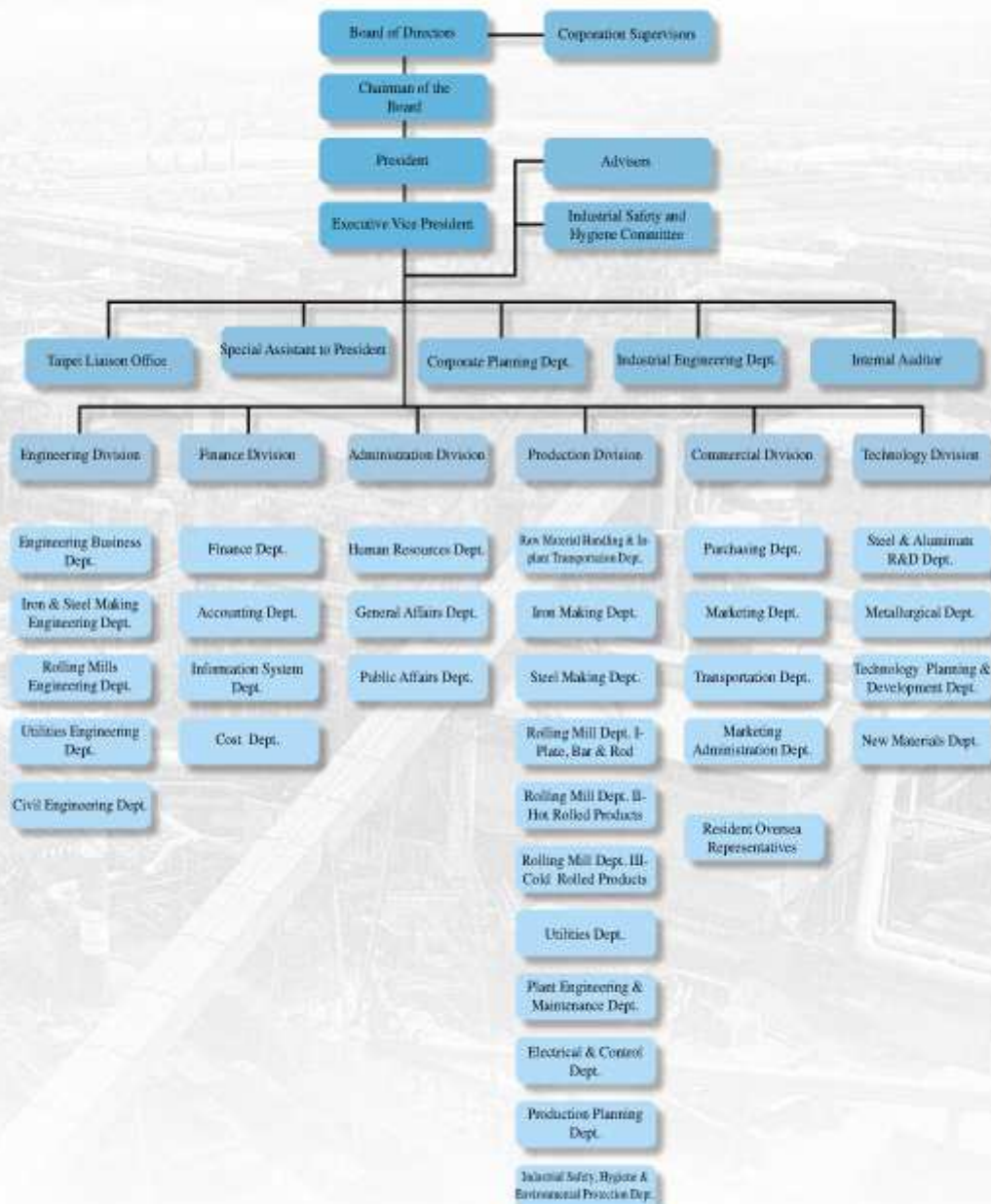
⁽²⁾Through China Steel Asia Pacific Holding Pte Ltd. the Corporation indirectly holds 70% and 60% of Ornasteel Enterprise Corporation (M) Sdn. Bhd. and Group Steel Corporation (M) Sdn. Bhd. respectively.

⁽³⁾Together with the holdings of Goang Yao, Horng Yih, Tay Yih, Woei Sheng, Yeong Horng, Long Yuan Fa, Min Long Feng, Horng Sheng and Diing Feng the Corporation's direct and indirect holdings in Yieh Loong Enterprise Co. total 39.3%.

⁽⁴⁾Worldwide Semiconductor Manufacturing Corporation, in which the Corporation had invested, was formally merged into Taiwan Semiconductor Manufacturing Corporation (TSMC) on June 30, 2000 with two Worldwide shares exchanged for one TSMC share.



CHINA STEEL CORPORATION ORGANIZATION CHART





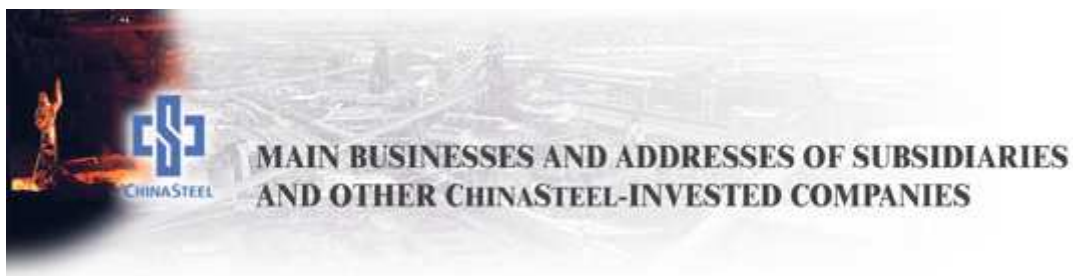
(as of December 31, 2000)

Chairman of the Board	C. Y. Wang	Representing Ministry of Economic Affairs, R. O. C.
Director	J. Y. Chen	Representing Ministry of Economic Affairs, R. O. C.
Director	Y. C. Chen	Representing Ministry of Economic Affairs, R. O. C.
Director	T. Y. Ueng	Representing Ministry of Economic Affairs, R. O. C.
Director	Y. L. Chiao	Representing Ministry of Economic Affairs, R. O. C.
Director	J. C. Tsou	Representing Chiun Yu Investment Corporation
Director	W. H. Tsai	Representing Gau Ruei Investment Corporation
Director	C. K. Lee	Representing Cathay General Hospital
Director	Y. F. Chen	Representing Shin Mau Investment Corporation
Director	Benny T. Hu	Representing China Development Industrial Bank
Director	Charles T. C. Wu	Representing Ching Hwa Investment & Development Co., Ltd.
Supervisor	J. Y. Hsu	Representing Ministry of Economic Affairs, R. O. C.
Supervisor	Jasen Huang	Representing Gau Ruei Investment Corporation
Supervisor	Y. Y. Tai	Representing Ding Da Investment Corporation



(as of December 31, 2000)

President	J. Y. Chen
Executive Vice President (Concurrently Spokesman)	Y. C. Chen
Vice President, Administration Division	C. S. Huang
Vice President, Commercial Division	J. C. Tsou
Vice President, Finance Division	L. M. Chung
Vice President, Technology Division	G. H. Cheng
Vice President, Engineering Division	K. L. Du
Vice President, Production Division	C. H. Ou



(as of December 31, 2000)

SUBSIDIARIES

C. S. Aluminium Corporation China Steel Express Corporation

Chairman, concurrently President: Y. K. Chi Chairman: Y. C. Chen

Main business: Aluminum products

President: Donald K. L. Chao

Address: 17 Tong Lin Road, Hsiao Kang District

Main businesses: Marine cargo transportation; purchase,

Kaohsiung 812, Taiwan, R. O. C.

sale and chartering of vessels; and shipping agency

Tel: 886 7 871-8666

Address: 32F, 8 Ming Chuan 2nd Road, Chien Chen

Fax: 886 7 872-1852

District

Kaohsiung 806, Taiwan, R. O. C.

Tel: 886 7 337-8888

Fax: 886 7 338-1310

China Steel Global Trading Corporation

Gains Investment Corporation

Chairman: C. Y. Wang

Chairman: L. M. Chung

President: T.Y. Huang

President: L. R. Hu

Main businesses: import, export

Main business: hi-tech investments

Address: 31F, 8 Ming Chuan 2nd Road, Chien Chen District

Address: 30F, 6 Ming Chuan 2nd Road, Chien Chen District

Kaohsiung 806, Taiwan, R. O. C.

Kaohsiung 806, Taiwan, R. O. C.

Tel: 886 7 332-2168

Tel: 886 7 338-2288

Fax: 886 7 335-6411~2

Fax: 886 7 338-7110

China Steel Security Corporation

China Prosperity Development Corporation

Chairman: M. L. Chou

Chairman: J. Y. Chen

President: C. M. Hsu

President: K. M. Chen

Main businesses: security services and systems

Main businesses: real estate development and investment

Address: 17F, 247 Ming Sheng 1st Road,

Address: Room 6, 24F, 31 Hai Bien Road, Ling Ya

Hsin Hsing District
Kaohsiung 800, Taiwan, R. O. C.
Tel: 886 7 229-9678
Fax: 886 7 226-4078

District
Kaohsiung 802, Taiwan, R. O. C.
Tel: 886 7 536-2500
Fax: 886 7 536-2413

Info-Champ System Corporation

Chairman: K. H. Chang
President: T. C. Wu
Main business: information system planning
(ERP)
Address: 11F, 6 Ming Chuan 2nd Road,
Chien Chen District
Kaohsiung 806, Taiwan, R. O. C.
Tel: 886 7 535-0101
Fax: 886 7 535-0110

Ornasteel Enterprise Corporation (M) Sdn. Bhd. *

Managing Director: T. H. Chen
Executive Deputy General Manager: J. C. King
Main business: steel products
Address: 180, Kawasan Industri Ayer Keroh
75450 Melaka, Malaysia
Tel: 60 6 231 9990
Fax: 60 6 231 5310

Group Steel Corporation (M) Sdn. Bhd. ²¹

Managing Director: T. H. Chen
Executive Deputy General Manager: J. C. King
Main business: steel products
Address: 180, Kawasan Industri Ayer Keroh
75450 Melaka, Malaysia
Tel: 60 6 231 9990
Fax: 60 6 231 5310

HIMAG Magnetic Corporation

Chairman: G. H. Cheng
President: Victor W. C. Kuo
Main business: magnetic materials
Address: 24-1 Chien Kuo Road, Nei Pu Industrial Park
Ping Tung Hsien 912, Taiwan, R. O. C.
Tel: 886 8 778-0222
Fax: 886 8 778-0227

OTHER CHINA STEEL-INVESTED COMPANIES

Yieh Loong Enterprise Co., Ltd. China Steel Structure Co., Ltd.

Chairman: I. S. Lin
President: W. N. Wang
Main business: steel products
Address: 317 Yu-Liao Road, Chiao tou
Kaohsiung 825, Taiwan, R. O. C.
Tel: 886 7 611-7171

Chairman: J. Y. Chen
President: S. Y. Lai
Main businesses: steel structures, construction
Address: 1 Chung Kang Road, Hsiao Kang District
Kaohsiung 81233, Taiwan, R. O. C.
Tel: 886 7 802-3433

Fax: 886 7 611-0594

Fax: 886 7 801-9150

China Steel Chemical Corporation

Chairman: T. T. Cheng

President: Pao-Yuan Chen

Main business: coal tar chemicals

Address: 5F-1, 47 Chunghua 4th Road, Ling Ya District
Kaohsiung 802, Taiwan, R. O. C.

Tel: 886 7 338-3515

Fax: 886 7 338-3516

China Hi-ment Corporation

Chairman: R. S. Jong

President: Mar-Ling Tsai

Main businesses: pulverized blast furnace slag and
slag cement

Address: 10F, 243 Yi-Hsin 1st Road, Chien Chen District
Kaohsiung 806, Taiwan, R. O. C.

Tel: 886 7 336-8377

Fax: 886 7 336-8433

China Ecotek Corporation

Chairman: K. L. Du

President: S. S. Shen

Main businesses: environment engineering,
design and construction

Address: 8F, 8 Ming Chuan 2nd Road, Chien Chen District
Kaohsiung 806, Taiwan, R. O. C.

Tel: 886 7 330-6138

Fax: 886 7 339-4016

Taisil Electronic Materials Corporation

Chairman: C. Y. Wang

President: Steve K. T. Lee

Main business: silicon wafers

Address: No. 2 Creation Road 1, Science-Based Industrial Park
Hsin-chu 300, Taiwan, R. O. C.

Tel: 886 3 578-3131

Fax: 886 3 578-7287

Kuei Yi Industrial Corporation Taiwan Semiconductor Manufacturing Co. Ltd.

Chairman: K. H. Chang

President: C. H. Huang

Main business: H-sections

Address: No. 100, Lung Chang Road, Li Shui Village,
Lung Ching Hsiang
Taichung Hsien 434, Taiwan, R.O.C.

Tel: 886 4 630-6088

Fax: 886 4 630-6066

Chairman: Morris Chang,

President: F. C. Tseng,

Main business: integrated circuit foundry

Address: 121 Park Avenue III, Science-Based Industrial Park
Hsin-chu 300, Taiwan, R.O.C.

Tel: 886 3 578-0221

Fax: 886 3 578-1546

Overseas Investment & Tang Eng Iron Works Co., Ltd. Development Corporation

Chairman: W. C. Chen

President: H. P. Chen

Main businesses: stainless steel, construction Main business: oversea investments

Address: 458 Hsin Hsing Road, Hu Kou Hsiang
Hsin-chu Hsien 303, Taiwan, R. O. C.

Tel: 886 3 598-1721

Fax: 886 3 598-1646

Chairman: Jeffrey L. S. Koo

President: D. Mao

Address: Room 2406, 24F, No. 333, Keelung Road
Section 1

Taipei 105, Taiwan, R. O. C.

Tel: 886 2 2757-6965

Fax: 886 2 2757-6932

CPIB & Partners Investment Holding Corporation

Chairman: Tai-Ying Liu

President: Benny T. Hu

Main business: industrial investments in
Southeast Asia

Address: 6F, 125 Nan King East Road Sec. 5,
Song Shan District

Taipei 105, Taiwan, R. O. C.

Tel: 886 2 2745-7181

Fax: 886 2 2761-4741

Industrial Bank of Taiwan

Chairman: Samuel C. Hsieh

President: Kenneth C. M. Lo

Main business: industrial banking

Address: 3F, 101 Song Jen Road, Hsin Yi District

Taipei 110, Taiwan, R. O. C.

Tel: 886 2 2345-1101

Fax: 886 2 2345-1102

Allied Material Technology Corporation

Chairman & CEO: Charles Yu

Main business: color filter of thin film
transistor-liquid crystal display (TFT-LCD)

Address: 458 Pingjen Section, Jung Shing
Road, Pingjen City,

Taoyuan Shien 324, Taiwan, R. O. C.

Tel: 886 3 469-7107

Fax: 886 3 469-7005

Maruichi Steel Tube Ltd.

Honorary Chairman of the Board: T. Horikawa

President: S. Yoshimura

Main business: steel tube

Address: 3-9-10 Kitahorie

Nishi-Ku, Osaka 550-0014, Japan

Tel: 81 6 6531-0102

Fax: 81 6 6531-0132

Kaohsiung Rapid Transit Corporation

Chairman: C. Y. Wang

President: K. L. Du

Eastern Broadband Telecommunications Co., Ltd.

Chairman: Y. T. Wang

Vice Chairman concurrently President: L. T. Wang

Main businesses: mass rapid transit
engineering and services

Address: 5F, 8 Ming Chuan 2nd Road, Chien
Chen District

Kaohsiung 806, Taiwan, R. O. C.

Tel: 886 7 338 9666

Fax: 886 7 338 7999

Main business: fixed line network communication
services

Address: 16F, 277 Song Jen Road, Hsin I District
Taipei 110, Taiwan, R. O. C.

Tel: 886 2 8780 8777

Fax: 886 2 8780 9200

* China Steel Corporation investment through China Steel Asia-Pacific Holdings Pte. Ltd.
