

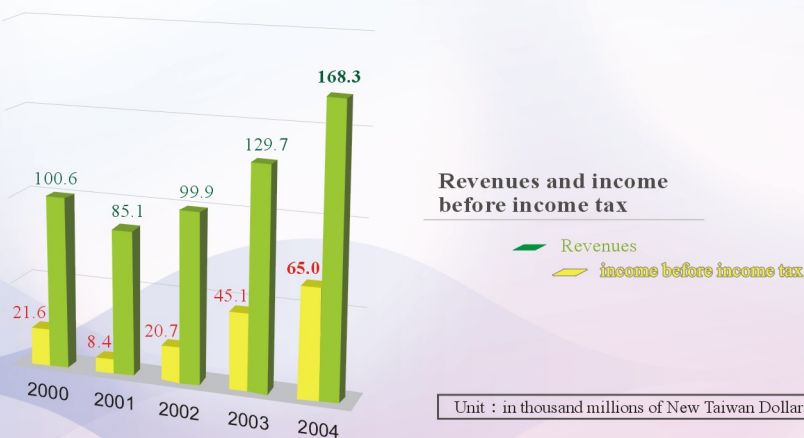
# TWO-YEAR HIGHLIGHTS OF OPERATING RESULTS

	2004	2003
<b>Revenues</b> (Millions of New Taiwan Dollars)	<b>168,270</b>	129,703
<b>Operating costs</b>	<b>110,249</b>	88,992
<b>Operating income</b>	<b>58,017</b>	40,708
<b>Income before income tax</b>	<b>65,022</b>	45,107
<b>Employment costs<sup>1</sup></b>	<b>19,122</b>	16,887
<b>Depreciation</b>	<b>10,047</b>	11,021
<b>Interest expenses net<sup>1</sup></b>	<b>715</b>	1,269
<b>Total assets</b>	<b>238,409</b>	220,671
<b>Capital expenditures</b>	<b>7,578</b>	5,963
<b>Stockholders' equity</b>	<b>184,161</b>	161,037
<b>Output of steel products</b> (Thousands of metric tons)	<b>10,101</b>	10,188
<b>Sales volume of steel products</b>	<b>10,430</b>	10,386
<b>Number of employees<sup>2</sup></b>	<b>8,640</b>	8,668
<b>Return on sales</b> (%)	<b>38.64</b>	34.78
<b>Return on stockholders' equity<sup>3</sup></b>	<b>29.91</b>	24.98

<sup>1</sup> Excluding capitalized expenses

<sup>2</sup> As of the end of the calendar year

<sup>3</sup> Based on net income



# CHRONOLOGY OF MAJOR EVENTS

- |                           |   |
|---------------------------|---|
| <b>December 3, 1971</b>   | ▶ China Steel Corporation (the Corporation or CSC) officially registered, with head office located in Taipei  |
| <b>September 16, 1972</b> | ▶ Kaohsiung Plant Site Office established   |
| <b>September 1, 1974</b>  | ▶ Construction of Phase I commenced   |
| <b>December 26, 1974</b>  | ▶ Public listing of China Steel stock on Taiwan Stock Exchange  |
| <b>September 15, 1975</b> | ▶ Head office relocated to Kaohsiung, Plant Site Office closed  |
| <b>July 1, 1977</b>       | ▶ China Steel Corporation became a state enterprise.  |
| <b>December 16, 1977</b>  | ▶ Phase I completed. Capacity <sup>4</sup> 1.5 million tons <sup>5</sup> per year   |
| <b>July 1, 1978</b>       | ▶ Construction of Phase II commenced  |
| <b>June 30, 1982</b>      | ▶ Phase II completed. Capacity <sup>4</sup> reached 3.25 million tons per year  |
| <b>July 1, 1984</b>       | ▶ Phase III construction commenced  |
| <b>April 30, 1988</b>     | ▶ Phase III completed. Capacity <sup>4</sup> reached 5.652 million tons per year  |
| <b>July 15, 1993</b>      | ▶ Phase IV construction commenced   |
| <b>April 12, 1995</b>     | ▶ China Steel Corporation privatized  |
| <b>May 31, 1997</b>       | ▶ Phase IV completed. Capacity <sup>4</sup> reached 8.054 million tons <sup>5</sup> per year  |
| <b>June 2, 1998</b>       | ▶ CSC Group's corporate identity system formally introduced to the public   |
| <b>April 15, 2002</b>     | ▶ Annual production capacity officially raised to 9.55 million tons <sup>5</sup> owing to success in equipment renovations and improvements carried out over the years. |

<sup>4</sup> In terms of crude steel.

<sup>5</sup> All references to tons mean metric tons of 1,000 kilograms.





Chairman of the Board

Wen-Yuan Lin

President

J. Y. Chen

## OPERATIONS

The year 2004 saw gratifying overall revival of the world's economy. International Monetary Fund's (IMF) Statistics indicated a 5.1% growth of GDP for 2004. ROC's Directorate General of Budget and Statistics (DGBAS) reported a 5.71% growth for Taiwan's economy in 2004 and International Iron and Steel Institute (IISI) showed an 8.9% increase in world crude steel production and 7.9% rise in apparent crude steel consumption.

Continued strong steel demand in mainland China caused a short supply in virtually all steel products in the global market. Market prices kept moving upward, causing prices for coal, iron ore, scrap steel, slabs and other up-stream products to soar. In addition the giant economies of the U. S., Japan and Europe again showed signs of simultaneous growth. Major steel producers of the world reflected this rise in demand and cost in their prices, and took advantage of sustained high steel prices to improve their profits.

CSC's 2004 cost of goods sold rose by NT\$20,300 million over the previous year as a result of price hikes for raw material and supplies. Yet its revenues and income before income tax both set new records, reaching NT\$168,270 and NT\$65,022 million or 30% and 46% over 2003 respectively. Principal contributing factors for such performance were:

1. Smooth coordination between iron making and steel making operations, as well as team effort by the CSC workforce to exceed the annual targets in both production and sales. Production reached 10.1913 million tons, and sales NT\$104,301 million.
2. Thorough grasp of operating environment changes in setting the Corporation's annual operation guiding principles, which have been faithfully put in practice, along with strengthened cost control.
3. Benefits from recovery of the economy worldwide and sustained rise in steel prices. Average price was about 30% over that of 2003.
4. Robust increase in profits in CSC-invested companies, with NT\$7,944 million recognized as investment income, of which NT\$212 million was from disposal of CSC's entire holdings in Taisil Electronic Materials Corporation and part of the holdings in Allied Material Technology Corporation.

As for 2005, hovering high oil prices and upward trend in interest rates will weaken the impetus of economic growth worldwide. IMF forecasts the world's GDP growth to be 4.3%. ROC's DGBAS forecasts a decline in growth rate of Taiwan's foreign trade, and a drop in economic growth rate to 3.63%. Domestic steel industry will face unfavorable developments including:

1. Slowdown in growth of world apparent finished steel consumption.
2. Negative impact on domestic steel demand caused by moving abroad of industries.
3. Upsurge of production cost caused by soaring coal and iron ore prices.
4. Challenge from direct competition from imports brought about by dropping of import duty to zero. (Implemented in January 2004)
5. Appreciation of the New Taiwan Dollar.
6. Climbing interest rates.
7. Impact on trade and economy from uncertainties in cross-strait relations.
8. Coming into effect on February 16, 2005 of the Kyoto Protocol, implementing global control on the emission of carbon dioxide, with the steel industry bearing the brunt.

These unfavorable developments are expected to dim the outlook for steel production and consumption. CSC's countermeasures consist of:

1. Boosting management effectiveness.
2. Faithfully putting into practice the 2005 management guiding principles:
  - (1) Support Dragon Steel Corporation in its expansion project, with tight control of work progress and construction cost.
  - (2) Plan new processing lines and renovate existing facilities.
  - (3) Continue re-engineering of business process.
  - (4) Raise product grade and value.

With such countermeasures CSC hopes to fortify its competitive position to maintain its high profitability and share the benefits with its customers, shareholders and employees.



## PRODUCTION AND SALES

The Corporation sold 10.43 million tons of steel in 2004, up by 0.42% from the previous year. Domestic sales accounted for 75.8%, exports for the remaining 24.2%. Among the domestic customer groups, re-rollers again took the largest share(24.8%) of the domestic shipments, followed by service centers, traders and nut and bolt makers. Among the export destinations, Hong Kong (including mainland China) accounted for 37% of the export volume, followed by Northeast Asia (33%), Southeast Asia (28%) and other destinations 2%.

Both hot metal and liquid steel production exceeded the benchmark targets and set new records, having reached 10.35 million and 11.24 million tons respectively. Contributing factors were:

1. Stable operation of the iron-making facilities,
2. Improved quality of sintered ore,
3. Increased rate of oxygen enrichment at the blast furnaces,
4. Accelerated turnaround rate of torpedo ladle cars (hot metal ladle cars),
5. Smooth coordination between the blast furnace (iron making) and basic oxygen furnace (steel making) departments,
6. Reduced sulfur content in liquid steel,
7. Higher scrap ratio (addition of scrap steel into the basic oxygen furnaces),
8. Intensive effort and technical maturity of the workforce.

Production at downstream points (rolling mills and processing lines) was 10.1 million tons, down by 87,000 tons from the previous year. This reduction was due to shutdowns totaling 41 shifts at No. 1 hot strip mill necessitated by work in revamping its down-coilers. However determined effort to offset this loss of production by raising equipment availability and production per shift at all other production lines pushed output beyond planned production by 2.1%. The workforce at these production lines considered it a challenge to take on the buoyant market and to satisfy customer needs.

Beginning the second half of 2003 the sharp increase in demand for coal and iron ore from a number of countries including mainland China, plus the inability of suppliers to meet such a surge in demand and failure of the exporting countries to complete their additional infrastructures in time, created a shortage of supply in 2004. Pressure from such shortage will subside gradually with the completion of additional production and loading facilities. CSC's practice of maintaining long-term agreements directly with the world's major mining companies paid off in the form of relatively stable

supply during the period of shortage.

The 2004 energy saving program continued to focus on energy efficiency improvement at selected rotating machines, and the completion of 36 energy saving projects at various points throughout the plant. During the year 139 drives were replaced with high efficiency motors, totaling 2,741 kw, and 25 drives for large pumps were replaced. Total energy yearly saved amounts to 11.9 million kWh. Principal items among the 36 energy saving projects were:

1. automatic coking control system for coke oven batteries 5, 6, 7 and 8.
2. a new slab soaking pit for No. 1 hot strip mill.

In line with its time-honored policy of raising the regional resource utilization efficiency, CSC continues with its promotion of co-generation. Sales of steam, oxygen, nitrogen and argon topped 2003 by 6.71%. Self-generated electricity accounted for 71.9% of the electricity consumed in 2004, down by 3.2 percentage points from 2003. Major cause for this decline was the robust increase in production and power consumption at the rolling mills and processing lines. Energy consumption per ton of crude steel (slabs) was 5,267 million calories, a minor increase of 10 million calories per ton, also due to the increase in power consumption at the down stream production lines.

Over the years CSC not only carries out its own quality enhancement programs, but also targets its development efforts toward the customers' specific requirements for high-grade steels. It helps the customers to gain access to up-to-date information so that the customer can at the same time upgrade his products. Such technology and quality-related activities in 2004 included:

1. Proceeded with new product development and completed numerous surveys related to customers' requirements.
2. Held ten technical symposiums with a total of nearly one thousand participants.
3. Conducted 36 rounds of visits to customers.
4. Conducted technology exchange sessions with customers.
5. Completed 103 cases of technical assistance to customers for improvements in their processes.

During the economic slump in 2002 CSC launched a three-year program to develop high competitiveness products. A total of 41 items were completed over the past three years. They contributed substantially to advancing the Corporation's



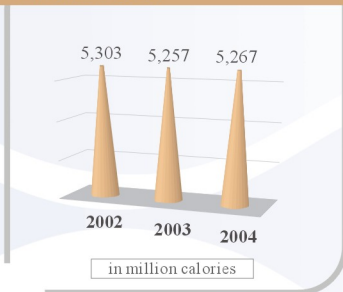
Raw materials storage yard



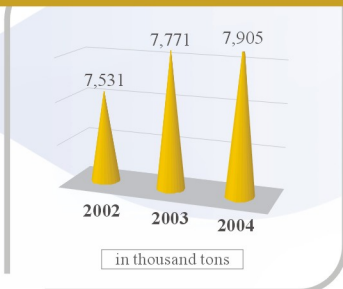
Products loading at pier



**Energy consumption per ton of crude steel**



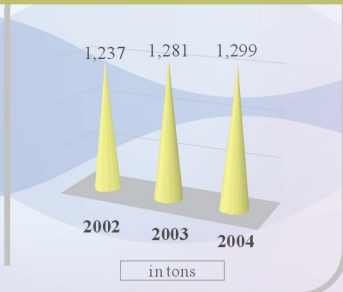
**Domestic steel sales**



**Export steel sales**



**Output per employee in terms of crude steel**



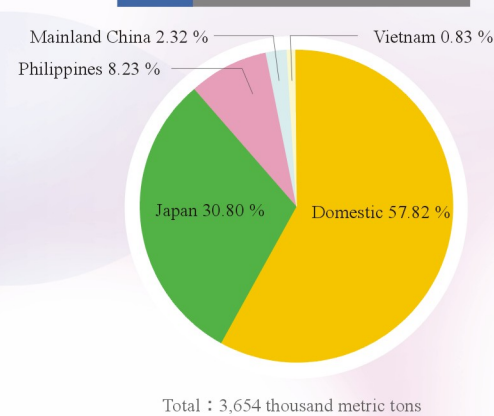
competitive position and helping upgrade domestic industries as a whole.

Major items completed in 2004 were:

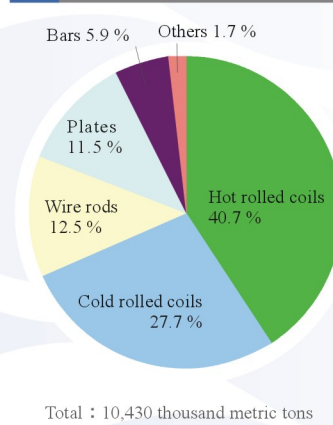
1. High priced galvanized (GA) sheets for exposed surfaces of automobiles. It acquired NISSAN's approval and resulted in nearly 30,000 additional tons in sales of high-end products.
2. Introduction of low iron loss electrical steel sheets. This enabled full utilization of the capabilities of CSC's horizontal annealing and coating line. Prime quality yield in 2004 was 40,000 tons higher than in the previous year. This product has replaced top quality imports on the market, and is widely accepted by motor and transformer makers. CSC received TECO Electric and Machinery Company's award for excellent supplier of this product.
3. Establishment of CSC's technology for production of cleaner steel in quantity, which can be widely applied to such high priced products as spring steel, bearing steel and piano wires.
4. Improvement in narrow chemistry hitting ratio for carbon, manganese, and chromium to enable the customer to obtain stable heat treatment results with simple conditions.

CSC continues with its quest for product "exquisiteness", and set for 2005 a target of 1.5 million tons of sophisticated grade products. This will be CSC's contribution to enable Taiwan's steel industry to gain stature.

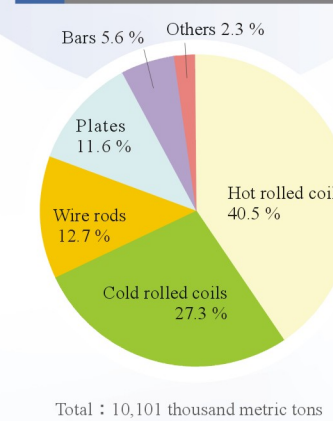
**2004 Sources of flux materials**



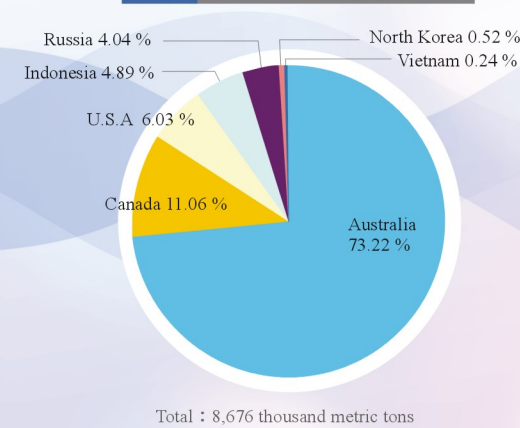
**Percentage of steel sales volume by product, 2004**



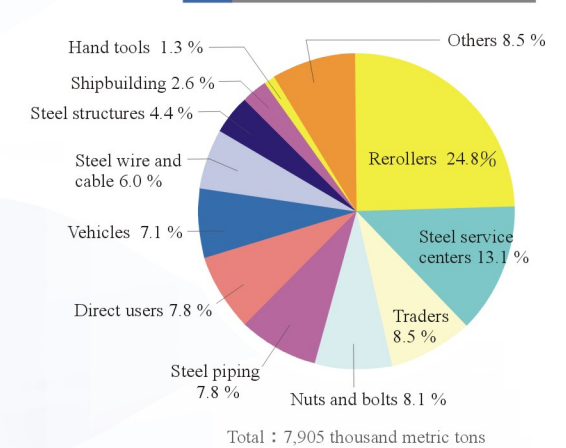
**Percentage of steel production by product, 2004**



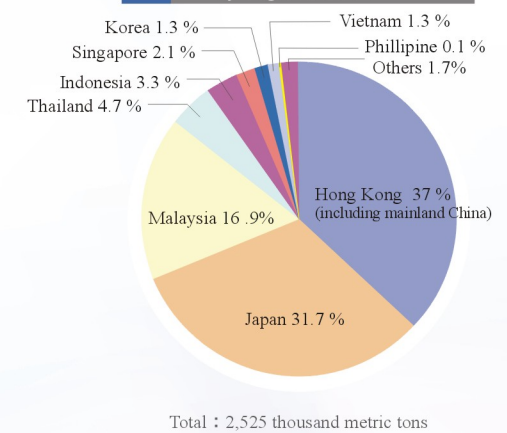
**2004 Sources of coal**



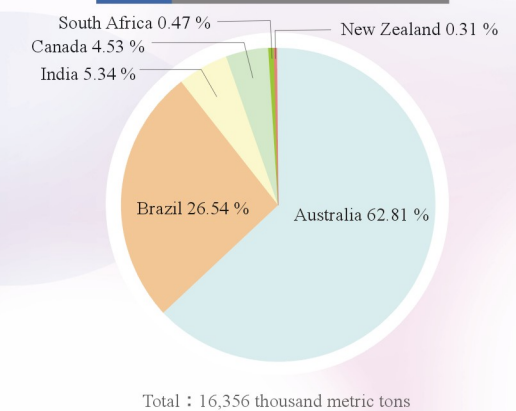
**Percentage of domestic sales by industry, 2004**



**Percentage of export by region, 2004**



**2004 Sources of iron ore**





- ① Hot rolled coils warehouse
- ② Raw materials unloading at pier
- ③ Bar mill
- ④ A meeting with the customers
- ⑤ Plate mill
- ⑥ Control room, No. 4 blast furnace






## RESEARCH AND DEVELOPMENT (R&D)

The functional position of CSC's R&D is set as follows:

1. provide the CSC Group with the necessary core technology for production operations and new business development, such as electronic ceramics, and target materials for compact discs.
2. assist downstream customers to uplift technical capability thereby improving the competitiveness of the domestic industry as a whole.

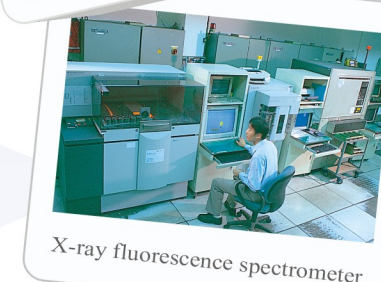
To ensure the Corporation's profitability and sustained operations in the midst of operating environment changes that defy understanding, R&D must accept the responsibility for technical development that goes deeper and wider than ever. Over more than twenty years CSC has built up its own self-reliant R&D capability. It intends to actively augment its manpower and facilities, and with stronger links with the academia, CSC's R&D aspires to become a proactive and innovative leader.

Electrical steel sheets and galvanized (GA) sheets for automobile Manufacture may be considered the top representative R&D achievements of 2004. CSC is the world's first steel mill capable of producing high-grade electrical sheets on a continuous annealing line designed for run-of-the-mill grades of cold rolled sheets. CSC's production of non-oriented electric sheets accounts for 10% of world production. Demand for surface quality for sheets used in exposed parts of auto-mobiles far exceeds that of other steel products. Four years of intensive effort has boosted CSC's prime quality yield to more than 85%. Quality is on a par with the world's foremost Producers. The buoyant steel market made it increasingly difficult to procure high-grade coal and iron ore. CSC has developed the technology for utilizing low price pisolite and a high ratio of weak coking coal. Together with a developing high efficiency dephosphorization process at the basic

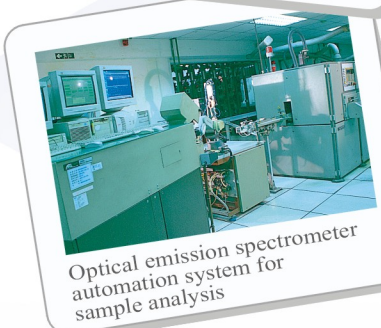
 Thin film sputtering machine



Continuous annealing line simulator



X-ray fluorescence spectrometer



Optical emission spectrometer automation system for sample analysis

oxygen furnace that can accommodate future increases in phosphorus content in iron ore and hot metal, and the technology for defect-free continuous slab casting—these three technologies will be instrumental in enabling CSC to suppress production costs in spite of soaring prices and tight supply of raw materials.

Major breakthroughs in:

1. lubrication rolling technology with high speed steel rolls,
2. continuous variable crown control technology for work rolls, and
3. work roll grinding quality monitoring and diagnosis system

have lifted the average monthly operation rate at No. 2 hot strip mill from 2003's 87.48% to 90.53% in the second half of 2004. Overall rise in operation rate of rolling line was instrumental in raising carbon steel production by 94,000 tons in 2004.

In the realm of helping downstream industries in technology upgrading, CSC cooperated with Metal Industries Research and Development Center (MIRDC) in an analysis of the nut and bolt Industry and ascertained that fasteners for automobiles have the greatest potential. CSC/MIRDC will bring together and join with the relevant upstream, midstream and downstream manufacturers to form an R&D alliance to cultivate the key core technologies.

In line with the government's designating the metal industry as a "Trillion Dollar National Focal Industry", CSC will apply the successful experience from the above case to other steel consuming industries to raise their product values. Under this plan all the participants from the metal industry chain can share the benefits.

 Technical discussion within the R&D division



## EMPLOYEE RELATIONS AND HUMAN RESOURCE DEVELOPMENT

As of the end of 2004 the Corporation employs 8,640 persons. Average age is 48.08 years. 8,566 employees, or 99.14%, are eligible for membership in the China Steel Labor Union.

CSC strives for clear-cut rights and obligations of labor and management. It maintains a labor-management collective agreement with the Union in accordance with the Collective Agreement Law and steps up its efforts toward better communication and conciliation channels as well as improved work environment.

CSC's target for improving its productivity is 1,500 tons of crude steel per year per employee in 2006. Manpower will be trimmed year after year to cut down employment costs. With the employee age distribution over-concentrated at certain ages, there is concern that a gap in human resources may occur in the future. This led the Corporation to study plans for maintaining continuity in human resources and handing down of key skills and know-how, so as to carry out hiring programs at the appropriate time, on a suitable scale and to bring into CSC the required talents.

The non-degree-granting Corporate University of China Steel continues to cultivate skills and capabilities to fulfill the Corporation's needs. In 2004 it held, among other classes and seminars, two sessions of the Seminar for Basic Management Skills, and the Japanese and English language classes attended by 15 and 10 employees. On average each employee participated in 26.1 hours of classroom courses and 8.3 hours of e-Learning courses. Total training cost for the Corporation in 2004 was approximately NT\$69 million.



 A workgroup meeting on continuous casters

CSC sent 86 persons to academic and business organizations overseas for studies and observations. It also enrolls selected promising employees in Universities in Taiwan and overseas for advanced studies. (16 in Taiwan and 2 overseas in 2004). While so doing CSC has in mind the needs of its diversification and globalization programs for capabilities in technology, R&D, administration and foreign languages. Nineteen hundred white-collar employees, accounting for about 72% of such employees, from 20 first echelon departments participated in the Corporation's Knowledge Management Promotion Program. This program has received financial awards from the Industrial Development Bureau (IDB) of the Ministry of Economic Affairs for two successive years (2003 and 2004). CSC filed applications in both years to the National Science Council for designation of its "Buildup of e-HRD System of China Steel Group" as a special project and succeeded in both years to receive top recognition and financial awards. CSC's success in knowledge management promotion was covered in the January 2004 issue of "Learning and Development Monthly" and by a special column in the January 31, 2004 Economic Daily News. The KNOW Network<sup>6</sup> nominated the Corporation for the 2004 Asian Most Admired Knowledge Enterprise (MAKE).

The time-honored suggestion system and Creative Development Activities (CDA) in the Corporation aim at inspiring the employee's initiative to offer constructive suggestions and to discover and solve problems at the workplace through teamwork and group endeavor. In 2004, 573 active CDA "circles" with 5,310 participants (94% of the blue-collar employees in the departments involved) completed 692 topics, with total benefit exceeding NT\$240 million. As for the suggestion system, the Corporation took note of 24,076 suggestions and adopted 22,718, or 94.4% of them. Tangible benefits from these suggestions exceeded NT\$150 million.



Safety training session



Training session for auditors  
of the quality management system

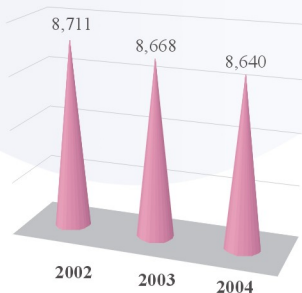
<sup>6</sup> An international Web-based professional knowledge sharing network. It is based in the U.K.



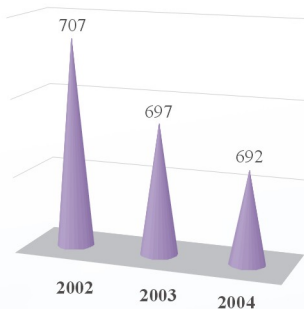


Hosting the 14th BSL-CSC-POSCO iron-making conference

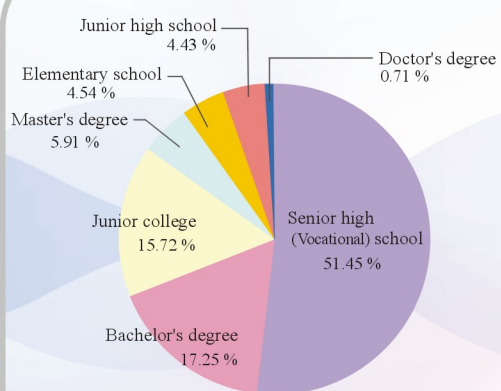
Number of employees



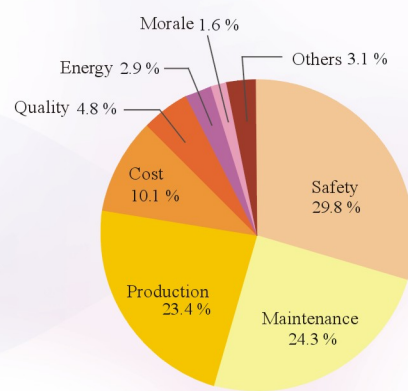
Cases completed by Creative Development Activities



2004 Educational background of employees



2004 Cases completed by Creative Development Activities by subject matter





## INDUSTRIAL SAFETY, ENVIRONMENTAL PROTECTION AND COMMUNITY RELATIONS



CSC won the Commonwealth Magazine award for the 2004 "Most Admired Company" in Taiwan's steel industry. Shown here (third from the right) is Mr. J. Y. Chen, President of CSC, after receiving the award on behalf of the Corporation at a ceremony honored by the presence of Mr. Chen Shui-Bian, President of the R.O.C., who made the presentations.

### Environmental Protection

CSC continues to push forward various pollution prevention and control programs under the guidelines of ISO-14001 Environmental Management System:

1. Improvements on the pollution prevention and control equipment, ensuring normal operation of all environmental monitoring systems at all times, and strengthening of pollution inspection and total quantity air pollution control.
2. Adapting to green house gas reduction, and to dioxins and VOC emission control, establishing a task force to implement emission inventory and to plan for countermeasures.
3. Maintaining wastewater treatment facilities in top operating condition, enhancing toxic substance management, completing the material storage yard storm run-off investigation, and building storm run-off treatment facilities, in order to comply with the Storm Run-off Pollution Prevention Act that is about to be promulgated.
4. 2004 was the fourth year of the five-year "CSC Plant-wide Ground-Water Monitoring Plan". All quarterly results have shown normal conditions. Continue with soil and groundwater quality examination and securing new files for the characteristic data.
5. Join a team of officials, experts, academics, and people in the waste-resource conversion business on a visit to advanced countries (U. S., Europe, Japan) to observe and study the operations of converting steel mill wastes into resources, and the related administrative systems and decrees. Information thus collected will be reference for reforms in Taiwan.



A mini-marathon to mark our 33rd anniversary

CSC also took the initiative to contact relevant industries to introduce BOF slag as a raw material for cement and to promote the quick aging and gas quenching processes for BOF slag. Also, the Ministry of Economic Affairs has officially announced that water-quenched blast furnace slag is classified as a renewable resource<sup>7</sup>.

6. NT\$1,180 million capital expenditures for environmental protection in 2004, including several major engineering projects, such as installation of No. 6 coke pusher machine and coke guide car with on-car high-pressure water cleaning devices, revamping coke oven doors on batteries 7 and 8, and constructing conveyor galleries for three major belt conveyors to prevent particulate matter emission.

### Industrial Safety and Hygiene

CSC continued in 2004 to promote the prevention of occupational accidents following the guidelines of Occupational Safety and Health Management System (OHSAS). Some of the activities were:

1. Carry forward the movement toward zero-accidents. Prior to commencing each workday or at each change of worksite during the day the foreman or the workers' immediate supervisor convenes them, ascertains their physical condition and their cognizance of the hazards and of the emergency measures in the event of an accident. Workers are asked to identify the operation hazards verbally. Results of such activities worthy of attention are recorded and reviewed to serve as reference for improvement.
2. Continue plant-wide risk management. Pass the 2004 review and inspection by the Labor Inspection Bureau of the Kaohsiung Municipal Government.
3. Continue to assist outside contractors to establish their OHSAS-18001



Air quality monitoring station

<sup>7</sup> Renewable resources mean substances that have lost their original usefulness, but the recycling of such substances is economically and technologically feasible. These substances may be recycled or reused as announced or approved under the Resource Recycling and Reuse Act.

2004  
台灣  
最佳  
聲望  
企業



Management System, and require all contractors who perform work of medium or high safety risks within the plant premises to be OHSAS-18001-certified.

4. Improve the handling of near miss incidents. At the time of occurrence the department concerned must file a report on the form provided and report the improvement measures. This information should be posted on the Corporation's enterprise information portal (EIP).
5. Continue to carry out the health follow-up and management program, focusing on the employees whose physical examination shows signs of hypertension, hyperlipidemia and hyperglycemia. Periodic phone calls are made for follow-up and to remind the individual to take action to improve his health condition. Such measures aim at guarding against sudden attacks that may result in accidents.
6. Plant-wide survey and inspection of proper functioning of joy sticks, upper limit switches, overload limit switches, anti-collision protective devices and bumpers on all the cranes and hazardous machinery. This is to prevent accidents caused by malfunctioning or the operator's removal or deactivation of such devices for the sake of expediency.

#### **Community Relations and Good Neighbor Activities**

In 2004 the Corporation continued to carry out all the routine outreach programs, including:

1. Assistance to local schools to improve their facilities
2. Scholarships for outstanding students
3. Financial assistance for indigent students
4. Gifts for low-income families on the occasion of the Lunar New Year
5. Dragon Boat Festival and the Autumn Festival
6. Guided tours through the mill
7. Familiarization tours for local school children.



Plant greenery



Tots from CSC kindergarten having fun at our 33rd anniversary celebration

In April 2004 the Corporation joined with the Kaohsiung City Symphony Orchestra in sponsoring "A Night of Super Stars", and in July with the local community and local schools in sponsoring the "CSC Music Experiencing Camp." In December the Corporation participated in the 2004 International Steel and Iron Sculpture Festival in Kaohsiung, and in the same month the Corporation's "Sound of Music" choir and the Koshiung City Symphony jointly held a "Roses in Winter" concert. These activities evidence the Corporation's eagerness to provide opportunities for the residents of Kaohsiung, particularly those in the Hsiao Kang District, to enjoy events of music and art.

In July 2004 typhoon Mindulle set off floods and debris flows that rammed against and destroyed the Tong-Si Bridge at Liouguei Hsiang in Kaohsiung Prefecture. CSC immediately went to work rebuilding it. The rebuilt bridge will be CSC's donation to the Kaohsiung Prefecture. Construction is currently under way.

In the future CSC will place great emphasis on the well-being of the community where it is domiciled, and will persistently be involved in its development. Gauging the community's needs, the Corporation will push ahead with its outreach and good neighbor programs.



Abdominal sonography at the Corporation's clinic



Ceremony of the donation of the reconstructed TongSi Bridge to Kaohsiung Prefecture



## CAPITAL EXPENDITURES AND ENGINEERING BUSINESS

Twenty- two project type capital expenditure projects were in progress in 2004, involving disbursements of NT\$4,106 million.

### ***I. Related to equipment revamping***


1. Revamp of cleaning line and temper mill of Rolling Department III
2. Revamp of coiling equipment of No. 1 hot strip mill
3. Revamp of billet reheating furnace of No.1 bar mill at Rolling Mill Department I
4. Number 2 blast furnace second campaign revamp
5. Revamp of No. 1 and 2 sinter plants
6. End flue repairs for coke oven batteries 1 and 2
7. Replacement of Nos. 1 and 2 ship unloaders

### ***II. Related to production capacity increase or quality upgrade***

8. Additional coal bins for coke oven batteries 3 and 4
9. Addition of vertical and horizontal stands on billet mill and revamp of electrical equipment
10. Addition of ladle hot metal pretreatment equipment at the steel making plant
11. Addition of sizing press equipment on No.1 hot strip mill
12. Remodeling of hydrogen batch annealing furnaces at Rolling Mill Department III
13. Addition of second ladle refining furnace at No. 1 steel making plant
14. Revamp and remodeling of Nos. 4 and 5 slab casters
15. Expansion of the spheroidizing zones of the rod mill
16. Addition of No. 14 hot stove for No. 1 blast furnace
17. Addition of unit No. 9 at the oxygen plant
18. Addition of No.2 continuous hot-dip galvanizing line
19. Cutting apart of No. 4 vacuum treatment facilities into two independent refining stations for No. 2 basic oxygen furnace at the steel-making plant
20. Addition of lime kilns Nos. 6 and 7 for the steel-making plant

### ***III. Related to resource recovery***

21. Addition of coke dry quenching equipment for coke batteries 7 and 8

 Torpedo ladle cars

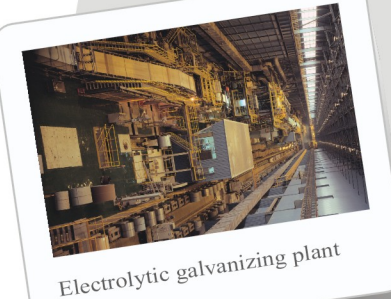
### ***IV. Related to re-engineering of business process and enhancing competition***

22. Supply chain management (SCM) software for integrating sales and Production.

Items 6, 7, 19 and 20 are projects begun in 2004. The remaining items are continuation projects. Items 1 and 10 were completed in February and March 2004. The remaining projects are still in progress.

Non-project type capital expenditures in 2004 amounted to NT\$3,473 million. Their objectives cover: equipment renovation, industrial safety and environmental protection, business process re-engineering, quality improvement, research and development, energy saving, automation, computerization and others.

CSC's four phases of plant construction have enabled it to accumulate robust amounts of engineering and construction experience as well as cultivate a wealth of professional manpower. Such strong background was instrumental for CSC to engage in engineering and contracts for outside parties. Beginning in 2003 CSC has been awarded a series of contracts by the Kaohsiung Rapid Transit Corporation, including track work construction, AC power supply system, depot equipment and structure corrosion online monitoring system, totaling NT\$7,394 million. Work under all these contracts is proceeding on schedule.




Electrolytic galvanizing plant



Basic oxygen furnace plant



Bloom continuous casting machine

 Blast furnaces Nos. 1- 4





## SUBSIDIARIES AND OTHER EQUITY INTERESTS



China Ecotek Corporation completed an addition of advanced water treatment facility for Kaohsiung Chenchin Lake Water Treatment Plant, and has undertaken the operation of the new facility.

In 2004 the Corporation invested in two additional companies: TaiGen Biotechnology Co, Ltd. to participate in the biotechnology industry; and KKK Arena Corporation to have a part in the development and operation of the Kaohsiung Dome. In 2004 there were 18 CSC-invested companies in which CSC plays a leading management role. All of them showed brilliant performance:

### 1. Companies related to industrial materials

Benefits from C S Aluminum's expansion continue to show up in the production capacity. Such benefits are especially significant at a time when prices are on the rise. Income before income tax was NT\$839 million, a record high. China Steel Chemical benefited from hovering high oil prices and from the introduction of new products. Income before income tax reached an all time high at NT\$1,422 million. China Hi-ment enjoyed the effects of high cement price, which in turn substantially boosted the price as well as the consumption of pulverized slag. Income before income tax was a record high of NT\$722 million. Good steel prices enabled Chung Hung Steel to post record income before income tax of NT\$2,443 million in spite of recognized investment loss in real estate. Also benefiting from buoyant steel prices were Ornasteel and Group Steel in Malaysia. The former achieved RM85.62 million and the latter RM68.82 in income before income tax. The holding company jointly established by the two companies, Ornasteel Holdings BHD has been listed on the Malaysian stock exchange beginning December 30, 2004. Dragon Steel enjoyed good prices for H-sections and boosted its income before income tax to NT\$1,273 million.

China Steel Chemical Corporation distillation column

Taipei Financial Center. About 100,000 tons of steel structure fabricated by China Steel Structure Co., Ltd.

The company is actively engaged in plans to build an integrated steel mill of 2 million tons hot metal per day.

### 2. Companies related to trading and logistics

China Steel Express gained benefit from rising ocean freight rates and lifted its income before income tax to NT\$3,635 million or NT\$8.60 per share. China Steel Global Trading enjoyed a good market in steel trade. At the same time it recognized an investment gain of more than NT\$300 million. Income before income tax per share was NT\$12.10.

### 3. Companies related to engineering and construction

A higher percentage of the contracts that were being carried out by China Steel Structures and China Ecotek in 2004 were those priced after the rise in material prices. So profits were much better than in 2003 in spite of fierce competition and lackluster environment in Taiwan's engineering and construction industries. China Steel Machinery turned around in 2004 its all out effort to win contracts resulted in greatly improved revenues. Along with benefits from cost control, it posted an income before income tax of NT\$24.38 million.

### 4. Company related to investment and development

Gains Investment Corporation accommodated the practices of stock - market trade, and exercised timely divestments of holdings. Income before income tax for 2004 was NT\$415 million.

CSC Group's future deployment and development strategy in the iron and steel business will focus on its active leading role in the expansion project of Dragon Steel. This expansion means a giant stride forward for the Group's upstream iron and steel capacity. Together with the oversea channels of China Steel Global Trading, It will place the Group in a much stronger overall competitive position in the iron and steel business. As for non-steel business, CSC will collect comprehensive Data and information on biotechnology, electronic materials, opto-electronics and major government development projects that have good growth potential, and examine carefully the investment opportunities in these areas.





# CHINA STEEL CORPORATION

## Financial Statements for the Years Ended December 31, 2004 and 2003 and Independent Auditors' Report



### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
China Steel Corporation

We have audited the accompanying balance sheets of China Steel Corporation (the "Corporation") as of December 31, 2004 and 2003 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules for Audit of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China (ROC). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Corporation as of December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles in ROC.

January 26, 2005

#### Notice to Readers

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

*For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.*



## CHINA STEEL CORPORATION

**BALANCE SHEETS**DECEMBER 31, 2004 AND 2003  
(In Thousands of New Taiwan Dollars, Except Par Value)

A S S E T S	2004		2003	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 2 and 3)	\$ 26,402,765	11	\$ 3,862,720	2
Short-term investments (Notes 2 and 4)	23,855,035	10	38,829,092	18
Notes receivable (Note 5)	1,711,335	1	487,926	-
Accounts receivable, net of allowance for doubtful accounts of \$134 thousand and \$1,214 thousand as of December 31, 2004 and 2003, respectively (Notes 2, 5 and 20)	2,062,163	1	1,050,742	-
Other receivable	226,180	-	150,641	-
Inventories (Notes 2 and 6)	25,874,988	11	19,232,762	9
Deferred income tax assets (Note 17)	112,495	-	84,548	-
Pledged time deposits (Notes 10 and 21)	4,700,000	2	4,900,000	2
Other	<u>148,485</u>	<u>-</u>	<u>442,285</u>	<u>-</u>
Total current assets	<u>85,093,446</u>	<u>36</u>	<u>69,040,716</u>	<u>31</u>
<b>LONG-TERM INVESTMENTS</b> (Notes 2, 7 and 21)				
Long-term stock investments	40,642,218	17	37,012,558	17
Equity method	<u>9,717,543</u>	<u>4</u>	<u>7,360,237</u>	<u>3</u>
Cost method	50,359,761	21	44,372,795	20
Total long-term stock investments	90,000	-	-	-
Prepaid long-term stock investments	<u>182,211</u>	<u>-</u>	<u>185,411</u>	<u>-</u>
Other				
Total long-term investments	<u>50,631,972</u>	<u>21</u>	<u>44,558,206</u>	<u>20</u>
<b>PROPERTIES (Notes 2, 8 and 21)</b>				
Land	7,146,632	3	7,146,632	3
Land improvements	4,231,666	2	4,316,764	2
Buildings and improvements	35,994,405	15	36,376,643	17
Machinery and equipment	211,725,159	89	212,614,464	96
Transportation equipment	1,537,749	1	1,529,531	1
Miscellaneous equipment	<u>2,978,585</u>	<u>1</u>	<u>2,987,294</u>	<u>1</u>
Total cost	263,614,196	111	264,971,328	120
Appreciation	<u>17,795,827</u>	<u>7</u>	<u>18,178,427</u>	<u>9</u>
Total cost and appreciation	281,410,023	118	283,149,755	129
Less: Accumulated depreciation	<u>190,984,509</u>	<u>80</u>	<u>185,173,739</u>	<u>84</u>
	90,425,514	38	97,976,016	45
Constructions in progress	<u>8,909,449</u>	<u>4</u>	<u>4,741,252</u>	<u>2</u>
Net properties	<u>99,334,963</u>	<u>42</u>	<u>102,717,268</u>	<u>47</u>
<b>OTHER ASSETS</b>				
Rental assets (Notes 2 and 9)	3,095,044	1	3,759,210	2
Refundable deposits	73,793	-	46,414	-
Restricted assets-pledged time deposits (Note 21)	31,694	-	31,694	-
Unamortized repair expense and other (Note 2)	<u>148,082</u>	<u>-</u>	<u>517,211</u>	<u>-</u>
Total other assets	<u>3,348,613</u>	<u>1</u>	<u>4,354,529</u>	<u>2</u>
<b>TOTAL ASSETS</b>	<u>\$238,408,994</u>	<u>100</u>	<u>\$220,670,719</u>	<u>100</u>

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

LIABILITIES AND STOCKHOLDERS' EQUITY	2004		2003	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term bank loans and overdraft (Notes 10 and 21)	\$ 4,465,959	2	\$ 4,609,470	2
Commercial paper payable (Note 11)	1,799,052	1	1,699,214	1
Notes and accounts payable (Note 20)	3,086,340	1	2,292,434	1
Income tax payable	9,405,065	4	6,539,733	3
Accrued expenses (Note 14)	7,015,299	3	5,889,824	3
Bonds payable - current portion (Note 12)	5,000,000	2	10,000,000	5
Long-term debts - current portion (Notes 13 and 21)	-	-	50,000	-
Other	<u>2,902,231</u>	<u>1</u>	<u>3,270,309</u>	<u>1</u>
Total current liabilities	<u>33,673,946</u>	<u>14</u>	<u>34,350,984</u>	<u>16</u>
<b>LONG-TERM LIABILITIES</b>				
Bonds (Note 12)	10,000,000	4	15,000,000	7
Debts (Notes 13 and 21)	<u>2,861,200</u>	<u>1</u>	<u>2,225,300</u>	<u>1</u>
Total long-term liabilities	<u>12,861,200</u>	<u>5</u>	<u>17,225,300</u>	<u>8</u>
<b>RESERVE FOR LAND VALUE INCREMENT TAX (Note 8)</b>	<u>3,370,813</u>	<u>2</u>	<u>3,370,813</u>	<u>1</u>
<b>OTHER LIABILITIES</b>				
Deferred income tax liabilities (Note 17)	2,930,165	1	3,278,972	1
Deferred credit - gain on intercompany transactions (Note 15)	<u>1,411,756</u>	<u>1</u>	<u>1,407,866</u>	<u>1</u>
Total other liabilities	<u>4,341,921</u>	<u>2</u>	<u>4,686,838</u>	<u>2</u>
Total liabilities	<u>54,247,880</u>	<u>23</u>	<u>59,633,935</u>	<u>27</u>
<b>STOCKHOLDERS' EQUITY (Note 16)</b>				
Capital stock - authorized 10,600,000 thousand shares at NT\$10 par value				
Common - issued 9,888,937 thousand shares and 9,452,324 thousand shares as of December 31, 2004 and 2003, respectively	98,889,368	42	94,523,237	43
Preferred - issued 42,177 thousand shares and 47,762 thousand shares as of December 31, 2004 and 2003, respectively	<u>421,770</u>	<u>-</u>	<u>477,620</u>	<u>-</u>
Total capital stock	<u>99,311,138</u>	<u>42</u>	<u>95,000,857</u>	<u>43</u>
Capital surplus	<u>1,172,320</u>	<u>-</u>	<u>693,047</u>	<u>-</u>
Retained earnings	<u>85,642,418</u>	<u>36</u>	<u>66,934,700</u>	<u>30</u>
Other equity items				
Unrealized loss on investees' long-term investments	( 454,039)	-	( 485,104)	-
Cumulative translation adjustments	( 365,599)	-	91,700	-
Investees' unrecognized net loss on pension cost	( 32,003)	-	( 21,711)	-
Total other equity items	<u>( 851,641)</u>	<u>-</u>	<u>( 415,115)</u>	<u>-</u>
Treasury stock - 84,463 thousand shares and 86,273 thousand shares as of December 31, 2004 and 2003, respectively (Notes 2 and 16)	<u>( 1,113,121)</u>	<u>(1)</u>	<u>( 1,176,705)</u>	<u>-</u>
Total stockholders' equity	<u>184,161,114</u>	<u>77</u>	<u>161,036,784</u>	<u>73</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 238,408,994</u>	<u>100</u>	<u>\$220,670,719</u>	<u>100</u>



## CHINA STEEL CORPORATION

**STATEMENTS OF INCOME**

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2004		2003	
	Amount	%	Amount	%
REVENUES (Notes 2 and 20)	<u>168,270,036</u>	<u>100</u>	<u>129,702,797</u>	<u>100</u>
COST OF REVENUES (Notes 18 and 20)	<u>104,311,061</u>	<u>62</u>	<u>83,704,247</u>	<u>64</u>
GROSS PROFIT	63,958,975	38	45,998,550	36
UNREALIZED GAIN ON INTERCOMPANY TRANSACTION (Note 20)	<u>3,890</u>	<u>—</u>	<u>2,826</u>	<u>—</u>
REALIZED GROSS PROFIT	<u>63,955,085</u>	<u>38</u>	<u>45,995,724</u>	<u>36</u>
<b>OPERATING EXPENSES (Notes 18 and 20)</b>				
Selling	2,239,585	1	1,997,234	1
General and administrative	2,634,895	2	2,315,678	2
Research and development	<u>1,063,858</u>	<u>1</u>	<u>974,609</u>	<u>1</u>
Total operating expenses	<u>5,938,338</u>	<u>4</u>	<u>5,287,521</u>	<u>4</u>
<b>OPERATING INCOME</b>	<u>58,016,747</u>	<u>34</u>	<u>40,708,203</u>	<u>32</u>
<b>NONOPERATING INCOME</b>				
Interest	237,266	-	116,855	-
Investment income under the equity method (Note 7)	7,635,403	5	5,929,528	5
Gain on disposal of investments	786,868	-	323,485	-
Other	<u>869,494</u>	<u>1</u>	<u>519,390</u>	<u>—</u>
Total nonoperating income	<u>9,529,031</u>	<u>6</u>	<u>6,889,258</u>	<u>5</u>
<b>NONOPERATING EXPENSES</b>				
Interest (Note 8)	\$ 952,447	-	\$ 1,385,597	1
Impairment loss on rental assets (Note 9)	594,000	-	-	-
Other	<u>977,317</u>	<u>1</u>	<u>1,104,975</u>	<u>1</u>
Total nonoperating expenses	<u>2,523,764</u>	<u>1</u>	<u>2,490,572</u>	<u>2</u>
<b>INCOME BEFORE INCOME TAX</b>	65,022,014	39	45,106,889	35
<b>INCOME TAX (Notes 2 and 17)</b>	<u>13,405,323</u>	<u>8</u>	<u>8,127,675</u>	<u>6</u>
<b>NET INCOME</b>	<u>\$ 51,616,691</u>	<u>31</u>	<u>\$ 36,979,214</u>	<u>29</u>

	2004		2003	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 19)				
Basic	<u>\$ 6.62</u>	<u>\$ 5.26</u>	<u>\$ 4.60</u>	<u>\$ 3.77</u>
Diluted	<u>\$ 6.60</u>	<u>\$ 5.24</u>	<u>\$ 4.59</u>	<u>\$ 3.76</u>

PRO FORMA INFORMATION—if the Corporation's shares held by subsidiaries had been accounted for as investments rather than treasury stock

<b>NET INCOME</b>	<u>\$ 51,975,464</u>		<u>\$ 37,254,724</u>	
Basic earnings per share based on weighted-average number of outstanding common shares of 9,888,916 thousand and 9,877,067 thousand as of December 31, 2004 and 2003, respectively	<u>\$ 6.60</u>	<u>\$ 5.25</u>	<u>\$ 4.59</u>	<u>\$ 3.77</u>
Diluted earnings per share based on weighted-average number of outstanding common shares of 9,931,093 thousand and 9,924,829 thousand as of December 31, 2004 and 2003, respectively	<u>\$ 6.58</u>	<u>\$ 5.23</u>	<u>\$ 4.57</u>	<u>\$ 3.75</u>

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

(Concluded)



# CHINA STEEL CORPORATION

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
(In Thousands of New Taiwan Dollars)

	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 51,616,691	\$ 36,979,214
Adjustments		
Depreciation	10,046,890	11,021,179
Amortization	329,218	335,682
Deferred income tax	( 376,754)	( 319,998)
Impairment loss on rental assets	594,000	-
Investment income under the equity method	( 7,635,403)	( 5,929,528)
Construction dividends from long-term investments under the cost method	15,616	-
Investment loss under the cost method	54,000	-
Loss on disposal of properties	358,152	28,146
Cash dividends from long-term investments under the equity method	3,354,496	1,633,785
Gain on disposal of short-term investments	( 575,170)	( 319,565)
Gain on disposal of long-term investments	( 211,698)	( 3,920)
Unrealized gain on intercompany transaction	3,890	2,826
Others	( 1,800)	( 4,346)
Effect of exchange rate changes on foreign-currency long-term debts	( 48,300)	65,260
Changes in operating assets and liabilities	57,523,828	43,488,735
Notes receivable	( 1,223,409)	( 109,484)
Accounts receivable	( 1,011,421)	595,681
Inventories	( 6,637,226)	( 3,764,286)
Other receivable	( 75,539)	( 36,602)
Other current assets	293,800	( 254,582)
Notes and accounts payable	793,906	758,545
Income tax payable	2,865,332	2,809,211
Accrued expenses	1,125,475	1,094,637
Other current liabilities	588,685	( 96,486)
Net cash provided by operating activities	<u>54,243,431</u>	<u>44,485,369</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in short-term investments	15,549,227	( 18,758,191)
Increase in long-term investments	( 2,951,894)	( 4,404,186)
Proceeds from disposal of long-term investments	1,403,797	9,641
Acquisition of properties	( 7,927,503)	( 5,774,382)
Decrease in pledged time deposits	200,000	1,999,702
Decrease in other assets	12,532	38,382
Net cash provided by (used in) investing activities	<u>6,286,159</u>	<u>( 26,889,034)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term bank loans and overdraft	( 143,511)	3,799,782
Increase in commercial paper payable	99,838	700,867
Decrease in bonds payable	( 10,000,000)	( 9,200,000)
Increase in long-term debts	684,200	1,398,760
Repayment of long-term debts	( 50,000)	( 2,223,765)
Transfer of treasury stock to employees	434	1,807,066
Cash dividends	( 28,481,980)	( 13,040,702)
Compensation to directors and supervisors	( 98,526)	( 44,589)
Net cash used in financing activities	<u>( 37,989,545)</u>	<u>( 16,802,581)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>22,540,045</u>	<u>793,754</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>3,862,720</u>	<u>3,068,966</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 26,402,765</u>	<u>\$ 3,862,720</u>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	\$ 1,283,307	\$ 1,917,066
Interest expense capitalized	-	( 158,503)
Interest paid, excluding capitalized amounts	\$ 1,283,307	\$ 1,758,563
Income tax paid	\$ 10,916,745	\$ 5,638,462
<b>PURCHASE OF PROPERTIES</b>		
Purchase of properties	\$ 7,617,154	\$ 6,166,246
Decrease (increase) in payable on properties purchased	310,349	( 391,864)
<b>NONCASH FINANCING ACTIVITIES</b>	<u>\$ 7,927,503</u>	<u>\$ 5,774,382</u>
Current portion of long-term liabilities	<u>\$ 5,000,000</u>	<u>\$ 10,050,000</u>

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

(Concluded)



## CHINA STEEL CORPORATION

STATEMENTS OF CHANGES  
IN STOCKHOLDERS' EQUITYFOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003  
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)

	Capital Stock		Capital Surplus (Notes 8 and 16)	Retained Earnings (Note 16)		Retained Earnings (Note 16)		Unrealized Loss on Investees' Long-term Investments (Note 2 )	Cumulative Translation Adjustments (Note 2 )	Investees' Unrecognized Net Loss on Pension Cost	Treasury Stock (Note 16)	Total Stockholders' Equity
	Common stock	Preferred stock		Legal reserve	Special reserve	Unappropriated	Total					
<b>BALANCES, JANUARY 1, 2003</b>	\$92,679,939	\$ 477,670	\$ 481,597	\$20,083,378	\$8,002,165	\$16,874,520	\$44,960,063	\$( 555,491)	\$ 222,391	\$( 15,696)	\$(3,245,077)	\$135,005,396
Conversion of preferred stock to common Stock	50	( 50)	-	-	-	-	-	-	-	-	-	-
Appropriation of 2002 earnings (Note 16)												
Legal reserve	-	-	-	1,683,908	-	( 1,683,908)	-	-	-	-	-	-
Capitalization of bonus to employees	445,890	-	-	-	-	( 445,890)	( 445,890)	-	-	-	-	-
Compensation to directors and supervisors	-	-	-	-	-	( 44,589)	( 44,589)	-	-	-	-	( 44,589)
Cash dividends to preferred stockholders - \$1.4 per share	-	-	-	-	-	( 66,867)	( 66,867)	-	-	-	-	( 66,867)
Cash dividends to common stockholders - \$1.4 per share	-	-	-	-	-	(12,975,148)	(12,975,148)	-	-	-	-	( 12,975,148)
Stock dividends to preferred stockholders - 1.5%	7,164	-	-	-	-	( 7,164)	( 7,164)	-	-	-	-	-
Stock dividends to common stockholders - 1.5%	1,390,194	-	-	-	-	( 1,390,194)	( 1,390,194)	-	-	-	-	-
Net income in 2003	-	-	-	-	-	36,979,214	36,979,214	-	-	-	-	36,979,214
Adjustment of equity in investees due to change in percentage of ownership	-	-	14,087	-	-	( 59,862)	( 59,862)	-	-	-	( 46)	( 45,821)
Reversal of unrealized loss on investees' long-term investments	-	-	-	-	-	-	-	43	-	-	-	43
Cumulative translation adjustments	-	-	-	-	-	-	-	-	( 130,691)	-	-	( 130,691)
Investees' unrecognized net loss on pension cost	-	-	-	-	-	-	-	-	-	( 6,015)	-	( 6,015)
Transfer of treasury stock to employees	-	-	( 82,614)	-	-	( 14,863)	( 14,863)	-	-	-	1,904,543	1,807,066
Disposal of the Corporation's shares held by subsidiaries	-	-	151,119	-	-	-	-	70,344	-	-	163,875	385,338
Cash dividends declared by the Corporation and received by subsidiaries	-	-	<u>128,858</u>	-	-	-	-	-	-	-	-	<u>128,858</u>
<b>BALANCES, DECEMBER 31, 2003</b>	<u>94,523,237</u>	<u>477,620</u>	<u>693,047</u>	<u>21,767,286</u>	<u>8,002,165</u>	<u>37,165,249</u>	<u>66,934,700</u>	<u>( 485,104)</u>	<u>91,700</u>	<u>( 21,711)</u>	<u>( 1,176,705)</u>	<u>161,036,784</u>
Conversion of preferred stock to common stock	55,850	( 55,850)	-	-	-	-	-	-	-	-	-	-
Appropriation of 2003 earnings (Note 16)												
Legal reserve	-	-	-	3,685,308	-	( 3,685,308)	-	-	-	-	-	-
Special reserve	-	-	-	-	28,651	(28,651)	-	-	-	-	-	-
Capitalization of bonus to employees	985,263	-	-	-	-	( 985,263)	( 985,263)	-	-	-	-	-
Compensation to directors and supervisors	-	-	-	-	-	( 98,526)	( 98,526)	-	-	-	-	( 98,526)
Cash dividends to preferred stockholders - \$3 per share	-	-	-	-	-	( 143,286)	( 143,286)	-	-	-	-	( 143,286)
Cash dividends to common stockholders - \$3 per share	-	-	-	-	-	(28,356,863)	(28,356,863)	-	-	-	-	(28,356,863)
Stock dividends to preferred stockholders - 3.5%	16,717	-	-	-	-	(16,717)	( 16,717)	-	-	-	-	-
Stock dividends to common stockholders - 3.5%	3,308,301	-	-	-	-	( 3,308,301)	( 3,308,301)	-	-	-	-	-
Net income in 2004	-	-	-	-	-	51,616,691	51,616,691	-	-	-	-	51,616,691
Adjustment of equity in investees due to change in percentage of ownership	-	-	120,582	-	-	( 17)	( 17)	-	-	-	( 90)	120,475
Reversal of unrealized loss on investees' long-term investments	-	-	-	-	-	-	-	764	-	-	-	764
Cumulative translation adjustments	-	-	-	-	-	-	-	-	( 457,299)	-	-	( 457,299)
Investees' unrecognized net loss on pension cost	-	-	-	-	-	-	-	-	-	( 10,292)	-	( 10,292)
Transfer of treasury stock to employees	-	-	( 82)	-	-	-	-	-	-	-	516	434
Disposal of the Corporation's shares held by subsidiaries	-	-	100,452	-	-	-	-	30,301	-	-	63,158	193,911
Cash dividends declared by the Corporation and received by subsidiaries	-	-	<u>258,321</u>	-	-	-	-	-	-	-	-	<u>258,321</u>
<b>BALANCES, DECEMBER 31, 2004</b>	<u>\$98,889,368</u>	<u>\$ 421,770</u>	<u>\$1,172,320</u>	<u>\$25,452,594</u>	<u>\$ 8,030,816</u>	<u>\$52,159,008</u>	<u>\$85,642,418</u>	<u>\$( 454,039)</u>	<u>\$( 365,599)</u>	<u>\$( 32,003)</u>	<u>\$(1,113,121)</u>	<u>\$184,161,114</u>



# FIVE-YEAR SUMMARY OF SELECTED FINANCIAL DATA AND OPERATING RESULTS

(in thousands of New Taiwan Dollars unless otherwise noted )

	2004	2003	2002	2001	2000
Revenues	168,270,036	129,702,797	99,939,846	85,101,266	100,634,849
Operating costs	110,249,399	88,991,768	79,566,230	77,707,736	79,413,506
Gross profit	63,958,975	45,998,550	24,828,036	11,877,433	25,910,544
Unrealized gain on intercompany transaction	3,890	2,826	-	-	-
Operating income	58,016,747	40,708,203	20,373,616	7,393,530	21,221,343
Non-operating income (loss)	7,005,267	4,398,686	322,198	1,013,269	384,204
Income before income tax	65,022,014	45,106,889	20,695,814	8,406,799	21,605,547
Net income	51,616,691	36,979,214	16,839,080	7,459,750	18,581,535
Current assets	85,093,446	69,040,716	47,581,405	46,279,467	51,560,891
Long-term investments	50,631,972	44,558,206	35,532,286	35,026,411	34,504,547
Net properties	99,334,613	102,717,268	107,471,096	112,247,965	118,415,993
Other assets	3,348,613	4,354,529	4,857,546	5,383,157	4,500,797
Total assets	238,408,994	220,670,719	195,442,333	198,937,000	208,982,228
Current liabilities	33,673,946	34,350,984	27,026,296	25,601,247	29,836,870
Long-term liabilities	12,861,200	17,225,300	25,050,000	37,655,293	35,295,363
Reserve for land value increment tax	3,370,813	3,370,813	3,370,813	3,370,813	-
Other liabilities	4,341,921	4,686,838	4,989,828	5,661,212	5,824,702
Total liabilities	54,247,880	59,633,935	60,436,937	72,288,565	74,327,748
Capital stock	99,311,138	95,000,857	93,157,609	91,089,364	87,961,396
Capital surplus	1,172,320	693,047	481,597	416,570	409,005
Retained earnings	85,642,418	66,934,700	44,960,063	37,434,024	46,380,081
Unrealized loss on investees' long-term investments	( 454,039)	( 485,104)	( 555,491)	( 569,837)	( 149,728)
Cumulative translation adjustments	( 365,599)	91,700	222,391	198,881	53,726
Investees' unrecognized net loss on pension cost	( 32,003)	( 21,711)	( 15,696)	( 15,508)	-
Treasury stock <sup>8</sup>	( 1,113,121)	( 1,176,705)	( 3,245,077)	( 1,905,059)	-
Total stockholders' equity	184,161,114	161,036,784	135,005,396	126,648,435	134,654,480
Total liabilities and stockholders' equity	238,408,994	220,670,719	195,442,333	198,937,000	208,982,228
Stockholders' equity per common share (NT\$)	18.54	16.95	14.49	13.90	15.31
Earnings per common share (NT\$)	5.26	3.94	1.86	0.82	2.12
Earnings per common share (NT\$) <sup>9</sup>		3.77	1.76	0.75	1.89

<sup>8</sup> Effective 2002, the Corporation's shares acquired and held by subsidiaries are accounted for as treasury stocks.

<sup>9</sup> After making retroactive adjustments to take into account stock dividends.



# FIVE-YEAR SUMMARY OF SELECTED FINANCIAL RATIOS AND PERCENTAGES

	2004	2003	2002	2001	2000
Current ratio (%)	252.70	200.99	176.06	180.77	178.81
Ratio of fixed assets to long-term liabilities and stockholders' equity (%)	50.42	57.62	67.15	68.32	69.68
Total liabilities to stockholders' equity	30.29	0.37	0.45	0.57	0.55
Net income rate (%)	30.67	28.51	16.85	8.77	18.46
Profitability in terms of total assets (%)	22.80	18.27	9.38	4.66	10.16
Profitability in terms of stockholders' equity (%)	29.91	24.98	12.87	5.71	14.18
Revenue growth rate, year to year (%)	29.74	29.78	17.44	(15.44)	11.96
Stockholders' equity growth rate, year to year (%)	14.36	19.28	6.60	(5.95)	5.66

## ANALYSIS OF FINANCIAL STATUS AND OPERATING RESULTS

### 1. Two-year analysis of flow ratios

Ratio	December 31, 2004	December 31, 2003	increase (decrease)
Cash flow ratio (%)	161	130	35
Appropriate cash flow ratio (%) <sup>10</sup>	149	148	9
Cash reinvestment ratio (%)	7	8	(13)

<sup>10</sup> Based on data over the past five years.

Analysis of changes in above ratios

Cash flow ratio increase by 24% over that of 2003 is mainly attributed to 2004's improved revenues, resulting in substantial increase in cash flows.

### 2. Operation Analysis:

- (1) The increase of NT\$17,960,425 thousand (39%) in gross profit is mainly attributed rise in international steel prices. Average sales price and revenues in 2004 increased by about 30%, and cost of goods sold increased by 25%. Rate of increase of revenues was higher than that of costs.
- (2) The increase of NT\$2,639,773 thousand (38%) in total non-operating income is mainly attributed to the profits of those investee companies, for which the reckoning of recognized investment income was changed to the equity method in 2004, being higher than in 2003.
- (3) It is expected that international steel prices and market conditions of 2004 will be maintained in 2005, and that 2005 sales volume of steel will be 10,220,000 tons, commensurate with that of 2004.



# TERMS AND CONDITIONS OF CORPORATE BONDS

Issue	Unsecured Corporate Bond	Unsecured Corporate Bond	Unsecured Corporate Bond
Issue Date	From November 20, 2000 to December 11, 2000	From June 7, 2001 to June 28, 2001	From November 2, 2001 to November 16, 2001
Face Amount	NT\$1,000,000	NT\$1,000,000	NT\$1,000,000
Issue Price	Market price	NT\$1,000,000	NT\$1,000,000
Amount	NT\$5,000,000,000	NT\$5,000,000,000	NT\$5,000,000,000
Coupon	5.18%	4.27%	Bond A:3.1% Bond B:3.0763%
Maturity	Five years (due from November 20, 2005 to December 11, 2005)	Five years (due from June 7, 2006 to June 28, 2006)	Five years (due from November 2, 2006 to November 16, 2006)
Trustee	China Trust Commercial Corporation Head Office -Trust Department	The International Commercial Bank of China, Head Office-Trust Department	The International Commercial Bank of China, Head Office - Trust Department
Lead Manager	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
Auditor of the Issuer	Deloitte & Touche (A member firm of Deloitte Touche Tohmatsu)	Deloitte & Touche (A member firm of Deloitte Touche Tohmatsu)	Deloitte & Touche (A member firm of Deloitte Touche Tohmatsu)
Repayment	100% on maturity, interest shall be 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.	100% on maturity, Bond A: interest shall be paid annually against interest coupon commencing from the issue date. Bond B: interest shall be compounded semiannually and paid annually against interest coupon commencing from the issue date.



# MARKET PRICE OF STOCK OVER PAST THREE YEARS

(in NT\$ / share)

Stock	Price	2004	2003	2002
Common	Highest	37.4	28.7	21.2
	Lowest	27.0	18.9	13.6
Preferred	Highest	37.0	30.8	25.9
	Lowest	29.5	24.5	20.0

Source of Information: Taiwan Stock Exchange Corporation

## PRODUCTS AND USES

Products	Major Uses
<ul style="list-style-type: none"> <li>Plates</li> </ul>	Shipbuilding, bridges, steel structures, oil country tubular goods (OCTGs), storage tanks, boilers, pressure vessels, truck chassis and general construction
<ul style="list-style-type: none"> <li>Bars</li> </ul>	Nuts and bolts, hand tools, loudspeaker parts, automobile and motor cycle parts, machinery parts
<ul style="list-style-type: none"> <li>Wire rods</li> </ul>	Nuts and bolts, steel wire and rope, welding electrodes, hand tools, tire cord and bead, umbrella parts, chains
<ul style="list-style-type: none"> <li>Hot rolled coils</li> </ul>	Steel pipes and tubes, vehicle parts, containers, pressure vessels, hydraulic jacks, cold rolled and galvanized products, light shapes, formed parts in general
<ul style="list-style-type: none"> <li>Cold rolled coils</li> </ul>	Steel pipes and tubes, steel furniture, home appliances, drums, automobile bodies, hardwares, and as raw material for galvanized and coated steel sheets
<ul style="list-style-type: none"> <li>Electro-galvanized coils</li> </ul>	Computer cases, home appliance outer shells, parts and accessories, automobile bodies, building materials and components, and hardwares
<ul style="list-style-type: none"> <li>Hot-dip galvanized coils</li> </ul>	Automobile parts and components, computer cases, coated sheets, building materials and components
<ul style="list-style-type: none"> <li>Electrical steel coils</li> </ul>	Motors, transformers and stabilizers



# THREE-YEAR SUMMARY OF PRODUCTION AND SALES VOLUMES

(In tons)

Product	Volume	2004	2003	2002
Steel plates	Production	1,167,083	986,081	1,093,787
	Sales <sup>13</sup>	1,197,730	1,059,731	1,097,020
Steel bars <sup>11</sup>	Production	569,443	555,424	500,684
	Sales	611,765	577,391	527,718
Wire rods	Production	1,287,021	1,285,253	1,173,495
	Sales	1,305,604	1,266,610	1,206,998
Hot rolled steel products	Production	4,095,068	4,468,965	4,340,944
	Sales	4,246,913	4,548,040	4,411,808
Cold rolled steel products <sup>12</sup>	Production	2,752,700	2,629,781	2,418,823
	Sales	2,885,865	2,707,294	2,523,235
Commercial slabs, blooms and billets	Production	209,526	236,828	729,421
	Sales	165,198	204,951	743,706
Pig iron	Production	20,448	25,921	30,651
	Sales	17,041	21,970	26,246
Total	Production	10,101,289	10,188,253	10,287,805
	Sales	10,430,116	10,385,987	10,536,731

<sup>11</sup> Including bars contracted out for hire-rolling

<sup>12</sup> Including electrogalvanized, hot-dip galvanized products and electric sheets

<sup>13</sup> Including stainless steel



# OWNERSHIP OF SUBSIDIARIES AND OTHER EQUITY INTERESTS

December 31, 2004

Companies	Investment Amounts <sup>14</sup> (NT\$1,000)	Holding Ratio (%)	Evaluation Method
China Steel Express Corporation	7,643,022	100	Equity
C.S. Aluminum Corporation	6,885,517	98	Equity
Gains Investment Corporation	5,779,470	100	Equity
China Prosperity Development Corporation	4,788,857	100	Equity
China Steel Asia Pacific Holdings Pte Ltd <sup>15</sup>	3,306,414	100	Equity
Kaohsiung Rapid Transit Corporation	3,176,545	31	Equity
Chung Hung Steel Corporation <sup>16</sup>	2,007,733	24	Equity
Dragon Steel Corporation	1,513,678	37	Equity
China Steel Global Trading Corporation	1,242,487	100	Equity
China Steel Chemical Corporation	1,050,325	30	Equity
China Steel Machinery Corporation	695,536	100	Equity
China Hi-ment Corporation	561,291	20	Equity
Info-Champ Systems Corporation	533,776	99	Equity
Horng Yih Investment Corporation	452,755	99	Equity
Long Yuan Fa Investment Corporation	451,787	99	Equity
Goang Yaw Investment Corporation	440,948	99	Equity
China Steel Structure Co., Ltd.	437,654	18	Equity
China Ecotek Corporation	383,270	36	Equity
China Steel Security Corporation	229,712	100	Equity
Taiwan Rolling Stock Co., Ltd.	163,395	27	Equity
China Steel Management Consulting Corporation	8,848	38	Equity
TaiAn Technologies Corporation	2,319	17	Equity
HIMAG Magnetic Corporation <sup>17</sup>	0	50	Equity
Less: shares held by subsidiaries accounted for as treasury stock	(1,113,121)		
Subtotal	40,642,218		
East Asia United Steel Corporation - preferred stock	2,055,437	33	Cost
Taiwan High Speed Rail Corporation - preferred stock C	1,499,997	14	Cost
Asia Pacific Broadband Telecom Co., Ltd.	1,146,000	2	Cost
Industrial Bank of Taiwan	1,000,000	4	Cost
Dragon Steel Corporation preferred stock A	999,877	100	Cost
Taiwan High Speed Rail Corporation - preferred stock B	984,384	4	Cost
Maruichi Steel Tube Ltd.	757,919	2	Cost
CDIB & Partners Investment Holding Corporation	500,000	5	Cost
Allied Material Technology Corporation	243,290	2	Cost
TaiGen Biotechnology Co., Ltd. - preferred stock B	120,000	5	Cost
CDIB Bio Science Ventures I, Inc.	105,370	15	Cost
Phalanx Biotech Group	55,269	14	Cost
GenMont Biotech Inc.	50,000	6	Cost
Overseas Investment & Development Corporation	50,000	5	Cost
CTB I Venture Capital Co., Ltd.	0	9	Cost
Tang Eng Iron Works Co., Ltd. <sup>17</sup>	150,000	24	Cost
Subtotal	9,717,543		
Pre-paid long-term investment: Kaohsiung Arena Development Corporation	90,000		
Long-term fund: Sino-Canada Biotechnology Development Fund, LP	182,211		
Total	50,631,972		

<sup>14</sup> Invested amounts are based on balances in the account Long-term Investments.

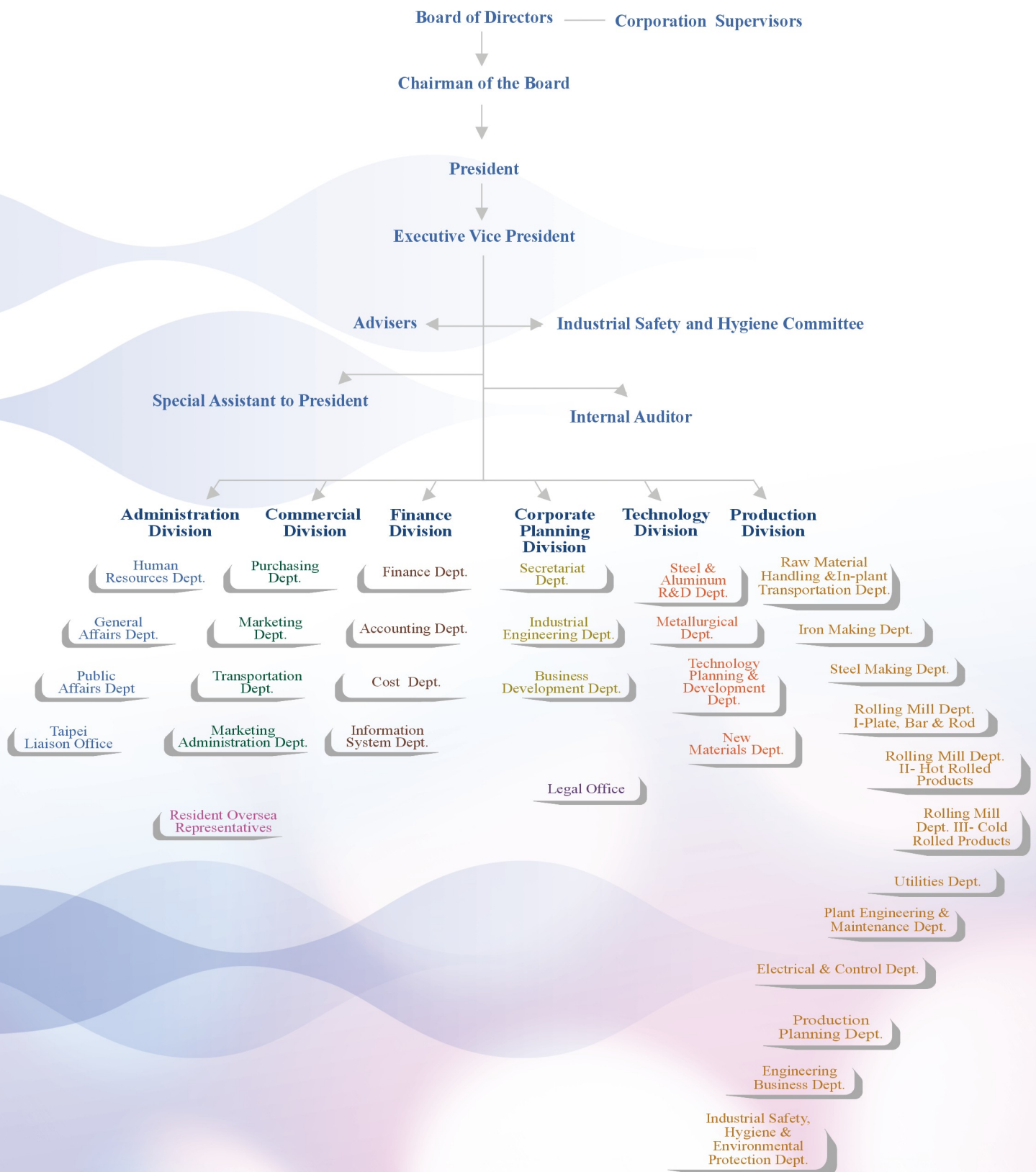
<sup>15</sup> Through China Steel Asia Pacific Holding Pte Ltd. the Corporation indirectly holds 47%, 47% and 10% of Ornasteel Enterprise Corporation (M) Sdn. Bhd., Group Steel Corporation (M) Sdn. Bhd., and Wuxi Teco Electric & Machinery Co., Ltd. respectively.

<sup>16</sup> The Corporation's total equity in Chung Hung Steel Corporation was 39.3%, of which 23.7% was directly owned and 15.6% was indirectly owned through Goang Yao, Horng Yih and Long Yuan Fa.

<sup>17</sup> The Corporation fully recognized in 2002 the balances of its investment in HIMAG Magnetic Corporation and Tang Eng Iron Works Co., Ltd. as investment losses to reflect these investees' persistent operation losses.



# ORGANIZATION CHART OF CHINA STEEL CORPORATION





# DIRECTORS AND SUPERVISORS

(as of December 31, 2004)

<b>Chairman of the Board</b>	<b>Wen-Yuan Lin</b>	Representing Ministry of Economic Affairs, R. O. C.
<b>Director</b>	<b>Jung-Yung Chen</b>	Representing Ministry of Economic Affairs, R. O. C.
<b>Director</b>	<b>Feng-Sheng Wu</b>	Representing Ministry of Economic Affairs, R. O. C.
<b>Director</b>	<b>Chu Chen</b>	Representing Bureau of Labour Insurance
<b>Director</b>	<b>Yuan-Cheng Chen</b>	Representing Chiun Yu Investment Corporation
<b>Director</b>	<b>Cheng-I Weng</b>	Representing Gau Ruei Investment Corporation
<b>Director</b>	<b>Iuan-Yuan Lu</b>	Representing Ever Wealthy Investment Corporation
<b>Director</b>	<b>Ching-Pin Wu</b>	Representing China Steel Labor Union
<b>Director</b>	<b>Tzer-Haw Chen</b>	Representing Chung Hung Steel Corporation
<b>Director</b>	<b>Pyng-Yeong Liang</b>	Representing Hsing Loong Investment & Development Co., Ltd.
<b>Director</b>	<b>Ho-Chong Chen</b>	Representing TS Investment Development Inc.
<b>Supervisor</b>	<b>Chen-Cheng Huang</b>	Representing Ministry of Economic Affairs, R. O. C.
<b>Supervisor</b>	<b>Wang-Ping Gu</b>	Representing Ministry of Economic Affairs, R. O. C.
<b>Supervisor</b>	<b>Benny T. Hu</b>	Representing Dragon Steel Corporation

## SENIOR MANAGEMENT (as of December 31, 2004)

President	<b>Jung-Yung Chen</b>
Executive Vice President (Concurrently Spokesman for the Corporation)	<b>Yuan-Cheng Chen</b>
Vice President, Administration Division	<b>Chao-Tung Wong</b>
Vice President, Commercial Division	<b>Tzer-Haw Chen</b>
Vice President, Finance Division	<b>Lo-Min Chung</b>
Vice President, Corporate Planning Division	<b>Chao-Ching Chen</b>
Vice President, Technology Division	<b>Guo-Hwa Cheng</b>
Vice President, Production Division	<b>Chaur-Hwa Ou</b>



# MAIN BUSINESSES AND ADDRESSES OF SUBSIDIARIES AND OTHER CHINASTEEL -INVESTED COMPANIES

(as of December 31, 2004)

## SUBSIDIARIES

### C. S. Aluminium Corporation

Chairman: C. C. Chen  
President: S. T. Chang  
Main business: aluminum products  
Address: 17 Tong Lin Road,  
Hsiao Kang District,  
Kaohsiung 812, Taiwan, R. O. C.  
Tel: 886-7-871-8666  
Fax: 886-7-872-1852

### China Steel Security Corporation

Chairman: M. L. Chou  
President: C. M. Hsu  
Main businesses: security services  
and systems  
Address: 17F, 247 Ming Sheng 1st  
Road, Hsin Hsing District,  
Kaohsiung 800, Taiwan, R. O. C.  
Tel: 886-7-229-9678  
Fax: 886-7-226-4078

### Ornasteel Enterprise Corporation (M) Sdn. Bhd.<sup>18</sup>

Managing Director: Paul T. Y. Huang  
Main business: steel products  
Address: 180, Kawasan Industri  
Ayer Keroh,  
75450 Melaka, Malaysia  
Tel: 60-6-231-9990  
Fax: 60-6-231-5310

### China Steel Structure Co., Ltd.

Chairman: J. Y. Chen  
President: S. J. Su  
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: 886-7-801-9150

### Dragon Steel Corporation

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

### CDIB & Partners Investment Holding Corporation

Chairman: C. T. Wu  
President: P. Shen  
Main business: industrial investments  
Address: 6F, 125 Nan King East Road  
secretary. 5, Song Shan District,  
Taipei 105, Taiwan, R. O. C.  
Tel: 886-2-2745-7181  
Fax: 886-2-2761-4741

### China Steel Express Corporation

Chairman: Y. C. Chen  
President: Donald K. L. Chao  
Main businesses: marine cargo transpor-  
tation; purchase, sale  
and chartering of vessels;  
and shipping agency  
Address: 32F, 8 Ming Chuan 2nd Road,  
Chien Chen District,  
Kaohsiung 806, Taiwan, R. O. C.  
Tel: 886-7-337-8888  
Fax: 886-7-338-1310

### China Prosperity Development Corporation

Chairman: J. Y. Chen  
President: K. M. Chen  
Main businesses: real estate develop-  
ment and investment  
Address: Room 6, 24F, 31 Hai Bien  
Road, Ling Ya District,  
Kaohsiung 802, Taiwan, R. O. C.  
Tel: 886-7-536-2500  
Fax: 886-7-536-2413

### Group Steel Corporation (M) Sdn. Bhd.<sup>18</sup>

Managing Director: Paul T. Y. Huang  
Main business: steel products  
Address: 180, Kawasan Industri Ayer  
Keroh, 75450 Melaka, Malaysia  
Tel: 60-6-231-9990  
Fax: 60-6-231-5310

### China Steel Chemical Corporation

Chairman: W. Y. Lin  
President: P.Y. 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 Steel Management Consulting Corporation

Chairman: C. T. Wong  
President: Y. C. Guu  
Main business: consulting management  
Address: 1 Chung Kang Road,  
Hsiao Kang District,  
Kaohsiung, Taiwan, R. O. C.  
Tel: 886-7-801-0723  
Fax: 886-7-803-3568

### Industrial Bank of Taiwan

Chairman : Kenneth C. M. Lo  
President: Henry W. Peng  
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

### China Steel Global Trading Corporation

Chairman: W. Y. Lin  
President: K. M. Chen  
Main businesses: import, export  
Address: 31F, 8 Ming Chuan 2nd Road,  
Chien Chen District,  
Kaohsiung 806, Taiwan, R. O. C.  
Tel: 886-7-332-2168  
Fax: 886-7-335-6411~2

### Info-Champ Systems Corporation

Chairman: K. H. Chang  
President: T. C. Wu  
Main business: enterprise resources  
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

### HIMAG Magnetic Corporation

Chairman: G. H. Cheng  
President: T.C. Lin  
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

### China Hi-ment Corporation

Chairman: R. S. Jong  
President: S. Y. Chiang  
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

### Tang Eng Iron Works Co., Ltd.

Chairman : S. T. Liu  
President: : H. P. Chen  
Main businesses: stainless steel,  
construction  
Address: No.53, Chung Hua 4th  
Road, Lin Ya District,  
Kaohsiung 802,  
Taiwan, R. O. C.  
Tel: 886-7-335-1108  
Fax: 886-7-335-0348

### Allied Material Technology Corporation

Chairman & CEO: Charles Yu  
President: Arthur Chou  
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

## OTHER CHINASTEEL - INVESTED COMPANIES

### Gains Investment Corporation

Chairman: L. M. Chung  
President: L. R. Hu  
Main business: hi-tech investments  
Address: 30F, 6 Ming Chuan 2nd Road,  
Chien Chen District,  
Kaohsiung 806, Taiwan, R. O. C.  
Tel: 886-7-338-2288  
Fax: 886-7-338-7110

### China Steel Machinery Corporation

Chairman: C. H. Ou  
President: W. D. Hsu  
Main businesses: machinery  
manufacturing  
Address: 3 Taichi Road, Hsiao Kang  
District,  
Kaohsiung 812, Taiwan, R. O. C.  
Tel: 886-7-802-0111  
Fax: 886-7-803-3515

### Chung Hung Steel Corporation

Chairman: T. H. Chen  
President: J. G. Liu  
Main business: steel products  
Address: 317 Yu-Liao Road, Chiao tou,  
Kaohsiung 825, Taiwan, R. O. C.  
Tel: 886-7-611-7171  
Fax: 886-7-611-0594

### China Ecotek Corporation

Chairman: K. L. Du  
President: Q. G. Shyng  
Main businesses: environment enginee-  
ring, design and con-  
struction  
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

### Overseas Investment & Development Corporation

Chairman: Jeffrey L. S. Koo  
President: D. Mao  
Main business: oversea investments  
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

### 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



# MAIN BUSINESSES AND ADDRESSES OF SUBSIDIARIES AND OTHER CHINA STEEL -INVESTED COMPANIES

(as of December 31, 2004)

**Kaohsiung Rapid Transit Corporation**  
Chairman: J. Y. Chen  
President: C. B. Fan  
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: 886-7-793-9666  
Fax: 886-7-793-9999

**Taiwan Rolling Stock Co., Ltd.**  
Chairman: W. Y. Lin  
President: Koji Aso  
Main business: rolling stock  
Address: 458 Hsin Hsing Road, Hu Kou Hsiang, Hsin-chu Hsien 303, Taiwan, R. O. C.  
Tel: 886-3-597-4905  
Fax: 886-3-597-4921

**Asia Pacific Broadband Telecom Co., Ltd.**  
Chairman: S. S. Y. Wang  
Vice Chairman and President: L. T. Wang  
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

**GenMont Biotech Inc.**  
Chairman : C. S. Hsu  
President: William Lai  
Main business: R & D of new drug  
Address: No.8, Nan-Ke 7th Rd., Tainan Science-Based Industrial Park, Tainan Country, Taiwan, R. O. C.  
Tel: 886-6-505-2151  
Fax: 886-6-505-2152

**CDIB Bio Science Ventures I, Inc.**  
Chairman & CEO : Benny T. Hu  
Main business: bioscience investment  
Address: 30F, 99 Tun Hwa South Road, Sec. II, Taipei, Taiwan, R. O. C.  
Tel: 886-2-2325-0556  
Fax: 886-2-2754-7708

**Phalanx Biotech Group**  
Chairman : Andrew Wang  
President: Chung-Fan Chiou, Ph. D.  
Main business: biochip manufacturer  
Address: 6 Technology Road 5, 6th Floor Science-Based Industrial Park, Hsinchu 30077, Taiwan, R.O.C.  
Tel: 886-3-5781168  
Fax: 886-3-5785099

**Wuxi Teco Electric & Machinery Co., Ltd.**<sup>18</sup>  
Chairman : J. George Lien  
President : Frank Tseng  
Main business: induction motor manufacturing  
Address: NO.72, Wuxi National Hi-Tech Industrial Development Zone, New District Jiang Su, China  
Tel: 86-510-5342005  
Fax: 86-510-5342053

**East Asia United Steel Corporation**  
Chairman : Gashun Amaya  
President: Gashun Amaya (Concurrently)  
Main business: holding company of Sumikin Iron & Steel Corp.  
Address: Triton Square Office Tower Y 8-11, Harumi, 1-Chome, Chuo-Ku Tokyo, 104-6411, Japan  
Tel: 81-3-4416-6788  
Fax: 81-3-4416-6149

**CTB I Venture Capital Co., Ltd**  
Chairman : F. Y. Huang  
President : C. L. Huang  
Main business: hi-tech investments  
Address: 5th Floor, No.91, Heng Yang Road, Taipei Taiwan, R.O.C.  
Tel: 886-2-87892000  
Fax: 886-2-87893000

**Taiwan High Speed Rail Corporation**  
Chairman : Nita Ing  
President : K. C. Liu  
Main business: high speed rail engineering and services  
Address: 3rd Floor, No.100, Hsin Yi Road, Taipei, Taiwan, R.O.C.  
Tel: 886-2-8789-2000  
Fax: 886-2-8789-3000

**Taian Technologies Corporation**  
Chairman : W. Y. Lin  
President : Steve Lee  
Main business: bioscience Investment  
Address: Nankang Software Park, Building E, 11F, 19-11, San Chong Rd., Nankang, Taipei 115, Taiwan, R.O.C.  
Tel: 886-2-2655-3299  
Fax: 886-2-2655-3209

**TaiGen Biotechnology Co., Ltd.**  
Chairman : S.C. Ho  
President : M.C. Hsu, Ph. D.  
Main business: pharmaceutical research and development  
Address: 7F 138 Shin Ming Road, Taipei 114, Taiwan, R.O.C.  
Tel: 886-2-8177-7072  
Fax: 886-2-2796-3606

**KKK Arena Corporation**  
Chairman : W. Y. Lin  
Vice Chairman: C. Y. Tsai  
President : Victor Lin  
Main business: construction and operation of stadiums and arenas for competitive sports and recreation  
Address: 15F, No.12 Bo-ai 3rd Road, Zuoying District, Kaohsiung 813, Taiwan, R.O.C.  
Tel: 886-7-341-6852  
Fax: 886-7-974-5525

<sup>18</sup> China Steel Corporation investment through China Steel Asia-Pacific Holdings Pte. Ltd.