

# **China Steel Corporation and Subsidiaries**

**Consolidated Financial Statements for the  
Six Months Ended June 30, 2009 and 2008 and  
Independent Accountants' Review Report**

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders  
China Steel Corporation

We have reviewed the accompanying consolidated balance sheets of China Steel Corporation (the "Corporation") and its subsidiaries as of June 30, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Review of Financial Statements" issued by the Auditing Committee of the Accounting Research and Development Foundation ("ARDF") of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of officers responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements of the Corporation and its subsidiaries for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

As stated in Note 3 to the accompanying consolidated financial statements, starting January 1, 2009, the Corporation and its subsidiaries adopted the newly revised SFAS No. 10, "Accounting for Inventories", issued by the ARDF in November 2007. Also, starting January 1, 2008, the Corporation and its subsidiaries adopted Interpretation 96-052, "Accounting for Bonuses to Employees, Directors and Supervisors" issued by the ARDF in March 2007.

July 28, 2009

### Notice to Readers

*The accompanying consolidated 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the accountants' review report and the accompanying consolidated 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 accountants' review report and consolidated financial statements shall prevail.*

# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

JUNE 30, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Par Value)

(Reviewed, Not Audited)

ASSETS	2009		2008	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 11,755,959	3	\$ 37,197,291	9
Financial assets at fair value through profit or loss - current	7,025,148	2	15,495,859	4
Available-for-sale financial assets - current	5,053,673	1	8,849,707	2
Held-to-maturity financial assets - current	376,583	-	315,416	-
Hedging derivative assets - current	491,417	-	-	-
Notes receivable, net	1,592,503	-	3,308,705	1
Accounts receivable, net	5,667,389	1	12,066,285	3
Other receivables	2,309,544	-	866,297	-
Other financial assets - current	2,711,166	1	-	-
Inventories	50,366,317	12	71,844,908	17
Deferred income tax assets - current	4,874,642	1	803,706	-
Restricted assets - current	4,623,836	1	4,565,032	1
Others	<u>13,037,005</u>	<u>3</u>	<u>12,253,790</u>	<u>3</u>
Total current assets	<u>109,885,182</u>	<u>25</u>	<u>167,566,996</u>	<u>40</u>
<b>INVESTMENTS</b>				
Available-for-sale financial assets - noncurrent	3,390,281	1	3,476,506	1
Held-to-maturity financial assets - noncurrent	580,242	-	768,336	-
Hedging derivative assets - noncurrent	365,072	-	-	-
Financial assets carried at cost - noncurrent	8,266,880	2	7,758,735	2
Bond investments with no active market - noncurrent	142,385	-	4,920,131	1
Investments accounted for by the equity method	3,415,888	1	4,299,390	1
Investments in real estate	219,205	-	-	-
Prepaid long-term stock investments	-	-	103,130	-
Other financial assets - noncurrent	<u>7,910,752</u>	<u>2</u>	<u>11,459,279</u>	<u>3</u>
Total investments	<u>24,290,705</u>	<u>6</u>	<u>32,785,507</u>	<u>8</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>				
Land	15,948,325	4	18,764,926	4
Land improvements	4,289,540	1	4,280,156	1
Buildings	51,059,420	12	49,284,337	12
Machinery and equipment	296,414,192	68	289,065,659	69
Transportation equipment	20,295,809	5	20,063,321	5
Other equipment	<u>12,470,874</u>	<u>3</u>	<u>12,657,232</u>	<u>3</u>
Total cost	400,478,160	93	394,115,631	94
Revaluation increment	<u>43,723,372</u>	<u>10</u>	<u>16,941,188</u>	<u>4</u>
Cost and revaluation increment	444,201,532	103	411,056,819	98
Less: Accumulated depreciation	268,068,968	62	255,359,519	61
Accumulated impairment	<u>1,027,474</u>	<u>-</u>	<u>2,678,068</u>	<u>-</u>
	175,105,090	41	153,019,232	37
Construction in progress and prepayments for equipment	<u>109,494,588</u>	<u>25</u>	<u>58,342,512</u>	<u>14</u>
Total property, plant and equipment	<u>284,599,678</u>	<u>66</u>	<u>211,361,744</u>	<u>51</u>
<b>INTANGIBLE ASSETS</b>	<u>1,896,902</u>	<u>-</u>	<u>480,020</u>	<u>-</u>
<b>OTHER ASSETS</b>				
Assets leased to others, net	444,715	-	343,644	-
Refundable deposits	353,966	-	313,466	-
Deferred income tax assets - noncurrent	2,198,764	1	-	-
Restricted assets - noncurrent	149,095	-	170,680	-
Unamortized repair costs and others	<u>7,672,153</u>	<u>2</u>	<u>5,232,272</u>	<u>1</u>
Total other assets	<u>10,818,693</u>	<u>3</u>	<u>6,060,062</u>	<u>1</u>
<b>TOTAL</b>	<u>\$431,491,160</u>	<u>100</u>	<u>\$418,254,329</u>	<u>100</u>

LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Short-term loans and overdraft	\$ 37,108,017	9	\$ 38,635,726	9
Commercial paper payable	10,161,764	3	5,221,897	1
Financial liabilities at fair value through profit or loss - current	2,795	-	89,747	-
Hedging derivative liabilities - current	567	-	77,005	-
Notes and accounts payable	5,303,694	1	16,196,153	4
Income tax payable	7,542,226	2	10,499,979	3
Accrued expenses	8,987,083	2	12,259,849	3
Dividend payable	18,080,544	4	43,867,276	11
Other payables	5,642,879	1	5,898,029	1
Purchase commitments payable	4,829,145	1	858,720	-
Long-term debt - current portion	5,140,590	1	1,439,616	-
Reorganized loans payable - current portion	400,000	-	400,000	-
Others	<u>4,372,099</u>	<u>1</u>	<u>4,518,627</u>	<u>1</u>
Total current liabilities	<u>107,571,403</u>	<u>25</u>	<u>139,962,624</u>	<u>33</u>
<b>LONG-TERM LIABILITIES</b>				
Hedging derivative liabilities - noncurrent	-	-	329,289	-
Bonds payable	43,250,000	10	13,700,000	3
Long-term debts - bank	28,930,664	7	11,110,400	3
Long-term notes payable	6,995,643	2	1,746,376	1
Reorganized loans payable	<u>4,762,233</u>	<u>1</u>	<u>5,182,533</u>	<u>1</u>
Total long-term liabilities	<u>83,938,540</u>	<u>20</u>	<u>32,068,598</u>	<u>8</u>
<b>RESERVE FOR LAND VALUE INCREMENT TAX</b>	<u>8,673,466</u>	<u>2</u>	<u>2,171,124</u>	<u>1</u>
<b>OTHER LIABILITIES</b>				
Accrued pension cost	913,212	-	1,014,397	-
Deferred income tax liabilities - noncurrent	-	-	3,839,571	1
Others - mainly deferred credits	<u>866,306</u>	<u>-</u>	<u>792,469</u>	<u>-</u>
Total other liabilities	<u>1,779,518</u>	<u>-</u>	<u>5,646,437</u>	<u>1</u>
Total liabilities	<u>201,962,927</u>	<u>47</u>	<u>179,848,783</u>	<u>43</u>
<b>STOCKHOLDERS' EQUITY OF PARENT COMPANY</b>				
Capital stock - authorized 14,000,000 thousand shares and 12,000,000 thousand shares at NT\$10 par value as of June 30, 2009 and 2008, respectively				
Common shares - issued 12,557,543 thousand shares and 11,496,921 thousand shares as of June 30, 2009 and 2008, respectively	125,575,431	29	114,969,210	28
Preferred shares - issued 38,268 thousand shares and 38,370 thousand shares as of June 30, 2009 and 2008, respectively	<u>382,680</u>	<u>-</u>	<u>383,700</u>	<u>-</u>
Total capital stock	<u>125,958,111</u>	<u>29</u>	<u>115,352,910</u>	<u>28</u>
Capital surplus	<u>18,476,681</u>	<u>4</u>	<u>2,084,984</u>	<u>-</u>
Retained earnings	<u>53,667,545</u>	<u>12</u>	<u>84,145,363</u>	<u>20</u>
Other equity				
Unrealized revaluation increment	21,914,203	5	1,505,903	-
Unrealized gain on financial instruments	4,519,987	1	5,437,895	1
Cumulative translation adjustments	292,704	-	(511,142 )	-
Net loss not recognized as pension cost	(32,385 )	-	(40,099 )	-
Treasury stock - 380,452 thousand shares and 79,443 thousand shares as of June 30, 2009 and 2008, respectively	<u>(10,812,752 )</u>	<u>(2 )</u>	<u>(1,340,874 )</u>	<u>-</u>
Total other equity	<u>15,881,757</u>	<u>4</u>	<u>5,051,683</u>	<u>1</u>
Total stockholders' equity of parent company	213,984,094	49	206,634,940	49
<b>MINORITY INTEREST</b>	<u>15,544,139</u>	<u>4</u>	<u>31,770,606</u>	<u>8</u>
Total stockholders' equity	<u>229,528,233</u>	<u>53</u>	<u>238,405,546</u>	<u>57</u>
<b>TOTAL</b>	<u>\$431,491,160</u>	<u>100</u>	<u>\$418,254,329</u>	<u>100</u>

(With Deloitte & Touche review report dated July 28, 2009)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

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

(Reviewed, Not Audited)

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUES	\$ 113,343,770	100	\$ 198,770,988	100
OPERATING COSTS	<u>119,853,181</u>	<u>106</u>	<u>150,857,753</u>	<u>76</u>
GROSS PROFIT (LOSS)	(6,509,411)	(6)	47,913,235	24
REALIZED (UNREALIZED) GAIN FROM AFFILIATES	<u>15,226</u>	<u>-</u>	<u>(341,521)</u>	<u>-</u>
REALIZED GROSS PROFIT (LOSS)	<u>(6,494,185)</u>	<u>(6)</u>	<u>47,571,714</u>	<u>24</u>
OPERATING EXPENSES				
Research and development	600,299	-	831,312	1
Selling	2,166,036	2	2,718,238	1
General and administrative	<u>1,917,111</u>	<u>2</u>	<u>3,014,523</u>	<u>2</u>
Total operating expenses	<u>4,683,446</u>	<u>4</u>	<u>6,564,073</u>	<u>4</u>
OPERATING INCOME (LOSS)	<u>(11,177,631)</u>	<u>(10)</u>	<u>41,007,641</u>	<u>20</u>
NONOPERATING INCOME AND GAINS				
Interest income	154,919	-	563,969	-
Exchange gain, net	38,745	-	263,240	-
Gain on disposal of property, plant and equipment	696,156	1	238	-
Gain on disposal of investments	1,689,237	2	55,536	-
Reversal of impairment loss	1,145,475	1	37	-
Others	<u>530,862</u>	<u>-</u>	<u>624,961</u>	<u>1</u>
Total nonoperating income and gains	<u>4,255,394</u>	<u>4</u>	<u>1,507,981</u>	<u>1</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	850,720	1	965,017	1
Investment loss recognized under equity method, net	235,118	-	264,649	-
Impairment loss	1,215	-	313,271	-
Others	<u>209,605</u>	<u>-</u>	<u>503,766</u>	<u>-</u>
Total nonoperating expenses and losses	<u>1,296,658</u>	<u>1</u>	<u>2,046,703</u>	<u>1</u>
CONSOLIDATED INCOME (LOSS) BEFORE INCOME TAX	(8,218,895)	(7)	40,468,919	20
INCOME TAX EXPENSE (BENEFIT)	<u>(1,256,360)</u>	<u>(1)</u>	<u>10,038,677</u>	<u>5</u>

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# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

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

(Reviewed, Not Audited)

	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
CONSOLIDATED NET INCOME (LOSS)	<u>\$ (6,962,535)</u>	<u>(6)</u>	<u>\$ 30,430,242</u>	<u>15</u>
BELONGED TO				
The Corporation's stockholders	\$ (6,451,064)	(6)	\$ 26,900,099	13
Minority interest	<u>(511,471)</u>	<u>-</u>	<u>3,530,143</u>	<u>2</u>
	<u>\$ (6,962,535)</u>	<u>(6)</u>	<u>\$ 30,430,242</u>	<u>15</u>
	<u>2009</u>		<u>2008</u>	
	<u>Before Tax</u>	<u>After Tax</u>	<u>Before Tax</u>	<u>After Tax</u>
EARNINGS (LOSS) PER SHARE				
Basic	<u>\$ (0.73)</u>	<u>\$ (0.53)</u>	<u>\$ 2.78</u>	<u>\$ 2.26</u>
Diluted	<u>\$ (0.73)</u>	<u>\$ (0.53)</u>	<u>\$ 2.76</u>	<u>\$ 2.24</u>

(With Deloitte & Touche review report dated July 28, 2009)

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
SIX MONTHS ENDED JUNE 30, 2009 AND 2008  
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)  
(Reviewed, Not Audited)

	OTHER EQUITY ITEMS													
	CAPITAL STOCK			RETAINED EARNINGS					Unrealized Gain					
	Common Stock	Preferred Stock	CAPITAL SURPLUS	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Revaluation Increment	(Loss) on Financial Instruments	Cumulative Translation Adjustments	Net Loss Not Recognized As Pension Cost	Treasury Stock	Minority Interest	Total Stockholders' Equity
BALANCE, JANUARY 1, 2009	\$ 125,575,411	\$ 382,700	\$18,410,920	\$ 44,715,153	\$ 7,615,701	\$ 24,096,253	\$ 76,427,107	\$21,915,248	\$ 6,508,005	\$ 358,976	\$ (32,385 )	\$(10,805,513)	\$ 16,242,698	\$ 254,983,167
Conversion of preferred shares to common shares	20	(20 )	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of 2008 earnings (Note)														
Legal reserve	-	-	-	2,402,556	-	(2,402,556 )	-	-	-	-	-	-	-	-
Preferred cash dividends - \$1.30 per share	-	-	-	-	-	(49,751 )	(49,751 )	-	-	-	-	-	-	(49,751 )
Common cash dividends - \$1.30 per share	-	-	-	-	-	(16,184,403 )	(16,184,403 )	-	-	-	-	-	-	(16,184,403 )
Consolidated net loss for the six months ended June 30, 2009	-	-	-	-	-	(6,451,064 )	(6,451,064 )	-	-	-	-	-	(511,471 )	(6,962,535 )
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	(893,142 )	-	-	-	-	(893,142 )
Adjusted to nonoperating income upon disposal of appreciated properties	-	-	-	-	-	-	-	(1,045 )	-	-	-	-	-	(1,045 )
Adjustment from changes in equity recognized under equity method	-	-	5,126	-	-	(74,344 )	(74,344 )	-	(871,933 )	-	-	(64,259 )	-	(1,005,410 )
Foreign exchange loss due to the translation of foreign currency financial statements	-	-	-	-	-	-	-	-	-	(1,677 )	-	-	-	(1,677 )
Exchange loss due to the hedge of a net investment in a foreign operation	-	-	-	-	-	-	-	-	-	(64,595 )	-	-	-	(64,595 )
Change in unrealized loss on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	(222,943 )	-	-	-	-	(222,943 )
Disposal of the Corporation's shares held by subsidiaries	-	-	60,635	-	-	-	-	-	-	-	-	235,372	-	296,007
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(179,238 )	(145,279 )	(324,517 )
Discount for acquisition cost of treasury stock	-	-	-	-	-	-	-	-	-	-	-	886	-	886
Adjustment of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(41,809 )	(41,809 )
BALANCE, JUNE 30, 2009	<u>\$ 125,575,431</u>	<u>\$ 382,680</u>	<u>\$18,476,681</u>	<u>\$ 47,117,709</u>	<u>\$ 7,615,701</u>	<u>\$ (1,065,865)</u>	<u>\$ 53,667,545</u>	<u>\$21,914,203</u>	<u>\$ 4,519,987</u>	<u>\$ 292,704</u>	<u>\$ (32,385)</u>	<u>\$(10,812,752)</u>	<u>\$ 15,544,139</u>	<u>\$ 229,528,233</u>
BALANCE, JANUARY 1, 2008	\$ 114,963,350	\$ 389,560	\$ 1,878,630	\$ 39,589,333	\$ 7,615,701	\$ 51,407,695	\$ 98,612,729	\$ 1,509,155	\$ 6,473,326	\$ 283,018	\$ (38,083 )	\$(1,416,395 )	\$ 33,274,506	\$ 255,929,796
Conversion of preferred stock to common shares	5,860	(5,860 )	-	-	-	-	-	-	-	-	-	-	-	-
Appropriation of 2007 earnings														
Legal reserve	-	-	-	5,125,820	-	(5,125,820 )	-	-	-	-	-	-	-	-
Bonus to employees	-	-	-	-	-	(923,135 )	(923,135 )	-	-	-	-	-	-	(923,135 )
Remuneration to directors and supervisors	-	-	-	-	-	(69,235 )	(69,235 )	-	-	-	-	-	-	(69,235 )
Preferred cash dividends - \$3.50 per share	-	-	-	-	-	(134,274 )	(134,274 )	-	-	-	-	-	-	(134,274 )
Common cash dividends - \$3.50 per share	-	-	-	-	-	(40,239,244 )	(40,239,244 )	-	-	-	-	-	-	(40,239,244 )
Consolidated net income for the six months ended June 30, 2008	-	-	-	-	-	26,900,099	26,900,099	-	-	-	-	-	3,530,143	30,430,242
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	552,316	-	-	-	-	552,316
Adjusted to nonoperating income upon disposal of appreciated properties	-	-	-	-	-	-	-	(3,252 )	-	-	-	-	-	(3,252 )
Adjustment from changes in equity recognized under equity method	-	-	21,681	-	-	(1,577 )	(1,577 )	-	(1,042,317 )	-	-	(5,584 )	-	(1,027,797 )
Foreign exchange loss due to the translation of foreign currency financial statements	-	-	-	-	-	-	-	-	-	(781,773 )	-	-	-	(781,773 )
Exchange loss due to the hedge of a net investment in a foreign operation	-	-	-	-	-	-	-	-	-	(12,387 )	-	-	-	(12,387 )
Investees' net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	(2,016 )	-	-	(2,016 )
Change in unrealized loss on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	(545,430 )	-	-	-	-	(545,430 )
Disposal of the Corporation's shares held by subsidiaries	-	-	184,673	-	-	-	-	-	-	-	-	89,668	249,614	523,955
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(8,563 )	(10,415 )	(18,978 )
Adjustment of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(5,273,242 )	(5,273,242 )
BALANCE, JUNE 30, 2008	<u>\$ 114,969,210</u>	<u>\$ 383,700</u>	<u>\$ 2,084,984</u>	<u>\$ 44,715,153</u>	<u>\$ 7,615,701</u>	<u>\$ 31,814,509</u>	<u>\$ 84,145,363</u>	<u>\$ 1,505,903</u>	<u>\$ 5,437,895</u>	<u>\$(511,142)</u>	<u>\$ (40,099)</u>	<u>\$(1,340,874)</u>	<u>\$ 31,770,606</u>	<u>\$ 238,405,546</u>

Note: The remuneration to directors and supervisors of NT\$35,194 thousand and the bonus to employees of NT\$1,877,002 thousand of the 2008 were deducted in the income statement.

(With Deloitte & Touche review report dated July 28, 2009)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Consolidated net income (loss)	\$ (6,962,535 )	\$ 30,430,242
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	8,039,589	7,643,014
Amortization	321,296	640,760
Deferred income tax	(2,827,142 )	(478,984 )
Unrealized (realized) gain from affiliates	(15,226 )	341,521
Provision for (recovery of) loss on inventories	11,422,563	(21,180 )
Loss on purchase commitments	3,182,005	858,720
Investment loss under equity method	239,336	270,655
Cash dividends received from equity method investees	29,262	71,147
Loss (gain) on disposal of property, plant and equipment	(645,260 )	98,929
Provision for (reversal of ) impairment loss	(1,103,647 )	330,903
Loss (gain) on sale of investments and valuation on financial instruments	(2,155,951 )	187,008
Others	126,339	514,501
Net changes in operating assets and liabilities		
Financial instruments held for trading	(294,699 )	386,223
Notes receivable	1,583,506	(1,139,584 )
Accounts receivable	1,603,794	(2,817,980 )
Other receivables	515,057	156,597
Inventories	21,976,949	(14,330,545 )
Other current assets	(1,040,397 )	(2,889,291 )
Notes and accounts payable	(2,578,188 )	8,154,113
Income tax payable	(1,540,886 )	1,325,908
Accrued expenses	(94,173 )	1,643,359
Other payables	174,536	4,318,658
Purchase commitments payable	(6,552,401 )	(199,662 )
Other current liabilities	<u>184,864</u>	<u>(48,878 )</u>
Net cash provided by operating activities	<u>23,588,591</u>	<u>35,446,154</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through profit or loss	(2,766,012 )	(15,157,212 )
Proceeds from disposal of financial assets at fair value through profit or loss	8,733,564	5,591,374
Acquisition of available-for-sale financial assets	(4,090,284 )	(6,490,863 )
Proceeds from disposal of available-for-sale financial assets	6,822,233	5,854,372
Acquisition of held-to-maturity financial assets	(685,488 )	(749,984 )
Proceeds from disposal of held-to-maturity financial assets	437,317	537,864
Acquisition of financial assets carried at cost	(53,679 )	(416,439 )
Proceeds from disposal of financial assets carried at cost	16,239	115,139
Proceeds from capital reduction on financial assets carried at cost	445	13,184

(Continued)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2009	2008
Acquisition of bond investments with no active market	\$ (1,715 )	\$ (6,598 )
Acquisition of investments accounted for by equity method	-	(20,961 )
Proceeds of capital reduction of investments accounted for by equity method	130,600	-
Increase in prepaid long-term stock investments	-	(103,130 )
Decrease (increase) in other financial assets	1,956,719	(4,846,216 )
Acquisition of property, plant and equipment	(31,813,228 )	(29,758,461 )
Proceeds from disposal of property, plant and equipment	1,149,228	1,262
Increase in refundable deposits	(55,698 )	(99,270 )
Increase in restricted deposits	(68,983 )	(4,777 )
Increase in intangible assets	(122,659 )	(9,750 )
Increase in other assets	<u>(591,689 )</u>	<u>(141,279 )</u>
Net cash used in investing activities	<u>(21,003,090 )</u>	<u>(45,691,745 )</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans and overdraft	(671,587 )	14,516,002
Increase (decrease) in commercial paper payable	(12,067,347 )	1,670,356
Proceeds from long-term debt	1,350,000	29,646
Repayments of long-term debt	(4,204,598 )	(2,508,521 )
Increase in long-term notes payable	4,949,197	99,046
Repayments of reorganized loans payable	(200,000 )	(200,000 )
Increase in other liabilities	21,115	29,013
Cash dividends paid by parent company	(6,322 )	(15,102 )
Disposal of parent company's shares held by subsidiaries	296,007	523,955
Purchase of the Corporation's shares by subsidiaries	(324,517 )	(18,978 )
Discount for acquisition cost of treasury stock	886	-
Decrease in minority interest	<u>(41,809 )</u>	<u>(5,273,242 )</u>
Net cash provided by (used in) financing activities	<u>(10,898,975 )</u>	<u>8,852,175</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,313,474 )	(1,393,416 )
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>20,069,433</u>	<u>38,590,707</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 11,755,959</u>	<u>\$ 37,197,291</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	\$ 612,807	\$ 990,430
Income tax paid	3,111,668	9,191,753

(Continued)



# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2009 AND 2008

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2009	2008
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Cash Paid for Acquisition of Property, Plant and Equipment		
Acquisition of property, plant and equipment	\$ 30,682,141	\$ 29,731,885
Decrease in payable for equipment purchased	<u>1,131,087</u>	<u>26,576</u>
	<u>\$ 31,813,228</u>	<u>\$ 29,758,461</u>
Cash Paid to Stockholders		
Total cash dividends payable to stockholders	\$ 16,234,154	\$ 40,373,518
Increase in dividends payable	<u>(16,227,832)</u>	<u>(40,358,416)</u>
	<u>\$ 6,322</u>	<u>\$ 15,102</u>
NON - CASH FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 2,227,260</u>	<u>\$ 1,177,364</u>
Payable for Remuneration to Directors and Supervisors and Bonus to Employees (Appropriations of Earnings)	<u>\$ -</u>	<u>\$ 1,359,041</u>

(With Deloitte & Touche review report dated July 28, 2009)

(Concluded)