

China Steel Corporation and Subsidiaries

**Consolidated Financial Statements for the
Six Months Ended June 30, 2010 and 2009 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, 2010 and 2009, 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 of 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 Statement of Financial Accounting Standards No. 10, "Accounting for Inventories".

July 27, 2010

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, 2010 AND 2009

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

(Reviewed, Not Audited)

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents	\$ 20,297,766	4	\$ 11,755,959	3	Short-term loans and overdraft	\$ 34,863,056	7	\$ 37,108,017	9
Financial assets at fair value through profit or loss - current	11,016,706	2	7,025,148	2	Commercial paper payable	10,596,802	2	10,161,764	3
Available-for-sale financial assets - current	5,938,760	1	5,053,673	1	Financial liabilities at fair value through profit or loss - current	11,816	-	2,795	-
Held-to-maturity financial assets - current	-	-	376,583	-	Hedging derivative liabilities - current	56,411	-	567	-
Hedging derivative assets - current	433,517	-	491,417	-	Notes payable	782,172	-	424,040	-
Notes receivable, net	1,729,953	-	1,592,503	-	Accounts payable	12,690,621	2	4,879,654	1
Accounts receivable, net	9,116,501	2	5,667,389	1	Income tax payable	3,082,335	1	7,542,226	2
Other receivables	1,759,857	-	2,309,544	1	Accrued expenses	14,050,437	3	8,987,083	2
Other financial assets - current	1,840,419	1	7,301,519	2	Dividends payable	15,675,959	3	18,080,544	4
Inventories	67,306,254	13	50,366,317	12	Other payables	11,826,780	2	5,642,879	1
Spare parts - current	8,766,799	2	7,965,135	2	Purchase commitments payable	325,595	-	4,829,145	1
Deferred income tax assets - current	1,795,493	1	4,874,642	1	Bonds payable - current portion	8,098,044	2	-	-
Restricted assets - current	5,680,827	1	4,623,836	1	Long-term debt - current portion	5,817,783	1	5,140,590	1
Others	6,690,273	1	5,071,870	1	Reorganized loans payable - current portion	400,000	-	400,000	-
					Others	6,988,361	1	4,372,099	1
Total current assets	142,373,125	28	114,475,535	27	Total current liabilities	125,266,172	24	107,571,403	25
FUNDS AND INVESTMENTS					LONG-TERM LIABILITIES				
Available-for-sale financial assets - noncurrent	3,089,351	1	3,390,281	1	Hedging derivative liabilities - noncurrent	307,570	-	-	-
Held-to-maturity financial assets - noncurrent	279,928	-	580,242	-	Bonds payable	35,125,475	7	43,214,422	10
Hedging derivative assets - noncurrent	166,724	-	365,072	-	Long-term debt - bank	61,032,841	12	28,930,664	7
Financial assets carried at cost - noncurrent	8,710,049	2	8,266,880	2	Long-term notes payable	5,396,632	1	6,995,643	2
Bond investments with no active market - noncurrent	238,233	-	142,385	-	Reorganized loans payable	4,367,010	1	4,762,233	1
Investments accounted for by the equity method	2,843,074	-	3,415,888	1	Total long-term liabilities	106,229,528	21	83,902,962	20
Investments in real estate	219,205	-	219,205	-	RESERVE FOR LAND VALUE INCREMENT TAX	8,673,466	2	8,673,466	2
Prepaid long-term stock investments	8,127	-	-	-	OTHER LIABILITIES				
Other financial assets - noncurrent	1,114,491	-	3,320,399	1	Accrued pension cost	524,479	-	913,212	-
Total funds and investments	16,669,182	3	19,700,352	5	Others	981,279	-	866,306	-
PROPERTY, PLANT AND EQUIPMENT					Total other liabilities	1,505,758	-	1,779,518	-
Land	16,549,157	3	15,948,325	4	Total liabilities	241,674,924	47	201,927,349	47
Land improvements	6,111,262	1	4,289,540	1	STOCKHOLDERS' EQUITY OF PARENT COMPANY				
Buildings	64,945,150	12	51,059,420	12	Capital stock - authorized 17,000,000 thousand shares and 14,000,000 thousand shares at NT\$10 par value as of June 30, 2010 and 2009, respectively				
Machinery and equipment	385,875,916	75	299,144,524	69	Common shares - issued 13,094,519 thousand shares and 12,557,543 thousand shares as of June 30, 2010 and 2009, respectively	130,945,189	25	125,575,431	29
Transportation equipment	20,048,448	4	20,295,809	5	Preferred shares - issued 38,268 thousand shares	382,680	-	382,680	-
Other equipment	13,458,302	3	12,470,874	3	Total capital stock	131,327,869	25	125,958,111	29
Total cost	506,988,235	98	403,208,492	94	Capital surplus	19,604,464	4	18,476,681	4
Revaluation increment	43,656,295	8	43,723,372	10	Retained earnings	84,903,315	17	53,667,545	12
Cost and revaluation increment	550,644,530	106	446,931,864	104	Other equity				
Less: Accumulated depreciation	286,135,271	55	269,934,695	63	Unrealized revaluation increment	21,912,852	4	21,914,203	5
Accumulated impairment	1,043,189	-	1,027,474	-	Unrealized gain on financial instruments	3,040,124	1	4,519,987	1
	263,466,070	51	175,969,695	41	Cumulative translation adjustments	463,051	-	292,704	-
Construction in progress and prepayments for equipment	81,814,215	16	109,494,588	25	Net loss not recognized as pension cost	(42,243)	-	(32,385)	-
Total property, plant and equipment, net	345,280,285	67	285,464,283	66	Treasury stock - 285,700 thousand shares and 380,452 thousand shares as of June 30, 2010 and 2009, respectively	(8,400,279)	(2)	(10,812,752)	(2)
INTANGIBLE ASSETS	1,850,890	-	1,896,902	-	Total other equity	16,973,505	3	15,881,757	4
OTHER ASSETS					Total stockholders' equity of parent company	252,809,153	49	213,984,094	49
Assets leased to others, net	434,997	-	444,715	-	MINORITY INTEREST	22,118,212	4	15,544,139	4
Idle assets, net	5,267,019	1	4,332,077	1	Total stockholders' equity	274,927,365	53	229,528,233	53
Refundable deposits	395,118	-	353,966	-	TOTAL	\$ 516,602,289	100	\$ 431,455,582	100
Deferred income tax assets - noncurrent	1,282,520	-	2,198,764	1					
Restricted assets - noncurrent	170,034	-	149,095	-					
Spare parts - noncurrent	1,779,619	1	1,581,383	-					
Deferred charge and others	1,099,500	-	858,510	-					
Total other assets	10,428,807	2	9,918,510	2					

(With Deloitte & Touche review report dated July 27, 2010)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

(Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
OPERATING REVENUE, NET	\$ 163,499,805	100	\$ 113,343,770	100
OPERATING COSTS	<u>124,243,999</u>	<u>76</u>	<u>119,957,516</u>	<u>106</u>
GROSS PROFIT (LOSS)	39,255,806	24	(6,613,746)	(6)
REALIZED GAIN FROM AFFILIATES	<u>15,226</u>	<u>-</u>	<u>15,226</u>	<u>-</u>
REALIZED GROSS PROFIT (LOSS)	<u>39,271,032</u>	<u>24</u>	<u>(6,598,520)</u>	<u>(6)</u>
OPERATING EXPENSES				
Research and development	788,861	-	600,299	-
Selling	2,248,721	1	2,166,036	2
General and administrative	<u>2,515,482</u>	<u>2</u>	<u>1,917,111</u>	<u>2</u>
Total operating expenses	<u>5,553,064</u>	<u>3</u>	<u>4,683,446</u>	<u>4</u>
OPERATING INCOME (LOSS)	<u>33,717,968</u>	<u>21</u>	<u>(11,281,966)</u>	<u>(10)</u>
NONOPERATING INCOME AND GAINS				
Interest income	135,510	-	154,919	-
Exchange gain, net	29,490	-	38,745	-
Gain on disposal of property, plant and equipment	1,350	-	696,156	1
Gain on disposal of investments, net	-	-	1,689,237	1
Reversal of impairment loss	920	-	1,145,475	1
Others	<u>240,890</u>	<u>-</u>	<u>635,197</u>	<u>1</u>
Total nonoperating income and gains	<u>408,160</u>	<u>-</u>	<u>4,359,729</u>	<u>4</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	627,292	1	850,720	1
Investment loss recognized under equity method, net	406,720	-	235,118	-
Others	<u>133,353</u>	<u>-</u>	<u>210,820</u>	<u>-</u>
Total nonoperating expenses and losses	<u>1,167,365</u>	<u>1</u>	<u>1,296,658</u>	<u>1</u>
CONSOLIDATED INCOME (LOSS) BEFORE INCOME TAX	32,958,763	20	(8,218,895)	(7)
INCOME TAX EXPENSE (BENEFIT)	<u>5,357,202</u>	<u>3</u>	<u>(1,256,360)</u>	<u>(1)</u>
CONSOLIDATED NET INCOME (LOSS)	<u>\$ 27,601,561</u>	<u>17</u>	<u>\$ (6,962,535)</u>	<u>(6)</u>

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

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

(Reviewed, Not Audited)

	2010		2009	
	Amount	%	Amount	%
ATTRIBUTABLE TO:				
The Corporation's stockholders	\$ 23,818,359	15	\$ (6,451,064)	(6)
Minority interest	<u>3,783,202</u>	<u>2</u>	<u>(511,471)</u>	<u>-</u>
	<u>\$ 27,601,561</u>	<u>17</u>	<u>\$ (6,962,535)</u>	<u>(6)</u>
	2010		2009	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS (LOSS) PER SHARE				
Basic	<u>\$ 2.14</u>	<u>\$ 1.86</u>	<u>\$ (0.70)</u>	<u>\$ (0.51)</u>
Diluted	<u>\$ 2.12</u>	<u>\$ 1.84</u>	<u>\$ (0.70)</u>	<u>\$ (0.51)</u>

(With Deloitte & Touche review report dated July 27, 2010)

(Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Cash Dividends Per Share)
(Reviewed, Not Audited)

	Capital Stock		Capital	Retained Earnings				Other Equity Items					Total Stockholders' Equity	
	Common	Preferred		Legal	Special	Unappropriated	Unrealized Revaluation	Unrealized Gain (Loss) on Financial Instruments	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Treasury Stock	Minority Interest		
	Stock	Stock		Reserve	Reserve	Earnings	Total	Increment	Instruments	Adjustments	Stock	Interest		
BALANCE, JANUARY 1, 2010	\$ 130,945,189	\$ 382,680	\$ 19,598,511	\$ 47,117,709	\$ 7,615,701	\$ 19,617,957	\$ 74,351,367	\$ 21,913,148	\$ 4,216,431	\$ 183,001	\$ (42,133)	\$ (8,189,031)	\$ 20,430,721	\$ 263,789,884
Appropriation of 2009 earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	1,952,817	-	(1,952,817)	-	-	-	-	-	-	-	-
Preferred cash dividends - \$1.07 per share	-	-	-	-	-	(40,947)	(40,947)	-	-	-	-	-	-	(40,947)
Common cash dividends - \$1.01 per share	-	-	-	-	-	(13,225,464)	(13,225,464)	-	-	-	-	-	-	(13,225,464)
Consolidated net income for the six months ended June 30, 2010	-	-	-	-	-	23,818,359	23,818,359	-	-	-	-	-	3,783,202	27,601,561
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	(598,106)	-	-	-	-	(598,106)
Adjusted to nonoperating income from disposal of appreciated properties	-	-	-	-	-	-	-	(296)	-	-	-	-	-	(296)
Adjustment from changes in equity recognized under equity method	-	-	5,953	-	-	-	-	-	(188,280)	-	-	-	-	(182,327)
Foreign exchange gain on translation of foreign-currency financial statements	-	-	-	-	-	-	-	-	-	276,828	-	-	-	276,828
Foreign exchange gain on the hedge of a net investment in a foreign operation	-	-	-	-	-	-	-	-	-	3,222	-	-	-	3,222
Investees' net loss not recognized as pension cost	-	-	-	-	-	-	-	-	-	-	(110)	-	-	(110)
Change in unrealized loss on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	(389,921)	-	-	-	-	(389,921)
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(211,248)	(173,395)	(384,643)
Adjustment of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,922,316)	(1,922,316)
BALANCE, JUNE 30, 2010	<u>\$ 130,945,189</u>	<u>\$ 382,680</u>	<u>\$ 19,604,464</u>	<u>\$ 49,070,526</u>	<u>\$ 7,615,701</u>	<u>\$ 28,217,088</u>	<u>\$ 84,903,315</u>	<u>\$ 21,912,852</u>	<u>\$ 3,040,124</u>	<u>\$ 463,051</u>	<u>\$ (42,243)</u>	<u>\$ (8,400,279)</u>	<u>\$ 22,118,212</u>	<u>\$ 274,927,365</u>
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	(893,142)	-	-	-	-	(893,142)
Adjusted to nonoperating income from 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 on translation of foreign-currency financial statements	-	-	-	-	-	-	-	-	-	(1,677)	-	-	-	(1,677)
Foreign exchange loss on the hedge of a net investment in a foreign operation	-	-	-	-	-	-	-	-	-	(64,595)	-	-	-	(64,595)
Change in unrealized loss on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	(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 on acquisition 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>

(With Deloitte & Touche review report dated July 27, 2010)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income (loss)	\$ 27,601,561	\$ (6,962,535)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	9,875,401	8,312,622
Amortization	139,662	152,598
Deferred income tax	2,537,326	(2,827,142)
Realized gain from affiliates	(15,226)	(15,226)
Provision for loss on inventories, net	136,047	11,422,563
Loss on purchase commitments	325,595	3,182,005
Investment loss recognized under equity method, net	408,856	239,336
Cash dividends received from equity method investees	10,970	29,262
Loss (gain) on disposal of property, plant and equipment, net	18,655	(645,260)
Provision for (reversal of) impairment loss, net	23,316	(1,103,647)
Net loss (gain) on sale of investments and valuation on financial instruments	261,356	(2,155,951)
Others	(277,605)	22,004
Net changes in operating assets and liabilities		
Financial instruments held for trading	754,056	(294,699)
Notes receivable	(316,542)	1,583,506
Accounts receivable	(1,877,406)	1,603,794
Other receivables	(108,050)	515,057
Inventories	(12,615,213)	21,976,949
Other current assets	(2,533,539)	(1,040,397)
Notes payable	206,035	(163,834)
Accounts payable	6,072,125	(2,414,354)
Income tax payable	2,143,979	(1,540,886)
Accrued expenses	2,456,239	(94,173)
Other payables	3,176,994	174,536
Loss on purchase commitments payable	(29,931)	(6,552,401)
Other current liabilities	<u>1,118,296</u>	<u>184,864</u>
Net cash provided by operating activities	<u>39,492,957</u>	<u>23,588,591</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	(16,473,954)	(2,766,012)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	14,282,638	8,733,564
Acquisition of available-for-sale financial assets	(5,839,431)	(4,090,284)
Proceeds from disposal of available-for-sale financial assets	5,477,738	6,822,233
Acquisition of held-to-maturity financial assets	(83,912)	(685,488)

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2010	2009
Proceeds from disposal of held-to-maturity financial assets	\$ 242,995	\$ 437,317
Acquisition of financial assets carried at cost	(287,620)	(53,679)
Proceeds from disposal of financial assets carried at cost	21,219	16,239
Proceeds from capital reduction on financial assets carried at cost	-	445
Acquisition of bond investments with no active market	(122,679)	(1,715)
Proceeds from disposal of bond investments with no active market	99,878	-
Proceeds from disposal of investments accounted for by equity method	13,258	-
Proceeds of capital reduction of investments accounted for by equity method	51,780	130,600
Increase in prepaid long-term stock investments	(8,127)	-
Decrease in other financial assets	1,859,599	1,956,719
Acquisition of property, plant and equipment	(37,530,011)	(31,813,228)
Proceeds from disposal of property, plant and equipment	11,059	1,149,228
Increase in refundable deposits	(122,416)	(55,698)
Increase in restricted deposits	(526,144)	(68,983)
Increase in intangible assets	(16,815)	(122,659)
Increase in other assets	<u>(88,866)</u>	<u>(569,924)</u>
Net cash used in investing activities	<u>(39,039,811)</u>	<u>(20,981,325)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans and overdraft	(15,258,787)	(671,587)
Decrease in commercial paper payable	(8,024,723)	(12,067,347)
Increase in long-term debt	27,249,965	1,350,000
Repayments of long-term debt	(2,653,861)	(4,204,598)
Increase (decrease) in long-term notes payable	(1,397,675)	4,949,197
Repayments of reorganized loans payable	(200,000)	(200,000)
Increase in other liabilities	161,150	21,115
Cash dividends paid by parent company	(24,629)	(6,322)
Disposal of parent company's shares held by subsidiaries	-	296,007
Purchase of parent company's shares by subsidiaries	(384,643)	(324,517)
Discount on acquisition of treasury stock	-	886
Decrease in minority interest	(1,950,686)	(41,809)
Others	<u>(55,800)</u>	<u>(21,765)</u>
Net cash used in financing activities	<u>(2,539,689)</u>	<u>(10,920,740)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,086,543)	(8,313,474)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>22,384,309</u>	<u>20,069,433</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 20,297,766</u>	<u>\$ 11,755,959</u>

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2010 AND 2009

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	2010	2009
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 763,007	\$ 969,888
Capitalized interest	<u>(318,760)</u>	<u>(285,707)</u>
Interest paid (excluding capitalized interest)	<u>\$ 444,247</u>	<u>\$ 684,181</u>
Income tax paid	<u>\$ 675,897</u>	<u>\$ 3,111,668</u>
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	\$ 44,201,666	\$ 30,682,141
Decrease (Increase) in payable for equipment purchased	<u>(6,671,655)</u>	<u>1,131,087</u>
	<u>\$ 37,530,011</u>	<u>\$ 31,813,228</u>
Cash Dividends Paid to Stockholders		
Total cash dividends payable to stockholders	\$ 13,266,411	\$ 16,234,154
Increase in dividends payable	<u>(13,241,782)</u>	<u>(16,227,832)</u>
	<u>\$ 24,629</u>	<u>\$ 6,322</u>
NON - CASH FINANCING ACTIVITIES		
Current portion of long-term liabilities	<u>\$ 10,319,648</u>	<u>\$ 2,227,260</u>

(With Deloitte & Touche review report dated July 27, 2010)

(Concluded)