



PUBLIC
FILE 80

BlueScope Steel Limited
ABN 16 000 011 058
BANZ
Port Kembla
Post Office Box 1854
Wollongong NSW 2500
Telephone 02 4275 3859
Facsimile +02 4275 7810
www.bluescopesteel.com

21 September 2012

Mr John Bracic
Director, Operations 1
International Trade Remedies Branch
Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

Dear Mr Bracic

Public File

Re: HRC Investigation - China Steel Corporation Exporter Visit Report

I refer to the Exporter Visit Report ("Report") for China Steel Corporation ("CSC") recently available on the Public File.

BlueScope Steel Limited ("BlueScope") seeks to provide the following preliminary comments concerning the CSC Report.

CSC

It is noted that CSC's principal shareholder is the Taiwan Ministry of Economic Affairs. CSC is the largest steel company in Taiwan. CSC is a fully integrated steel producer from crude steel to coated steel products.

CSC manufactures HRC according to a range of International Standards (including Japanese International Standards) Standards.

Like Goods

Section 4.3.1 of the Report indicates "CSC exported [CONFIDENTIAL TEXT DELETED] grades of HRC to Australia during the investigation period and sold these grades and an additional [CONFIDENTIAL TEXT DELETED] grades on the domestic market". CSC provided Customs and Border Protection with what is described as "model identification" for domestic and export sales. CSC allocated model numbers to the various grades of HRC by category, grade, width and thickness. This information has been treated as commercially sensitive.

The Report then details the categories for thicknesses and widths. This information has also been treated as commercially sensitive.

BlueScope submits that the grades of HRC manufactured by CSC cannot be considered "commercially sensitive" information. BlueScope has provided Customs and Border Protection with an "extras" Table for CSC that identifies CSC's grades. This information is readily available in the public domain. BlueScope requests Customs and Border Protection to require CSC to detail:

- the grades of HRC sold domestically that are considered like goods;
- the grades of HRC that are exported to Australia; and

- the parameters/range of the specified "thickness" and "width" categories used by CSC.

This CSC information that the exporter describes as "commercially sensitive" cannot be considered so, and should be released to permit a fair and reasonable assessment as to CSC assertions concerning "like goods".

BlueScope notes that at Section 4.3.2 CSC claimed in its exporter questionnaire response that *"there is no difference between goods sold on the domestic market and goods exported to Australia when comparing the same specific model numbers sold in both markets"*. Customs and Border Protection agreed with CSC and stated that *"hot rolled products sold domestically are like goods to those that are exported to Australia by CSC during the investigation period, **when compared by product and specific grade**"* (emphasis added). In its assessment, Customs and Border Protection stated that it would *"focus on the goods that are most alike to the goods exported to Australia that is HRC that is of the same type (ie, HB/PO), grade width and thickness categories"*.

The removal of the grade descriptions, product categories, grade and thickness categories, on the basis of confidentiality is not justified as CSC's grade descriptions are publicly available.

Finance costs

Customs and Border Protection verified CSC's selling, general and administration expenses – See Section 7.5 of Report. Customs and Border Protection indicated that S,G&A expenses included direct and indirect selling costs, administrative and general costs, training costs and financial costs.

BlueScope has examined extracts of CSC's financials for the period to 30 June 2012. CSC's Balance Sheet confirms total liabilities of approx NT\$ 163,000,000,000¹. This is the equivalent of more than A\$5 billion. BlueScope questions whether the "finance" expense brought to account by CSC reflects the liabilities disclosed in CSC's annual statements.

Adjustments

Customs and Border Protection has made adjustments to CSC's normal values to permit fair comparison between normal values and export prices for like goods. BlueScope notes that a "timing adjustment" has been made on the basis of cost differences between quarters where there is an absence of any domestic sales made in the ordinary course of trade for a specific model in one quarter. BlueScope submits that the timing adjustment should have been made on the basis of a price differential for a comparable like model rather than cost. Customs and Border Protection is requested to review the basis for the timing adjustment.

It is also noted by BlueScope that Customs and Border Protection has made "*specification adjustments*" for certain models of HRC "*using a pricing sheet supplied by CSC*". The specification adjustments appear to have all been based upon the price differences as represented in the "extras" sheet supplied by CSC. BlueScope seeks confirmation that all specification adjustments are based on prices sourced from the CSC pricing sheet.

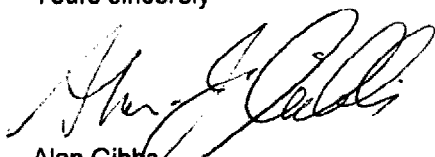
CSC's Normal values

¹ CSC Financial summaries at Attachment 1.

This submission identifies BlueScope's *preliminary* views on the CSC Report. BlueScope is seeking the full disclosure of the HRC models identified by CSC at Section 4.3 of the Report. BlueScope has further raised concerns about the full extent of verified finance charges incurred by CSC, and that the appropriate timing and specification adjustments reflect differences in prices rather than costs for similar models.

If you have any questions concerning the above, please do not hesitate to contact me on (02) 4275 3859.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Alan Gibbs', written over a horizontal line.

Alan Gibbs
Development Manager – International Trade

Financial Statement & Income Statement

Provided by: China Steel Corporation

Financial year: Yearly

Unit: GNT\$ thousand

Accounting Title	30/06/2012		30/06/2011	
	Amount	%	Amount	%
Sales	107,805,233.00	97.41	117,516,246.00	97.82
Sales	107,805,233.00	97.41	117,516,246.00	97.82
Other operating revenue	2,870,187.00	2.59	2,618,070.00	2.18
Operating income	110,675,420.00	100	120,134,316.00	100
Cost of sales	105,932,570.00	95.71	102,284,709.00	85.14
Other operating costs	1,845,300.00	1.67	1,685,400.00	1.4
Operating costs	107,777,870.00	97.38	103,970,109.00	86.54
Gross profit (loss) from operations	2,897,550.00	2.62	16,164,207.00	13.46
Unrealized gains on intercompany transactions	8,146.00	0.01	91,327.00	0.08
Selling expense	1,161,794.00	1.05	1,261,218.00	1.05
General and administrative expenses	1,213,633.00	1.1	1,577,981.00	1.31
Research and development expenses	661,448.00	0.6	715,635.00	0.6
Operating expenses	3,036,875.00	2.74	3,554,834.00	2.96
Operating income (loss)	-147,471.00	-0.13	12,518,046.00	10.42
Non-Operating Income				
Interest income	58,337.00	0.05	40,559.00	0.03
Income from long-term equity investments under the equity method	2,171,434.00	1.96	4,498,411.00	3.74
Investment income	2,171,434.00	1.96	4,498,411.00	3.74
Foreign exchange gains	184,627.00	0.17	307,913.00	0.26
Miscellaneous income	541,697.00	0.49	485,515.00	0.41
Non-operating revenues and gains	2,956,095.00	2.67	5,335,498.00	4.44
Non-Operating Expenses				
Interest expense	609,470.00	0.55	352,764.00	0.29
Miscellaneous disbursements	276,382.00	0.24	197,168.00	0.16
Non-operating expenses and losses	879,852.00	0.79	549,950.00	0.46
Income from continuing operations before income tax	1,928,772.00	1.74	17,303,594.00	14.4
Income tax expense (benefit)	-16,318.00	-0.01	1,959,181.00	1.63
Income from continuing operations	1,945,090.00	1.76	15,344,413.00	12.77
Net income (loss)	1,945,090.00	1.76	15,344,413.00	12.77
Primary earnings per share				
Primary earnings per share	0.13	0	1.08	0
Diluted earnings per share				
Diluted earnings per share	0.13	0	1.07	0

-0.14%

Financial Statement & Balance Sheet

Provided by: China Steel Corporation

Financial year: Yearly

Unit: GNT\$ thousand

Accounting Title	30/06/2012		30/06/2011	
	Amount	%	Amount	%
Assets				
Current Assets				
Cash and cash equivalents	1,412,807.00	0.32	2,169,635.00	0.53
Available-for-sale financial assets - current	2,583,888.00	0.59	2,103,011.00	0.52
Hedging derivative assets - current	68,360.00	0.02	0	0
Notes receivable - net	782,047.00	0.18	810,980.00	0.2
Notes receivable - related parties - net	580,796.00	0.13	613,337.00	0.15
Accounts receivable - net	3,094,132.00	0.71	2,903,749.00	0.71
Accounts receivable - related parties - net	552,660.00	0.13	720,027.00	0.18
Other receivables	3,144,125.00	0.72	3,578,560.00	0.88
Other financial assets - current	3,122,196.00	0.71	2,156,583.00	0.53
Inventories	58,507,295.00	13.36	62,156,567.00	15.29
Other current assets	10,628,781.00	2.43	7,624,761.00	1.88
Current assets	84,477,087.00	19.29	84,837,210.00	20.87
Funds and Investments				
Available-for-sale financial assets - non current	3,242,725.00	0.74	3,323,540.00	0.82
Hedging derivative assets - non current	27,347.00	0.01	0	0
Financial assets carried at cost - non current	7,637,696.00	1.74	9,818,813.00	0.94
Debt investments without active market - non current	3,754,000.00	0.86	3,573,000.00	0.88
Equity investments under equity method	145,009,045.00	33.11	124,223,515.00	30.55
Investments	145,009,045.00	33.11	124,223,515.00	30.55
Other financial assets - non current	173,709.00	0.04	2,464,664.00	0.61
Funds and long-term investments	159,835,522.00	36.49	137,403,532.00	33.8
Fixed Assets				
Cost				
Land	9,225,581.00	2.11	10,979,123.00	2.7
Land improvements	4,222,123.00	0.96	4,223,646.00	1.04
Buildings and structures	52,915,384.00	12.08	44,844,743.00	11.08
Machinery and equipment	308,040,224.00	70.33	277,042,416.00	68.14
Transportation equipment	1,844,853.00	0.42	1,746,495.00	0.43
Other facilities	12,462,406.00	2.85	12,085,132.00	2.97
Revaluation increment	48,785,916.00	11.14	42,563,372.00	10.42
Cost and revaluation increment	437,497,473.00	99.89	393,881,075.00	96.88
Accumulated depreciation	266,537,233.00	60.88	239,721,141.00	59.88
Construction in process and prepayment for equipments	17,439,489.00	3.98	41,659,029.00	10.25
Fixed assets	188,399,726.00	43.84	189,773,463.00	47.15
Intangible Assets				
Intangible assets	162,984.00	0.04	205,216.00	0.05
Other Assets				
Rental assets	4,889,149.00	1.12	3,312,838.00	0.74
Guarantee deposits paid	212,075.00	0.05	215,090.00	0.05
Other assets - other	19,834.00	0	21,606.00	0.01
Other assets	5,121,058.00	1.17	3,349,735.00	0.82
Assets	437,996,376.00	100	408,571,156.00	100
Liabilities and Stockholders' Equity				
Liabilities				
Current Liabilities				
Short-term borrowings	9,518,105.00	2.17	13,145,257.00	3.23
Short-term notes and bills payable	8,697,694.00	1.99	6,397,371.00	1.57
Hedging derivative liabilities - current	8,073.00	0	2,429.00	0
Accounts payable	6,950,843.00	1.59	5,643,379.00	1.39
Accounts payable - related parties	979,328.00	0.22	1,688,377.00	0.42
Income tax payable	998,893.00	0.23	2,820,573.00	0.69
Accrued expenses	8,087,249.00	1.85	11,116,365.00	2.73
Other payables	24,647,664.00	5.63	33,584,210.00	8.26

Long-term liabilities - current portion	19,356,330.00	4.42	5,599,499.00	1.38
Other current liabilities	2,890,311.00	0.66	3,259,790.00	0.8
Current liabilities	82,134,490.00	18.75	83,257,250.00	20.48
Long term Liabilities				
Hedging derivative liabilities - non current	3,088.00	0	11,126.00	0
Bonds payable	37,973,270.00	8.67	29,583,115.00	7.28
Long-term borrowings	18,402,740.00	4.2	24,352,993.00	5.99
Long-term notes and accounts payable	11,995,316.00	2.74	3,748,475.00	0.92
Long-term liabilities	68,374,414.00	15.61	57,695,709.00	14.19
Reserves				
Reserve for land revaluation increment tax	10,011,916.00	2.29	8,673,466.00	2.13
Reserves	10,011,916.00	2.29	8,673,466.00	2.13
Other Liabilities				
Pension reserve / accrued pension liability	51,491.00	0.01	0	0
Deferred income tax liabilities	298,002.00	0.07	542,313.00	0.13
Other liabilities - other	2,027,696.00	0.46	2,053,384.00	0.51
Other liabilities	2,377,189.00	0.54	2,595,697.00	0.64
Liabilities	162,898,009.00	37.19	152,222,122.00	37.44
Stockholders' Equity				
Capital				
Common stock	150,482,093.00	34.35	135,279,009.00	33.27
Preferred stock	382,680.00	0.09	382,680.00	0.09
Capital Surplus				
Capital surplus - additional paid-in capital	31,154,766.00	7.11	15,717,185.00	3.87
Capital surplus - treasury stock transactions	4,637,582.00	1.06	4,028,834.00	0.99
Capital surplus - long-term equity investments	487,053.00	0.11	371,295.00	0.09
Capital surplus - other	8,099.00	0	8,099.00	0
Capital surplus	36,287,500.00	8.28	20,125,417.00	4.95
Retained Earnings				
Legal reserve	54,778,577.00	12.51	52,829,209.00	12.99
Special reserve	7,615,701.00	1.74	7,615,701.00	1.87
Unappropriated retained earnings	4,358,187.00	1	22,240,789.00	5.47
Retained earnings	66,752,465.00	15.24	82,685,699.00	20.34
Stockholders' Equity and Other adjustmen				
Comprehensive transaction adjustments	190,772.00	0.04	398,033.00	0.1
Net loss not recognized as pension cost	-230,770.00	-0.05	-79,210.00	-0.02
Unrealized gains (losses) on financial instruments	3,235,199.00	0.74	2,481,763.00	0.61
Unrealized Revaluation Increment	26,755,768.00	6.11	21,865,924.00	5.38
	9,169,796.00	1.93	8,082,465.00	1.97
Equity adjustments	21,213,629.00	4.84	15,876,229.00	3.9
Stockholders' Equity	275,089,367.00	62.82	254,348,034.00	62.96
Number of treasury stock acquired by the company and subsidiaries (unit: share)	303,278,000.00	69.24	278,842,000.00	68.58
	0	0	0	0

		Total Revenue (million)	Gross Margin Percentage (%)	Operating Margin (%)	Net Income before Tax ratio (%)	Net Income after Tax ratio (%)
2010	1st	53,240	23.04	20.06	24.65	20.78
	2nd	112,508	23.18	20.01	24.39	21.17
	3rd	177,466	20.32	17.26	21.38	18.62
	4th	239,186	17.95	15.07	18.43	15.71
2011	1st	56,506	11.89	9.14	12.94	11.81
	2nd	120,134	13.45	10.42	14.40	12.77
	3rd	182,006	12.08	9.28	12.47	11.02
	4th	240,376	8.98	6.07	8.43	8.10
2012	1st	53,606	-0.01	-2.73	-1.82	-1.32
	2nd	110,675	2.61	-0.13	1.74	1.75
	3rd					
	4th					

Gross Margin Percentage = Gross Profit / Total Revenue

Operating Margin = Operating Income / Total Revenue

Net Income before Tax ratio = Net Income before Tax / Total Revenue

Net Income after Tax ratio = Net Income after Tax / Total Revenue