China Steel Corporation

Standalone Financial Statements for the Years Ended December 31, 2017 and 2016 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

China Steel Corporation

Opinion

We have audited the accompanying standalone financial statements of China Steel Corporation (the Corporation), which comprise the standalone balance sheets as of December 31, 2017 and 2016, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other independent auditors (refer to other matter paragraph below), the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2017 and 2016, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Corporation in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the report of other independent auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Corporation's standalone financial statements for the year ended December 31, 2017 are stated as follows:

<u>Inventory Valuation</u>

As of December 31, 2017, inventories of the Corporation amounted to NT$48,024,231 thousand, representing 10% of the Corporation's total assets. Due to the drastic fluctuations in the prices of raw materials and finished goods in steel industry and inventory valuation involved critical accounting estimates, inventory valuation is deemed to be a key audit matter. Refer to Notes 4 and 10 to the Corporation's financial statements for the related accounting policies and disclosures of inventory valuation.

We focused on inventory valuation and the audit procedures we performed included:

1. We evaluated the appropriateness of the approach applied to the inventory valuation.

2. We verified the completeness of inventory included in inventory valuation.

3. We tested the net realizable value of inventory items on a sample basis, and evaluated the underlying assumptions and supporting documents, re-performed and calculated the appropriateness of net realizable value and the value written-off.

<u>Valuation of Available-For-Sale Financial Assets - Formosa Ha Tinh (Cayman) Limited</u>

As of December 31, 2017, through its subsidiary, China Steel Asia Pacific Holdings Pte Ltd., the Corporation invested in Formosa Ha Tinh (Cayman) Limited the amount of NT$31,471,200 thousand, representing 7% of the Corporation's total assets. Such investment is unlisted investment. The Corporation hired an appraiser who composed the valuation report used as the basis for determining the fair value of the investment. The appraiser adopted income approach, and used as basis the income data of Formosa Ha Tinh Steel Corporation, a wholly - owned subsidiary of Formosa Ha Tinh (Cayman) Limited. The valuation model involved various assumptions and unobservable inputs, including the future profitability, the estimation of future cash flows, revenue growth rate, and rate of return to Formosa Ha Tinh Steel Corporation. As a result, the fair value of the investment in Formosa Ha Tinh (Cayman) Limited is deemed to be a key audit mather. Refer to Note 4 to the Corporation's financial statements for the related accounting policies on valuation of financial assets.

The audit procedures we performed included:

1. We assessed the professional qualifications, competence, objectivity and independence of the appraiser hired by the Corporation.

2. We discussed with the management the scope of work performed by the independent appraiser, reviewed the contract terms and conditions signed by the Corporation and the appraiser, and we identified no concerns over the appraiser's objectivity or any restriction imposed on the scope of the work.

3. We confirmed the valuation method the independent appraiser adopted is complied with IFRSs.

4. We reviewed the reasonableness of financial forecasts the independent appraiser adopted.

We also consulted our internal valuation experts in the assessment of the appropriateness of the appraisal and in verifying the key assumptions and the reasonableness of key inputs, including weighted average cost of capital and discount rate.

Other Matter

Certain investments accounted for using the equity method in the Corporation's financial statements as of December 31, 2016 and for the years ended December 31, 2017 and 2016 were based on financial statements audited by other independent auditors. Such investments accounted for using the equity method amounted to NT$34,874,658 thousand, representing 7% of the Corporation's total assets, as of December 31, 2016, and the share of comprehensive income amounted to loss NT$875,298 thousand and NT$969,122 thousand, representing both 6% of the Corporation's total comprehensive income, for the years ended December 31, 2017 and 2016.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of the Corporation's financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2 Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Corporation to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the Corporation audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Lee-Yuan Kuo and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 28, 2018

Notice to Readers

The accompanying standalone financial statements are intended only to present the standalone financial position, financial performance 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 standalone financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying standalone 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 independent auditors' report and standalone financial statements shall prevail. Also, as stated in Note 4 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

STANDALONE BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2017 Amount	%	December 31, 2016 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,923,910	1	$ 2,477,746	1
Available-for-sale financial assets - current (Notes 4 and 7)	111,603	-	780,716	-
Derivative financial assets for hedging - current (Notes 4 and 8)	44,469	-	32,094	-
Notes receivable (Notes 4 and 9)	681,901	-	472,193	-
Notes receivable - related parties (Notes 4, 9 and 28)	223,073	-	324,457	-
Accounts receivable, net (Notes 4 and 9)	2,246,631	1	1,257,657	-
Accounts receivable - related parties (Notes 4, 9 and 28)	2,526,127	1	1,815,399	-
Other receivables	805,299	-	1,139,592	-
Other receivables - loans to related parties (Note 28)	7,356,950	2	7,211,809	2
Inventories (Notes 4, 5 and 10)	48,024,231	10	42,506,461	9
Other financial assets - current (Notes 4, 13 and 29)	6,869,408	1	6,622,457	2
Other current assets	1,889,815	-	818,410	-
Total current assets	73,703,417	16	65,458,991	14
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 7)	16,418,690	3	15,551,376	3
Derivative financial assets for hedging - noncurrent (Notes 4 and 8)	12,583	-	2,142	-
Debt investments with no active market - noncurrent (Notes 4 and 11)	1,761,421	-	1,837,425	-
Investments accounted for using equity method (Notes 4 and 12)	207,523,641	44	208,545,541	44
Property, plant and equipment (Notes 4, 14 and 28)	162,042,223	34	167,632,162	36
Investment properties (Notes 4 and 15)	7,129,792	2	7,127,220	2
Intangible assets	44,810	-	54,785	-
Deferred tax assets (Notes 4 and 24)	3,371,609	1	2,936,474	1
Refundable deposits (Note 4)	100,092	-	55,688	-
Other financial assets - noncurrent (Notes 4 and 13)	319,234	-	1,073,565	-
Total noncurrent assets	398,724,095	84	404,816,378	86
TOTAL	$ 472,427,512	100	$ 470,275,369	100

LIABILITIES AND EQUITY	December 31, 2017 Amount	%	December 31, 2016 Amount	%
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft (Notes 16, 28 and 29)	$ 10,722,766	2	$ 8,851,509	2
Short-term bills payable (Note 16)	6,296,753	1	-	-
Derivative financial liabilities for hedging - current (Notes 4 and 8)	20,674	-	8,965	-
Accounts payable	4,145,456	1	4,142,060	1
Accounts payable - related parties (Note 28)	1,813,858	-	969,388	-
Other payables (Notes 18 and 28)	16,253,268	3	14,929,164	3
Current tax liabilities (Note 24)	2,103,954	1	1,529,584	-
Provisions - current (Notes 4 and 19)	2,239,559	1	2,404,802	1
Current portion of bonds payable (Note 17)	7,698,974	2	5,199,253	1
Current portion of long-term bank borrowings (Note 16)	9,860,615	2	4,195,825	1
Other current liabilities	3,910,313	1	3,325,849	1
Total current liabilities	65,066,190	14	45,556,399	10
NONCURRENT LIABILITIES				
Derivative financial liabilities for hedging - noncurrent (Notes 4 and 8)	8,112	-	6,904	-
Bonds payable (Note 17)	59,967,190	13	67,657,491	15
Long-term bank borrowings (Note 16)	20,653,020	5	32,950,349	7
Long-term bills payable (Note 16)	5,899,102	1	5,899,355	1
Deferred tax liabilities (Notes 4 and 24)	10,715,281	2	10,799,579	2
Net defined benefit liabilities (Notes 4 and 20)	6,048,974	1	4,785,826	1
Other noncurrent liabilities	59,580	-	59,580	-
Total noncurrent liabilities	103,351,259	22	122,159,084	26
Total liabilities	168,417,449	36	167,715,483	36
EQUITY (Notes 4 and 21)				
Share capital				
Ordinary shares	157,348,610	33	157,348,610	33
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	33	157,731,290	33
Capital surplus	38,211,082	8	37,807,466	8
Retained earnings				
Legal reserve	61,538,216	13	59,934,379	13
Special reserve	27,655,869	6	29,786,846	6
Unappropriated earnings	20,033,060	4	17,196,041	4
Total retained earnings	109,227,145	23	106,917,266	23
Other equity	7,372,935	2	8,680,706	2
Treasury shares	(8,532,389)	(2)	(8,576,842)	(2)
Total equity	304,010,063	64	302,559,886	64
TOTAL	$ 472,427,512	100	$ 470,275,369	100

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

(With Deloitte & Touche audit report dated March 28, 2018)

CHINA STEEL CORPORATION

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 22 and 28)	$ 207,098,630	100	$ 168,927,075	100
OPERATING COSTS (Notes 10 and 28)	187,568,805	90	147,174,784	87
GROSS PROFIT	19,529,825	10	21,752,291	13
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	147,162	-	(384,546)	(1)
REALIZED GROSS PROFIT	19,676,987	10	21,367,745	12
OPERATING EXPENSES				
Selling and marketing expenses	2,836,946	1	2,725,816	2
General and administrative expenses	3,544,812	2	3,716,730	2
Research and development expenses	1,720,185	1	1,844,055	1
Total operating expenses	8,101,943	4	8,286,601	5
PROFIT FROM OPERATIONS	11,575,044	6	13,081,144	7
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 28)	1,383,476	1	1,322,937	1
Other gains and losses (Notes 23 and 28)	268,918	-	(34,229)	-
Finance costs (Notes 23 and 28)	(1,919,054)	(1)	(1,990,052)	(1)
Share of profit of subsidiaries and associates	7,212,280	3	5,653,411	3
Total non-operating income and expenses	6,945,620	3	4,952,067	3
PROFIT BEFORE INCOME TAX	18,520,664	9	18,033,211	10
INCOME TAX EXPENSE (Notes 4 and 24)	1,615,076	1	1,994,842	1
NET PROFIT FOR THE YEAR	16,905,588	8	16,038,369	9
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(1,179,124)	-	(657,109)	-

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CHINA STEEL CORPORATION

STANDALONE STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
Share of the other comprehensive income of subsidiaries and associates	$ (188,829)	-	$ (298,416)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	200,451	-	111,708	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(1,726,614)	(1)	(867,506)	(1)
Unrealized gain and losses on available-for-sale financial assets	895,527	-	2,933,162	2
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(30,552)	-	(69,360)	-
Share of the other comprehensive income of subsidiaries and associates	(451,326)	-	(1,251,789)	(1)
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	5,194	-	11,791	-
Other comprehensive loss for the year, net of income tax	(2,475,273)	(1)	(87,519)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 14,430,315	7	$ 15,950,850	9
EARNINGS PER SHARE (Note 25)				
Basic	$ 1.09		$ 1.04	
Diluted	$ 1.09		$ 1.03	

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

(With Deloitte & Touche audit report dated March 28, 2018) (Concluded)

CHINA STEEL CORPORATION

STANDALONE STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Share Capital			Retained Earnings			Other Equity					
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge	Total Other Equity	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2016	$ 157,348,610	$ 382,680	$ 37,612,027	$ 59,173,907	$ 27,132,983	$ 13,323,848	$ 1,198,796	$ 6,573,348	$ 152,264	$ 7,924,408	$ (8,577,644)	$ 294,320,819
Appropriation of 2015 earnings (Note 21)												
Legal reserve	-	-	-	760,472	-	(760,472)	-	-	-	-	-	-
Special reserve	-	-	-	-	2,654,116	(2,654,116)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.5 per share	-	-	-	-	-	(7,867,430)	-	-	-	-	-	(7,867,430)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(253)	253	-	-	-	-	-	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	16,038,369	-	-	-	-	-	16,038,369
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(843,817)	(1,230,844)	2,077,225	(90,083)	756,298	-	(87,519)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	15,194,552	(1,230,844)	2,077,225	(90,083)	756,298	-	15,950,850
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	159,065	-	-	-	-	-	-	-	-	159,065
Adjustment from changes in equity of subsidiaries and associates	-	-	36,374	-	-	12,981	-	-	-	-	802	50,157
BALANCE AT DECEMBER 31, 2016	157,348,610	382,680	37,807,466	59,934,379	29,786,846	17,196,041	(32,048)	8,650,573	62,181	8,680,706	(8,576,842)	302,559,886
Appropriation of 2016 earnings (Note 21)												
Legal reserve	-	-	-	1,603,837	-	(1,603,837)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(2,130,614)	2,130,614	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.85 per share	-	-	-	-	-	(13,374,632)	-	-	-	-	-	(13,374,632)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(363)	363	-	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	-	16,905,588	-	-	-	-	-	16,905,588
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(1,167,502)	(2,078,545)	964,290	(193,516)	(1,307,771)	-	(2,475,273)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	15,738,086	(2,078,545)	964,290	(193,516)	(1,307,771)	-	14,430,315
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	(19,595)	(19,595)
Disposal of the Corporation's shares held by subsidiaries	-	-	28,066	-	-	-	-	-	-	-	64,048	92,114
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	267,245	-	-	-	-	-	-	-	-	267,245
Adjustment from changes in equity of subsidiaries and associates	-	-	108,305	-	-	-	-	-	-	-	-	108,305
BALANCE AT DECEMBER 31, 2017	$ 157,348,610	$ 382,680	$ 38,211,082	$ 61,538,216	$ 27,655,869	$ 20,033,060	$ (2,110,593)	$ 9,614,863	$ (131,335)	$ 7,372,935	$ (8,532,389)	$ 304,010,063

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

(With Deloitte & Touche audit report dated March 28, 2018)

CHINA STEEL CORPORATION

STANDALONE STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 18,520,664	$ 18,033,211
Adjustments for:		
Depreciation	17,394,877	18,409,717
Amortization	9,975	10,951
Finance costs	1,919,054	1,990,052
Interest income	(146,636)	(124,145)
Dividend income	(335,909)	(350,156)
Share of profit of subsidiaries and associates	(7,212,280)	(5,653,411)
Loss on disposal of property, plant and equipment	9,721	21,862
Gain on disposal of investments	(771,464)	(603,519)
Impairment loss recognized on financial assets	532,792	488,299
Impairment loss recognized on nonfinancial assets	40,311	-
Reversal of loss on inventories	(551,871)	(2,919,280)
Unrealized (realized) gain on the transactions with subsidiaries and associates	(147,162)	384,546
Recognition of provisions	7,190,968	7,252,605
Others	49,800	4,461
Changes in operating assets and liabilities		
Notes receivable	(209,708)	(28,817)
Notes receivable - related parties	101,384	(126,058)
Accounts receivable	(988,974)	(354,531)
Accounts receivable - related parties	(710,728)	(1,128,653)
Other receivables	321,472	(516,076)
Inventories	(4,988,766)	(1,913,314)
Other current assets	(1,071,405)	170,378
Accounts payable	3,396	2,084,866
Accounts payable - related parties	844,470	611,935
Other payables	1,377,976	2,647,544
Provisions	(7,356,211)	(6,547,481)
Other current liabilities	584,464	382,509
Net defined benefit liabilities	84,024	71,415
Other noncurrent liabilities	-	340
Cash generated from operations	24,494,234	32,299,250
Income taxes paid	(1,355,517)	(821,131)
Net cash generated from operating activities	23,138,717	31,478,119
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	-	(193,268)
Proceeds from disposal of available-for-sale financial assets	841,250	649,443
Proceeds from the capital reduction on available-for-sale financial assets	1,284	2,267

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CHINA STEEL CORPORATION

STANDALONE STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Proceeds from the capital reduction on investment accounted for using equity method	$ -	$ 999,968
Acquisition of investments accounted for using equity method	(779,498)	(11,426,350)
Acquisition of property, plant and equipment	(11,701,039)	(10,152,877)
Proceeds from disposal of property, plant and equipment	419	-
Increase in refundable deposits	(44,404)	(11,605)
Increase in other receivables - loans to related parties	(145,141)	(1,321,809)
Decrease (increase) in other financial assets	466,929	(941,687)
Interest received	144,903	124,587
Dividends received from subsidiaries and associates	4,963,105	4,993,852
Other dividends received	350,463	335,602
Net cash used in investing activities	(5,901,729)	(16,941,877)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	17,971,900	15,500,000
Repayments of short-term borrowings	(16,590,000)	(16,725,401)
Increase in share-term bills payable	122,646,753	142,052,986
Decrease in short-term bills payable	(116,350,000)	(154,900,000)
Proceeds from long-term bills payable	-	5,899,355
Repayments of bonds payable	(5,200,000)	(4,650,000)
Proceeds from long-term borrowings	-	14,817,064
Repayments of long-term borrowings	(4,242,113)	(10,139,862)
Dividends paid	(13,428,207)	(7,911,996)
Interest paid	(2,088,514)	(2,129,360)
Net cash used in financing activities	(17,280,181)	(18,187,214)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(43,193)	(3,650,972)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	872,415	4,523,387
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 829,222	$ 872,415
Reconciliation of the amounts in the standalone statements of cash flows with the equivalent items reported in the standalone balance sheets as of December 31, 2017 and 2016:		
Cash and cash equivalents in the standalone balance sheets	$ 2,923,910	$ 2,477,746
Bank overdraft	(2,094,688)	(1,605,331)
Cash and cash equivalents in the standalone statements of cash flows	$ 829,222	$ 872,415

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

(With Deloitte & Touche audit report dated March 28, 2018) (Concluded)

1. GENERAL INFORMATION

China Steel Corporation (the Corporation) was incorporated on December 3, 1971. It manufactures and sells steel products and engages in mechanical, communications, and electrical engineering.

The shares of the Corporation have been listed on the Taiwan Stock Exchange since December 1974. As of December 31, 2017, the Ministry of Economic Affairs (MOEA), Republic of China owned 20.05% of the Corporation's issued ordinary shares.

The standalone financial statements are presented in the Corporation's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the board of directors and authorized for issue on March 28, 2018.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the IFRSs) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Corporation's accounting policies:

1) Amendments to IAS 36 "Impairment of Assets"

The amendments "Disclosures for Non-financial Assets" clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is the fair value less costs of disposal, the Corporation is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using the present value technique. The amendments should be applied retrospectively starting from January 1, 2017.

2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include an emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president of the Corporation, or is the spouse or second immediate family of the chairman of the board of directors or president of the Corporation, are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationships with whom the Corporation has significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Corporation's respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 28 for the related disclosures.

The initial application of above amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Corporation.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The amendment to IFRS 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendments to IAS 28 are retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 "Financial Instruments" and related amendments

Classification, measurement and impairment of financial assets

With regard to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Corporation's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) If they are held within a business model whose objective is to collect contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with any impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

b) If they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gains or losses shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Corporation may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Corporation analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.

b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as at fair value through profit or loss under IFRS 9, because on initial recognition, the contractual cash flows are not solely payments of principal and interest on the principal outstanding.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". A loss allowance is required for financial assets measured at amortized cost, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for accounts receivable that do not constitute a financing transaction.

For originated credit-impaired financial assets, the Corporation takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

The Corporation has performed a preliminary assessment in which it will apply the simplified approach to recognize full-lifetime expected credit losses for accounts receivable, contract assets and lease receivables. In relation to financial guarantee contracts, the Corporation will assess whether there has been a significant increase in credit risk to determine whether to recognize 12-month or full-lifetime expected credit losses.

The Corporation elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets on January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Impact on assets, liabilities and equity			
Financial assets at fair value through other comprehensive income - current	$ -	$ 111,603	$ 111,603
Available-for-sale financial assets - current	111,603	(111,603)	-
Derivative financial assets for hedging - current	44,469	(44,469)	-
Financial assets for hedging - current	-	963,877	963,877
Other financial assets - current	6,869,408	(919,408)	5,950,000
Financial assets at fair value through profit or loss - noncurrent	-	1,556,068	1,556,068
Financial assets at fair value through other comprehensive income - noncurrent	-	16,418,690	16,418,690
Available-for-sale financial assets - noncurrent	16,418,690	(16,418,690)	-
Derivative financial assets for hedging - noncurrent	12,583	(12,583)	-
Financial assets for hedging - noncurrent	-	12,583	12,583
Debt investments with no active market - noncurrent	1,761,421	(1,761,421)	-
Investments accounted for using equity method	207,523,641	686	207,524,327
Deferred tax assets	3,371,609	(217,793)	3,153,816
Total effect on assets	$ 236,113,424	$ (422,460)	$ 235,690,964
Derivative financial liabilities for hedging - current	$ 20,674	$ (20,674)	$ -
Financial liabilities for hedging - current	-	9,881,289	9,881,289
Current portion of long-term bank borrowings	9,860,615	(9,860,615)	-

(Continued)

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Derivative financial liabilities for hedging - noncurrent	$ 8,112	$ (8,112)	$ -
Financial liabilities for hedging - noncurrent	-	20,661,132	20,661,132
Long-term bank borrowings	20,653,020	(20,653,020)	-
Deferred tax liabilities	10,715,281	(407)	10,714,874
Total effect on liabilities	$ 41,257,702	$ (407)	$ 41,257,295
Retained earnings	$ 109,227,145	$ 3,842,218	$ 113,069,363
Exchange differences on translating foreign operations	(2,110,593)	(4,005,260)	(6,115,853)
Unrealized gains and losses on financial assets at fair value through other comprehensive income	-	5,251,741	5,251,741
Unrealized gains and losses on available-for-sale financial assets	9,614,863	(9,614,863)	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(131,335)	131,335	-
Gains and losses on hedging instruments	-	3,972,776	3,972,776
Total effect on equity	$ 116,600,080	$ (422,053)	$ 116,178,027

(Concluded)

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect an entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way the hedging cost of derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item. The assessment of the Corporation's current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of IFRS 9.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, the Corporation recognizes revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;

- Allocate the transaction price to the performance obligations in the contract; and

- Recognize revenue when the Corporation satisfies a performance obligation.

In identifying performance obligations, IFRS 15 and related amendment require that a good or service is distinct if it is capable of being distinct (for example, the Corporation regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each of those goods or services individually rather than to transfer combined items).

For the manufacturing of customer-specific goods, if the customer controls the goods when they are created or enhanced, and the customer would compensate the Corporation to recover the costs incurred plus a reasonable profit margin whenever the contract is terminated by the customer, revenue will be recognized over time under IFRS 15. Currently, the Corporation recognizes revenue when goods are delivered.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Currently, the net effect of the progress billings, cost incurred and recognized profit (loss) of a construction contract is recognized as amounts due from (to) customers for construction contracts under IAS 11.

If the contract with the customer becomes onerous, the Corporation will recognize provisions for onerous contracts. Currently, the expected loss on construction contracts is recognized and adjusted to amounts due from (to) customers for construction contracts under IAS 11.

The Corporation elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018. In addition, the Corporation will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

The anticipated impact on assets, liabilities and equity when retrospectively applying IFRS 15 on January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Effect on assets - contract assets - current	$ -	$ 67,555	$ 67,555
Contract liabilities - current	$ -	$ 2,543,412	$ 2,543,412
Other payables	16,253,268	(1,755,008)	14,498,260
Provisions - current	2,239,559	910,877	3,150,436
Refund liabilities - current	-	1,824,472	1,824,472
Other current liabilities	3,910,313	(3,456,198)	454,115
Contract liabilities - noncurrent	-	59,580	59,580
Other noncurrent liabilities	59,580	(59,580)	-
Total effect on liabilities	$ 22,462,720	$ 67,555	$ 22,530,275

Except for the above impact, as of the date the standalone financial statements were authorized for issue, the Corporation assessed that there would be no material impact of the initial application of other standards and the amendments to interpretations on its financial position and results of operations.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 16 "Leases"	January 1, 2019 (Note 3)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement "	January 1, 2019 (Note 4)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 4: The Corporation shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Corporation is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the standalone balance sheets except for low-value and short-term leases. The Corporation may elect to apply the accounting method similar to the accounting for operating leases under IAS 17 to low-value and short-term leases. On the standalone statements of comprehensive income, the Corporation should present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed by using the effective interest method. On the standalone statements of cash flows, cash payments for the principal portion and interest portion of lease liabilities are classified within financing activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Corporation as lessor and lessee.

When IFRS 16 becomes effective, the Corporation may elect to apply this standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

The Corporation are still assessing the effect of the application of the standard as lessee.

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Corporation should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Corporation concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Corporation should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Corporation should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Corporation has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Corporation shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

As of the date the standalone financial statements were authorized for issue, the Corporation is in the process of assessing the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on their financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

For readers' convenience, the accompanying standalone financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail. However, the accompanying standalone financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

a. Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The standalone financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

The subsidiaries and associates are incorporated in the standalone financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the standalone financial statements equal to those attributed to owners of the Corporation on consolidated financial statements, the effect of the differences between basis of standalone and basis of consolidation are adjusted in the investments accounted for using equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and associates and related equity.

c. Classification of current and noncurrent assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the standalone financial statements are authorized for issue; and

3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as noncurrent.

d. Foreign currencies

In preparing the standalone financial statements of the Corporation, transactions in currencies other than the Corporation's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the closing rates. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are recognized in profit or loss for the period except for exchange difference arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting standalone financial statements, the investments of the Corporation's foreign operations (including subsidiaries and associates operating in other countries or using currencies different from the Corporation's) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the year. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is reassigned to non-controlling interest but not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

Inventories consist of raw materials, supplies, finished goods, work-in-process, etc. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at moving average cost.

f. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity that is controlled by the Corporation. Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing of control over the subsidiary are accounted for as equity transaction. Differences between the carrying amounts of the investment and the fair value of consideration paid or received are directly recognized in equity.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of a subsidiary recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporation's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

Unrealized profits or losses on downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses on transactions with subsidiaries other than downstream are recognized in standalone financial statements only to the extent of interests in the subsidiary that are not related to the Corporation.

g. Investment in associates

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Corporation uses equity method to account for investment in associates. Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the share of equity of associates.

Any excess of the cost of acquisition over the Corporation's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Corporations' share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Corporation subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Corporation's ownership interest is reduced due to non-subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using equity method is insufficient, the shortage is debited to retained earnings.

When the Corporation's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the associate), the Corporation discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

When impairment loss is evaluated, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

When the Corporation ceases to have significant influence over the associate, the Corporation will measure the retained investment at fair value at that date. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Corporation transacts with its associates, profits or losses on these transactions are recognized in the standalone financial statements only to the extent of interests in the associate that are not related to the Corporation.

h. Property, Plant, and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Property, plant, and equipment in the course of construction are carried at cost. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use and depreciated accordingly.

Except that depreciation of the rollers (spare parts) is calculated based on their level of wear, other depreciation is recognized using the straight-line method. Each significant component is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

j. Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Corporation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Corporation estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount with the resulting impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined for the asset or cash-generating unit (net of amortization and depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

   All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

   a) Measurement category

      Financial assets held by the Corporation include available-for-sale financial assets and loans and receivables.

      i Available-for-sale financial assets

        Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

        Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

        Dividends on available-for-sale equity investments are recognized when the Corporation's right to receive the dividends is established.

      ii Loans and receivables

        Loans and receivables (including cash and cash equivalents, notes and accounts receivable, net (including related parties), other receivables (including loans to related parties), debt investments with no active market, refundable deposits and other financial assets) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

        Cash equivalents include time deposits, commercial papers and bonds with repurchase agreements with original maturity within three months from the date of acquisition, high liquidity, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

   b) Impairment of financial assets

      Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets carried at amortized cost, such as accounts receivable, are assessed for impairment on a collective basis even if there is no objective evidence of impairment individually. Objective evidence of impairment for a portfolio of receivables could include the Corporation's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at amortized cost, if, in the subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, higher probability that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account.

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Corporation are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Corporation are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The Corporation derecognizes financial liabilities only when the obligations are discharged, canceled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Corporation enters the derivative financial instruments and foreign exchange forward contracts, to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

l. Hedge Accounting

The Corporation designates certain hedging instruments, which include derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued prospectively when the Corporation revokes the designated hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when the hedging instrument no longer meets the criteria for hedge accounting. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date the hedge accounting is discontinued. The adjustment which is based on a recalculated effective interest rate at the date amortization begins is amortized fully by maturity of the financial instrument.

2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Corporation revokes the designated hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised (the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if it formed part of the Corporation's documented hedging strategy from inception), or when the hedging instrument no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

3) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Treasury Shares

Share of the Corporation held by the subsidiaries are reclassified to treasury shares from investments accounted for using equity method at the acquisition cost.

o. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods are transferred to the customers as follows: domestic sales - when products are move out of the Corporation's premises for delivery to customers; exports - when products are loaded onto vessels. Revenues are recognized because the earning process is accomplished and revenue is realized or realizable.

Revenues are measured at the fair value, which is the discounted present value of the price (net of commercial discounts and quantity discounts) agreed to by the Corporation with customers. But if the related receivable is due within one year, the difference between its present value and undiscounted amount is immaterial, and sales transactions are frequent, the fair value of receivables is equivalent to the nominal amount of cash to be received.

2) Rendering of services

Service revenue is recognized according to the contract and the percentage of completion of the services. If a service contract is estimated to bear a loss prior to completion, the Corporation recognizes the full amount of the loss immediately. However, if the loss is estimated to be smaller in future years, the difference is reversed and recognized as a gain in the year of determination.

p. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than those stated above, all borrowing costs are recognized in profit or loss in the year in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost, as well as gains and losses on settlements) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Corporation's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Corporation can no longer withdraw the offer of the termination benefit and when the Corporation recognizes any related restructuring costs.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Current tax is the amount of tax at statutory rate calculated on the taxable profit at the balance sheet date. According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the standalone financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and unused tax credits for purchases of machinery, equipment and technology, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Corporation is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

4) According to Income Tax Law and related regulations, the Corporation files a consolidated tax return with its 100% owned subsidiary. The appropriation of the income tax relating to the subsidiary is recognized as other receivables or other payables.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate shall be recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

a. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Corporation uses judgment and estimate to determine the net realizable value of inventory at the end of the reporting period. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

b. Fair value of emerging market shares and unlisted equity securities and assets impairment

As described in Note 27, the Corporation applied valuation techniques commonly used by market practitioners to evaluate fair value of the financial instruments that do not have listed market price in an active market. The measurement for the fair value of emerging market shares and equity securities includes assumptions not based on observable market prices or interest rates; therefore, unlisted fair value may change significantly.

When there is objective evidence of impairment loss on available-for-sale financial assets and the carrying amount may not be recoverable, the Corporation takes into consideration the estimation of future cash flows, the market conditions and industry development to evaluate the impairment loss.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 18,698	$ 20,705
Checking accounts and demand deposits	1,613,494	952,867
Cash equivalents		
Time deposits with original maturities less than three months	-	100,000
Commercial papers with repurchase agreements	914,418	1,299,174
Bonds with repurchase agreements	377,300	105,000
	$ 2,923,910	$ 2,477,746

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	**2016**
Current		
Domestic investments		
Listed shares	$ 111,603	$ 780,716
Noncurrent		
Domestic investments		
Listed shares	$ 8,886,307	$ 6,835,483
Emerging market shares and unlisted shares	821,594	1,287,029
	9,707,901	8,122,512
Foreign investments		
Listed shares	2,112,543	2,434,099
Unlisted shares	4,598,246	4,994,765
	6,710,789	7,428,864
	$ 16,418,690	$ 15,551,376

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2017	**2016**
Derivative financial assets for hedging - current		
Foreign exchange forward contracts	$ 44,469	$ 32,094
Derivative financial assets for hedging - noncurrent		
Foreign exchange forward contracts	$ 12,583	$ 2,142
Derivative financial liabilities for hedging - current		
Foreign exchange forward contracts	$ 20,674	$ 8,965
Derivative financial liabilities for hedging - noncurrent		
Foreign exchange forward contracts	$ 8,112	$ 6,904

The Corporation entered into foreign exchange forward contracts to manage cash flow risk arising from exchange rate fluctuations on foreign-currency capital expenditures and sales contracts. The outstanding foreign exchange forward contracts of the Corporation at the balance sheet date were as follows:

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
December 31, 2017			
Buy	NTD/USD	2018.03-2020.04	NTD405,923/USD12,959
Buy	NTD/EUR	2018.01-2021.12	NTD1,977,488/EUR56,877
Buy	NTD/JPY	2018.12	NTD12,797/JPY47,432
December 31, 2016			
Buy	NTD/USD	2017.05-2020.02	NTD1,258,412/USD40,201
Buy	NTD/EUR	2017.01-2018.10	NTD598,719/EUR17,485

Movements of derivative financial instruments for hedging were as follows:

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ 18,367	$ 88,816
Recognized in other comprehensive income	(19,756)	(71,295)
Transferred to construction in progress and equipment to be inspected	33,151	(1,346)
Transferred to construction contract	(3,496)	(266)
Transferred to operating revenues	-	3,267
Recognized in other gains and losses	-	(809)
Balance, end of year	$ 28,266	$ 18,367

9. NOTES AND ACCOUNTS RECEIVABLE, NET (INCLUDING RELATED PARTIES)

	December 31	
	2017	2016
Notes receivable - operating	$ 904,974	$ 796,650
Notes receivable - non-operating	-	-
	904,974	796,650
Less: Allowance for doubtful accounts	-	-
	$ 904,974	$ 796,650
Accounts receivable	$ 4,772,758	$ 3,073,056
Less: Allowance for doubtful accounts	-	-
	$ 4,772,758	$ 3,073,056

The allowance for doubtful accounts was recognized based on estimated irrecoverable amounts determined by reference to the account aging analysis, past default experience of the customers and analysis of customers' current financial position. In determining the recoverability of notes and accounts receivable, the corporation considered any change in the credit quality of the notes and accounts receivable since the date credit was initially granted to the end of the reporting period. If not collected after demanding, the past due notes and accounts receivable would be fully recognized with allowance for doubtful accounts.

The Corporation had not recognized an allowance for some notes receivable and accounts receivable that are past due at the balance sheet date because there had not been a significant change in credit quality and the amounts were still considered recoverable. The Corporation did not hold any collateral or other credit enhancement for these balances.

The aging analysis of notes and accounts receivable was as follows (the past due notes and accounts receivable were unimpaired):

	December 31	
	2017	**2016**
Not past due	$ 5,535,818	$ 3,861,574
1-30 days	141,914	8,117
31-60 days	-	3
61-365 days	-	12
	$ 5,677,732	$ 3,869,706

Above aging analysis of notes and accounts receivable was based on the past due days from end of credit term.

The Corporation entered into accounts receivable factoring agreements (without recourse) with Mega Bank, Bank of Taiwan, Taishin Bank and Chinatrust Commercial Bank (CTBC Bank). Under the agreements, the Corporation is empowered to sell accounts receivable to the banks upon the delivery of products to customers and is required to complete related formalities at the next banking day.

The related information for the Corporation's sale of accounts receivable was as follows. Advances received at year-end denominated in US Dollars were converted to NT Dollars at the closing rate.

Counterparty	**Advances Received at Year - Beginning**	**Receivables Sold**	**Amounts Collected by Bank**	**Advances Received at Year - End**	**Annual Interest Rate on Advances Received (%)**	**Credit Line**
For the Year Ended December 31, 2017						
Mega Bank	$ 3,407,655	$ 10,454,377	$ 9,915,395	$ 3,946,637	1.02-1.68	NT$9 billion
Bank of Taiwan	1,305,411	4,022,227	3,853,764	1,473,874	1.02-1.68	NT$3 billion
Bank of Taiwan	658,609	5,912,848	5,921,942	649,515	1.84-2.49	USD130,000 thousand
Taishin Bank	1,944,923	7,724,850	8,043,560	1,626,213	1.59-2.00	USD123,000 thousand
CTBC Bank	552,811	2,567,555	2,443,121	677,245	1.59-2.02	USD40,000 thousand
	$ 7,869,409	$ 30,681,857	$ 30,177,782	$ 8,373,484		
For the Year Ended December 31, 2016						
Mega Bank	$ 2,742,114	$ 8,983,818	$ 8,318,277	$ 3,407,655	1.04-1.68	NT$9 billion
Bank of Taiwan	1,256,796	3,385,315	3,336,700	1,305,411	1.04-1.68	NT$3 billion
Bank of Taiwan	785,395	3,546,130	3,672,916	658,609	1.64-2.61	USD130,000 thousand
Taishin Bank	1,178,084	5,675,101	4,908,262	1,944,923	1.29-1.99	USD110,000 thousand
CTBC Bank	118,633	1,364,966	930,788	552,811	1.29-1.59	USD30,000 thousand
	$ 6,081,022	$ 22,955,330	$ 21,166,943	$ 7,869,409		

10. INVENTORIES

	December 31	
	2017	2016
Finished goods	$ 12,097,386	$ 8,771,483
Work in progress	16,280,300	15,474,003
Raw materials	8,914,391	8,971,344
Supplies	3,636,407	3,378,187
Raw materials and supplies in transit	6,981,833	5,791,353
By-products	113,914	120,091
	$ 48,024,231	$ 42,506,461

The cost of inventories recognized as operating costs for the years ended December 31, 2017 and 2016 was NT$181,850,825 thousand and NT$143,177,939 thousand, respectively, including reversal of loss on inventories NT$551,871 thousand and NT$2,919,280 thousand, respectively.

11. DEBT INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	December 31	
	2017	2016
Unlisted preference shares - overseas		
East Asia United Steel Corporation (EAUS) - Preference A	$ 1,761,421	$ 1,837,425

In July 2003, the Corporation and Sumitomo Metal Industries, Ltd. (renamed as Nippon Steel & Sumitomo Metal Corp. in October 2012) and Sumitomo Corporation established the joint venture company EAUS in Japan. The Corporation invested JPY10 billion in EAUS to acquire 10,000 shares of preference A. The Corporation also signed a long-term purchase agreement with EAUS and promised to purchase certain amount of slabs annually. In 2015, the Corporation sold 3,333 shares of preference A of EAUS to Nippon Steel & Sumitomo Metal Corp.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2017	2016
Investments in subsidiaries	$ 204,006,310	$ 205,297,618
Investments in associates	3,517,331	3,247,923
	$ 207,523,641	$ 208,545,541

a. Investments in subsidiaries

	December 31			
	2017		2016	
	Amount	% of Owner - ship	Amount	% of Owner - ship
Listed companies				
Chung Hung Steel Corporation Ltd. (CHSC)	$ 4,886,391	41	$ 3,874,362	41
China Steel Chemical Corporation (CSCC)	1,955,790	29	1,950,504	29

(Continued)

	December 31			
	2017		2016	
	Amount	% of Owner - ship	Amount	% of Owner - ship
China Steel Structure Co., Ltd. (CSSC)	$ 1,358,447	33	$ 1,326,140	33
China Ecotek Corporation (CEC)	1,201,380	45	1,246,732	45
CHC Resources Corporation (CHC)	776,888	20	760,007	20
	10,178,896		9,157,745	
Less: Shares held by subsidiaries accounted for as treasury shares	2,036,818		2,043,880	
	8,142,078		7,113,865	
Unlisted companies				
Dragon Steel Corporation (DSC)	101,500,932	100	99,354,903	100
China Steel Asia Pacific Holdings Pte Ltd. (CSAPH)	36,127,072	100	39,218,733	100
CSC Steel Australia Holdings Pty Ltd. (CSCAU)	15,753,650	100	16,566,147	100
China Steel Express Corporation (CSE)	11,129,193	100	11,812,497	100
C. S. Aluminium Corporation (CSAC)	8,696,161	100	8,943,205	100
Gains Investment Corporation (GIC)	7,040,641	100	6,693,670	100
China Steel Sumikin Vietnam Joint Stock Company (CSVC)	6,896,002	56	7,438,362	56
China Prosperity Development Corporation (CPDC)	3,695,653	100	3,688,033	100
China Steel Corporation India Pvt. Ltd. (CSCI)	2,228,405	100	2,217,610	100
China Steel Global Trading Corporation (CSGT)	2,111,723	100	1,890,621	100
Kaohsiung Rapid Transit Corporation (KRTC)	1,312,936	43	1,292,762	43
China Steel Resources Corporation (CSRC)	994,103	100	990,395	100
China Steel Machinery Corporation (CSMC)	956,927	74	948,625	74
CSC Precision Metal Industrial Corporation (CSCPM)	842,328	100	860,415	100
InfoChamp Systems Corporation (ICSC)	756,401	100	740,772	100
White Biotech Corporation (WBC)	722,626	87	793,307	87
CSC Solar Corporation (CSCSC)	657,994	55	329,316	55
China Steel Security Corporation (CSS)	529,945	100	526,323	100
Himag Magnetic Corporation (HMC)	390,505	69	394,815	69
China Steel Management Consulting Corporation (CSMCC)	16,606	100	16,204	100
	202,359,803		204,716,715	
Less: Shares held by subsidiaries accounted for as treasury shares	6,495,571		6,532,962	
	195,864,232		198,183,753	
	$ 204,006,310		$ 205,297,618	

(Concluded)

In January 2016, the Corporation invested in CSAPH amounting to NT$11,063,857 thousand (USD329,135 thousand), and CSAPH invested all of the capital injection in Formosa Ha Tinh (Cayman) Limited. In addition, the Corporation invested in CSAPH amounting to NT$32,493 thousand (USD1,000 thousand) in May 2016 and CSAPH invested all of the capital injection in HC&C Auto Parts Co., Ltd. and acquired 10% of the shareholding. In July 2017, the subsidiary CSAPH did not participate in cash capital increase of Formosa Ha Tinh (Cayman) Limited and decreased its shareholding. Since the Corporation and its subsidiary CSAPH have no right to participate in the financial and operating policy decisions of Formosa Ha Tinh (Cayman) Limited, they have no significant influence over Formosa Ha Tinh (Cayman) Limited and the investment was reclassified to available-for-sale financial assets.

The subsidiary CSGT engaged in the capital reduction dated September 1, 2016. The total reduction amounted to NT$999,968 thousand where the total shareholding remained unchanged.

In September 2016, the Corporation invested NT$330,000 thousand to start a joint venture with its subsidiaries to establish CSCSC and acquired 55% of the shareholding. The main business of the company is solar power generation. In December 2017, the Corporation increased investment in CSCSC by NT$330,000 thousand and acquired 330,000 thousand common shares where the total shareholding remains unchanged.

In June 2017, the subsidiary WBC's board of directors resolved to change WBC's operating strategy. The Corporation thus recognized an impairment loss of NT$40,311 thousand after an assessment.

Fair values (Level 1) of the listed companies accounted for using equity method with available published price quotation are summarized as follows:

	December 31	
	2017	**2016**
CSCC	$ 8,770,366	$ 8,185,675
CHSC	$ 7,225,147	$ 5,547,048
CHC	$ 2,643,715	$ 2,370,382
CEC	$ 2,365,287	$ 2,542,545
CSSC	$ 1,306,486	$ 1,419,515

The above market prices are calculated on the basis of the closing price at the end of the reporting period.

b. Investments in associates

	December 31			
	2017		**2016**	
	Amount	**% of Owner - ship**	**Amount**	**% of Owner - ship**
Taiwan Rolling Stock Co., Ltd. (TRSCL)	$ 1,194,880	48	$ 699,342	36
Honley Auto. Parts Co., Ltd. (HAPC)	655,653	38	722,718	38
Kaohsiung Arena Development Corporation (KADC)	500,091	18	492,320	18
Eminent II Venture Capital Corporation (EVCC Ⅱ)	435,370	46	644,183	46
Hsin Hsin Cement Enterprise Corp. (HHCEC)	361,293	31	363,905	31
Dyna Rechi Co., Ltd. (DRC)	305,297	25	309,402	25
Overseas Investment & Development Corp. (OIDC)	50,326	6	-	-
TaiAn Technologies Corporation (TTC)	14,421	17	16,053	17
	$ 3,517,331		$ 3,247,923	

In July 2017, the Corporation increased its investment in TRSCL by NT$449,498 thousand, and increased the total shareholding from 36% to 48%.

In August 2017, the subsidiaries CSMC and Union Steel Development Corp. increased investments in OIDC where the Corporation's total equity in OIDC increases to 21%, including 6% directly owned and 15% indirectly owned through CSMC and Union Steel Development Corp. As a result, the investment was reclassified from available-for-sale financial assets to investments accounted for using equity method.

The Corporation's total equity in KADC is 29%, including 18% directly owned and 11% indirectly owned through United Steel Construction Corporation and CPDC. The Corporation's total equity in TTC is 22%, including 17% directly owned and 5% indirectly owned through CSCC.

The above associates are not individually material. The related summarized information was as follows:

	For the Year Ended December 31	
	2017	2016
The Corporation's share of		
Net profit (loss) for the year	$ (28,919)	$ 31,752
Other comprehensive income	(229,723)	(212,670)
Total comprehensive income	$ (258,642)	$ (180,918)

The above investments accounted for using equity method and the Corporation's share of profit and other comprehensive income were based on the audited financial statements of the subsidiaries and associates for the same reporting period.

13. OTHER FINANCIAL ASSETS

	December 31	
	2017	2016
Current		
Pledged time deposits (Note 29)	$ 5,850,000	$ 5,650,000
Hedging foreign-currency deposits	919,408	872,457
Time deposits with original maturities more than three months	100,000	100,000
	$ 6,869,408	$ 6,622,457
Noncurrent		
Deposits for projects	$ 319,234	$ 1,073,565

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation purchased foreign-currency deposits and entered into foreign exchange forward contracts. As of December 31, 2017 and 2016, the balance of the foreign-currency deposits, which were designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT$919,408 thousand (USD16,310 thousand, EUR10,793 thousand and JPY189,728 thousand) and NT$872,457 thousand (USD21,382 thousand and EUR5,395 thousand). As of December 31, 2017 and 2016 cash outflows would be expected from aforementioned contracts for the period through 2018 and through 2017, respectively.

Movements of hedging foreign-currency deposits were as follows:

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ 872,457	$ 854,939
Increase	87,402	16,429
Recognized in other comprehensive income	(36,814)	12,917

(Continued)

	For the Year Ended December 31	
	2017	2016
Transferred to construction in progress and equipment to be inspected	$ (4,434)	$ (11,828)
Transferred to construction contract	797	-
Balance, end of year	$ 919,408	$ 872,457

(Concluded)

14. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2017

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost									
Balance at January 1, 2017	$ 49,110,712	$ 4,716,932	$ 65,814,949	$ 355,016,570	$ 2,086,543	$ 6,260,801	$ 6,790,392	$ 12,706,157	$ 502,503,056
Additions	3,153,296	-	422,099	3,973,872	150,943	461,970	578,753	3,076,717	11,817,650
Disposals	-	-	(3,136)	(2,219,831)	(98,805)	(146,342)	(1,044,048)	-	(3,512,162)
Reclassification	100	-	(26,732)	(447)	-	447	-	-	(26,632)
Balance at December 31, 2017	$ 52,264,108	$ 4,716,932	$ 66,207,180	$ 356,770,164	$ 2,138,681	$ 6,576,876	$ 6,325,097	$ 15,782,874	$ 510,781,912
Accumulated depreciation									
Balance at January 1, 2017	$ -	$ 4,449,953	$ 33,730,800	$ 286,889,119	$ 1,673,159	$ 5,222,191	$ 2,905,672	$ -	$ 334,870,894
Depreciation	-	47,639	2,184,308	13,786,131	125,484	434,405	795,031	-	17,372,998
Disposals	-	-	(1,794)	(2,213,626)	(98,575)	(143,979)	(1,044,048)	-	(3,502,022)
Reclassification	-	-	(2,181)	(168)	-	168	-	-	(2,181)
Balance at December 31, 2017	$ -	$ 4,497,592	$ 35,911,133	$ 298,461,456	$ 1,700,068	$ 5,512,785	$ 2,656,655	$ -	$ 348,739,689
Carrying amount at December 31, 2017	$ 52,264,108	$ 219,340	$ 30,296,047	$ 58,308,708	$ 438,613	$ 1,064,091	$ 3,668,442	$ 15,782,874	$ 162,042,223

For the Year Ended December 31, 2016

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost									
Balance at January 1, 2016	$ 49,111,359	$ 4,716,932	$ 64,823,135	$ 348,695,797	$ 2,046,986	$ 6,109,547	$ 6,947,485	$ 11,642,383	$ 494,093,624
Additions	-	-	976,624	7,508,081	57,582	265,103	735,999	1,063,774	10,607,163
Disposals	-	-	-	(1,176,126)	(27,103)	(115,953)	(893,092)	-	(2,212,274)
Reclassification	(647)	-	15,190	(11,182)	9,078	2,104	-	-	14,543
Balance at December 31, 2016	$ 49,110,712	$ 4,716,932	$ 65,814,949	$ 355,016,570	$ 2,086,543	$ 6,260,801	$ 6,790,392	$ 12,706,157	$ 502,503,056
Accumulated depreciation									
Balance at January 1, 2016	$ -	$ 4,392,692	$ 31,603,730	$ 273,271,321	$ 1,572,336	$ 4,913,918	$ 2,918,866	$ -	$ 318,672,863
Depreciation	-	57,261	2,126,512	14,773,946	127,776	422,492	879,898	-	18,387,885
Disposals	-	-	-	(1,156,148)	(26,953)	(114,219)	(893,092)	-	(2,190,412)
Reclassification	-	-	558	-	-	-	-	-	558
Balance at December 31, 2016	$ -	$ 4,449,953	$ 33,730,800	$ 286,889,119	$ 1,673,159	$ 5,222,191	$ 2,905,672	$ -	$ 334,870,894
Carrying amount at December 31, 2016	$ 49,110,712	$ 266,979	$ 32,084,149	$ 68,127,451	$ 413,384	$ 1,038,610	$ 3,884,720	$ 12,706,157	$ 167,632,162

The following items of property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Land improvements	
Drainage system	40 years
Wharf	20-40 years
Wall	20-40 years
Disposal site	7 years

(Continued)

Buildings	
Main structure	2-60 years
Facility	8-40 years
Mechanical and electrical facilities	10-15 years
Trellis and corrugated iron building	3-20 years
Road	7-8 years
Machinery and equipment	
Power equipment	2-25 years
Process equipment	8-18 years
Lifting equipment	8-12 years
Electrical equipment	3-16 years
High-temperature equipment	3-17 years
Examination equipment	3-10 years
Transportation equipment	
Railway equipment	5-20 years
Telecommunication equipment	5-6 years
Transportation equipment	3-10 years
Other equipment	
Office and extinguishment equipment	5-10 years
Computer equipment	3-10 years
Air condition equipment	5-8 years

(Concluded)

15. INVESTMENT PROPERTIES

For the Year Ended December 31, 2017

	Land	Buildings	Total
Cost			
Balance at January 1, 2017	$ 6,130,871	$ 1,213,799	$ 7,344,670
Transferred from property, plant and equipment	-	26,732	26,732
Transferred to property, plant and equipment	(100)	-	(100)
Balance at December 31, 2017	$ 6,130,771	$ 1,240,531	$ 7,371,302
Accumulated depreciation			
Balance at January 1, 2017	$ -	$ 217,450	$ 217,450
Depreciation	-	21,879	21,879
Transferred from property, plant and equipment	-	2,181	2,181
Balance at December 31, 2017	$ -	$ 241,510	$ 241,510
Carrying amount at December 31, 2017	$ 6,130,771	$ 999,021	$ 7,129,792

For the Year Ended December 31, 2016

	Land	Buildings	Total
Cost			
Balance at January 1, 2016	$ 6,130,224	$ 1,228,989	$ 7,359,213
Transferred from property, plant and equipment	647	15,461	16,108
Transferred to property, plant and equipment	-	(30,651)	(30,651)
Balance at December 31, 2016	$ 6,130,871	$ 1,213,799	$ 7,344,670
Accumulated depreciation			
Balance at January 1, 2016	$ -	$ 196,176	$ 196,176
Depreciation	-	21,832	21,832
Transferred from property, plant and equipment	-	706	706
Transferred to property, plant and equipment	-	(1,264)	(1,264)
Balance at December 31, 2016	$ -	$ 217,450	$ 217,450
Carrying amount at December 31, 2016	$ 6,130,871	$ 996,349	$ 7,127,220

The following items of investment properties are depreciated on a straight-line basis over the following useful lives:

Buildings	
Main structure	10-60 years

The Corporation participated in "Qianzhen Residential Building Project" conducted by the subsidiary CPDC and signed the land sales agreements with its employees. According to the agreements, payment for the land received from employees were deposited in the Bank of Taiwan and recognized as other financial assets - noncurrent while other noncurrent liabilities were recognized, simultaneously.

The fair value of the investment properties was arrived at on the basis of valuation carried out in January 2013, September 2013, December 2014, April 2015, December 2015, March 2017 and July 2017 by independent appraisers, who are not related parties. Lands were valued under market approach, income approach and land developing analysis approach. Buildings were evaluated using Level 3 inputs under market approach, cost approach and income approach. In December 2016, due to the significant change in the present value assessed for several pieces of land, the Corporation, based on the actual land sale prices in the vicinity, reappraised the land value. The important assumptions and fair value were as follows:

	December 31	
	2017	**2016**
Fair value	$ 24,625,526	$ 24,547,890
Depreciation rate (%)	1.90-2.71	1.90-3.60
Discount rate (%)	0.99-2.56	0.99-2.56

All of the Corporation's investment properties were held under freehold interests.

16. BORROWINGS

a. Short-term borrowings and bank overdraft

	December 31	
	2017	2016
Unsecured loans - interest at 0.42%-0.45% p.a. and 0.35%-0.55% p.a. as of December 31, 2017 and 2016, respectively	$ 7,490,000	$ 5,700,000
Bank overdraft (Note 29) - interest at 0.14%-0.27% p.a. and 0.14%-0.36% p.a. as of December 31, 2017 and 2016, respectively	2,094,688	1,605,331
Export bill loans - interest at 0.37%-6.45% p.a. as of December 31, 2017	780,207	-
Loans from related parties (Note 28) - interest at 0.50%-0.51% p.a. and 0.49%-0.50% p.a. as of December 31, 2017 and 2016, respectively	350,000	1,540,000
Letters of credit - interest at 0% p.a. as of December 31, 2017 and 2016	7,871	6,178
	$ 10,722,766	$ 8,851,509

b. Short-term bills payable - As of December 31, 2017

	Amount
Commercial paper - interest at 0.39%-0.43% p.a.	$ 6,300,000
Less: Unamortized discounts	3,247
	$ 6,296,753

The above commercial paper was unsecured.

c. Long-term bills payable

	December 31	
	2017	2016
Commercial paper - interest at 0.52%-0.72% p.a. and 0.41%-0.72% p.a. as of December 31, 2017 and 2016, respectively	$ 5,900,000	$ 5,900,000
Less: Unamortized discounts	898	645
	$ 5,899,102	$ 5,899,355

The Corporation entered into unsecure commercial paper contracts with Cathay United Bank, CTBC Bank and Taishin Bank in February 2016, March 2016 and May 2016, respectively. The duration of the contracts is four years. In the fourth year, the contracts can only be issued after negotiating between the counterparties. During the cycle of issuance, the Corporation only has to pay service fees and interests. Therefore, the Corporation recorded those commercial papers issued as long-term bills payable.

d. Long-term borrowings

	December 31 2017	December 31 2016
Unsecured loans		
Due on various dates through April 2021, interest at 0.28%-2.57% p.a. and 0.31%-2.81% p.a. as of December 31, 2017 and 2016, respectively	$ 11,181,049	$ 16,201,252
Syndicated bank loans		
Banks of Taiwan and other banks		
Repayable in several installments from February 2020, USD 500,000 thousand with interest at 2.94% p.a. and 2.42% p.a. as of December 31, 2017 and 2016, respectively	14,880,000	16,125,000
Mizuho Bank and other banks		
Repayable in August 2018, USD 150,000 thousand with interest at 2.50%-2.57% p.a. and 1.97%-1.99% p.a. as of December 31, 2017 and 2016, respectively	4,464,000	4,837,500
	30,525,049	37,163,752
Less: Syndicated loan fee	11,414	17,578
Current portion	9,860,615	4,195,825
	$ 20,653,020	$ 32,950,349

In July and August 2015, the Corporation entered into syndicated credit facility agreements with Mizuho Bank along with 7 other banks and Bank of Taiwan along with 14 other banks for USD150,000 thousand and USD500,000 thousand unsecured non-revolving credit lines, respectively. Under the agreements, the Corporation should meet some financial ratios and criteria which were based on reviewed consolidated financial statements for the six months ended June 30 and audited annual consolidated financial statements. If the Corporation breaches the financial ratios or the agreements, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare the Corporation’s outstanding principal and interest to maturity as due, and request the Corporation to settle immediately. The above syndicated bank loans were obtained by the Corporation to hedge the exchange rate fluctuations on equity investments in CSAPH. The Corporation was in compliance with the syndicated credit facility agreements based on its consolidated financial statements for the years ended December 31, 2017 and 2016.

The amount of USD933,548 thousand and JPY10.38 billion (NT$30,525,049 thousand), which is included in the above bank loans and syndicated bank loans as of December 31, 2017 and the amount of USD933,548 thousand, JPY10.38 billion and AUD180,194 thousand (NT$37,163,752 thousand), which is included in the above bank loans as of December 31, 2016 were used to hedge the exchange rate fluctuations on equity investments in EAUS, CSAPH, CSVC, CSCAU, and on the available-for-sale financial assets, including Maruichi Steel Tube Ltd. and Yodogawa Steel Works, Ltd.

17. BONDS PAYABLE

	December 31 2017	December 31 2016
7-year unsecured bonds - issued at par in:		
October 2011; repayable in October 2017 and October 2018; interest at 1.57% p.a., payable annually	$ 5,200,000	$ 10,400,000
August 2012; repayable in August 2018 and August 2019; interest at 1.37% p.a., payable annually	5,000,000	5,000,000

(Continued)

	December 31	
	2017	2016
July 2013; repayable in July 2019 and July 2020; interest at 1.44% p.a., payable annually	$ 6,300,000	$ 6,300,000
January 2014; repayable in January 2020 and January 2021; interest at 1.75% p.a., payable annually	6,900,000	6,900,000
10-year unsecured bonds - issued at par in:		
August 2012; repayable in August 2021 and August 2022; interest at 1.50% p.a., payable annually	15,000,000	15,000,000
July 2013; repayable in July 2022 and July 2023; interest at 1.60% p.a., payable annually	9,700,000	9,700,000
January 2014; repayable in January 2023 and January 2024; interest at 1.95% p.a., payable annually	7,000,000	7,000,000
15-year unsecured bonds - issued at par in:		
July 2013; repayable 30% in July 2026 and July 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	3,600,000	3,600,000
January 2014; repayable 30% in January 2027 and January 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	9,000,000	9,000,000
	67,700,000	72,900,000
Less: Issuance cost of bonds payable	33,836	43,256
Current portion	7,698,974	5,199,253
	$ 59,967,190	$ 67,657,491

(Concluded)

18. OTHER PAYABLES

	December 31	
	2017	2016
Salaries and incentive bonus	$ 3,982,131	$ 4,320,325
Purchase of equipment	3,013,928	3,047,339
Sales returns and discounts	1,755,008	1,327,779
Employee compensation and remuneration of directors	1,236,147	1,345,116
Consignment payable	939,626	1,014,575
Interest payable	804,809	824,247
Outsourced repair and construction	784,534	523,851
Others	3,737,085	2,525,932
	$ 16,253,268	$ 14,929,164

19. PROVISIONS - CURRENT

	December 31	
	2017	2016
Onerous contracts (a)	$ 2,210,635	$ 2,404,802
Sales discounts (b)	28,469	-
Construction warranties (c)	455	-
	$ 2,239,559	$ 2,404,802

	Onerous Contracts	Sales Discounts	Construction Warranties	Total
Balance at January 1, 2017	$ 2,404,802	$ -	$ -	$ 2,404,802
Recognized	6,222,607	967,906	455	7,190,968
Paid	(6,416,774)	(939,437)	-	(7,356,211)
Balance at December 31, 2017	$ 2,210,635	$ 28,469	$ 455	$ 2,239,559
Balance at January 1, 2016	$ 1,699,678	$ -	$ -	$ 1,699,678
Recognized	6,552,255	700,350	-	7,252,605
Paid	(5,847,131)	(700,350)	-	(6,547,481)
Balance at December 31, 2016	$ 2,404,802	$ -	$ -	$ 2,404,802

a. The provision for onerous contracts represents the present value of the future payments that the Corporation was presently obligated to make under non-cancellable onerous purchase contracts, less revenue expected to be earned on the contracts.

b. The provision for sales discounts, recognized as a reduction of operating revenues, represents the annual rewards estimated on the basis of historical experience, management's judgments and other known reasons.

c. The provision for construction warranties represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Corporation's obligations for warranties. The estimate had been made on the basis of historical warranty trends.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Based on the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Corporation adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation makes contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Corporation has no right to influence the investment policy and strategy. Starting from August 1999, the Corporation has also made contributions, equal to a certain percentage of salaries of management personnel (vice president above), to another pension fund, which are deposited and administered by the officers' pension fund management committee. The Corporation has also set up rules of consolation payment and holiday benefits, which are defined benefit plans.

The amount of defined benefit plans included in the standalone balance sheets was as follows:

	December 31	
	2017	**2016**
Present value of defined benefit obligation	$ 22,864,140	$ 23,398,429
Fair value of plan assets	(16,739,964)	(18,525,309)
Deficit	6,124,176	4,873,120
Net defined benefit liabilities - recognized in other payables	(75,202)	(87,294)
Net defined benefit liabilities	$ 6,048,974	$ 4,785,826

Movements of net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2017	$ 23,398,429	$ (18,525,309)	$ 4,873,120
Service cost			
Current service cost	617,383	-	617,383
Interest expense (income)	204,736	(164,495)	40,241
Recognized in profit or loss	822,119	(164,495)	657,624
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(11,631)	(11,631)
Actuarial loss - changes in demographic assumptions	948	-	948
Actuarial loss - changes in financial assumptions	498,915	-	498,915
Actuarial loss - experience adjustments	690,892	-	690,892
Recognized in other comprehensive income	1,190,755	(11,631)	1,179,124
Contributions from the employer	-	(541,849)	(541,849)
Benefits paid	(2,550,296)	2,506,453	(43,843)
Contributions of employee returning to the Corporation	3,133	(3,133)	-
	(2,547,163)	1,961,471	(585,692)
Balance at December 31, 2017	$ 22,864,140	$ (16,739,964)	$ 6,124,176
Balance at January 1, 2016	$ 23,883,562	$ (19,750,838)	$ 4,132,724
Service cost			
Current service cost	637,677	-	637,677
Interest expense (income)	298,545	(250,194)	48,351
Recognized in profit or loss	936,222	(250,194)	686,028

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ 115,049	$ 115,049
Actuarial loss - changes in demographic assumptions	2,587	-	2,587
Actuarial loss - changes in financial assumptions	12,209	-	12,209
Actuarial loss - experience adjustments	527,264	-	527,264
Recognized in other comprehensive income	542,060	115,049	657,109
Contributions from the employer	-	(546,185)	(546,185)
Benefits paid	(1,985,114)	1,929,587	(55,527)
Contributions of employee returning to the Corporation	21,699	(22,728)	(1,029)
	(1,963,415)	1,360,674	(602,741)
Balance at December 31, 2016	$ 23,398,429	$ (18,525,309)	$ 4,873,120

(Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Operating costs	$ 478,765	$ 508,582
Operating expenses	178,659	177,281
Others	200	165
	$ 657,624	$ 686,028

Through the defined benefit plans under the Labor Standards Law, the Corporation is exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity, debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligations were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2017	**2016**
Discount rate (%)	0.875	0.875
Expected rate of salary increase (%)	1.875	1.500
Turnover rate (%)	0.000-0.100	0.000-0.200

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2017	**2016**
Discount rate		
0.25% increase	$ (341,787)	$ (355,068)
0.25% decrease	$ 351,621	$ 365,295
Expected rate of salary increase		
0.25% increase	$ 342,358	$ 356,100
0.25% decrease	$ (334,519)	$ (347,906)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2017	**2016**
The expected contributions to the plan for the next year	$ 535,793	$ 548,354
The average duration of the defined benefit obligation	6.3 years	6.4 years

21. EQUITY

a. Share capital

	December 31	
	2017	**2016**
Number of shares authorized (in thousands)	17,000,000	17,000,000
Shares authorized	$ 170,000,000	$ 170,000,000

(Continued)

	December 31	
	2017	2016
Number of shares issued and fully paid (in thousands)		
Ordinary shares (in thousands)	15,734,861	15,734,861
Preference shares (in thousands)	38,268	38,268
	15,773,129	15,773,129
Shares issued		
Ordinary shares	$ 157,348,610	$ 157,348,610
Preference shares	382,680	382,680
	$ 157,731,290	$ 157,731,290

(Concluded)

1) Ordinary shares

Fully paid ordinary shares, which have a par value of NT$10, carry one vote per share and the right to dividends.

2) Preference shares

Preference shareholders have the following entitlements or rights:

a) 14% annual dividends, with dividend payments ahead of those to ordinary shareholders;

b) Preference over ordinary shares in future payment of dividends in arrears;

c) The sequence and percentage of appropriation of residual property are the same with ordinary shares;

d) The same rights as ordinary shareholders, except the right to vote for directors; and

e) Redeemable by the Corporation and convertible to ordinary shares by preference shareholders with the ratio of 1:1.

3) Overseas depositary receipts

In May 1992, February 1997, October 2003 and August 2011, for the purpose of working capital expansion and in accordance with the instruction of the MOEA, the largest shareholder of the Corporation, the Corporation issued 126,512,550 units of GDR. The depositary receipts then increased by 6,924,354 units resulting from the capital increase out of retained earnings. Each unit represents 20 shares of the Corporation’s ordinary shares and the issued GDRs account for the Corporation’s ordinary shares totaling 2,668,738,370 shares (including 290 fractional shares). Under relevant regulations, the GDR holders may also request the conversion to the shares represented by the GDR. The foreign investors may also request the reissuance of such depositary receipts within the originally approved units. As of December 31, 2017 and 2016, the outstanding depositary receipts were 1,019,241 units and 1,055,002 units, equivalent to 20,385,130 ordinary shares (including 310 fractional shares) and 21,100,350 ordinary shares (including 310 fractional shares), which both represented 0.13% of the outstanding ordinary shares.

b. Capital surplus

	December 31	
	2017	**2016**
May be used to offset deficits, distribute cash or transfer to share capital (see 1 below)		
Additional paid-in capital	$ 31,154,766	$ 31,154,766
Treasury share transactions	329,296	301,230
Others	8,099	8,099
	31,492,161	31,464,095
May be used to offset deficits only (see 2 below)		
Treasury share transactions	6,148,057	5,880,812
Share of change in equity of subsidiaries	467,953	441,368
Share of change in equity of associates	102,911	21,191
	6,718,921	6,343,371
	$ 38,211,082	$ 37,807,466

1) The capital surplus could be used to offset a deficit and distribute as cash dividends or transfer to capital when the Corporation has no deficit (limited to a certain percentage of the Corporation's paid-in capital and once a year).

2) The capital surplus included the share of change in equity of subsidiaries recognized without any actual acquisition or disposal of subsidiaries' share by the Corporation or the adjustments to capital surplus of subsidiaries under equity method.

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation provide that the annual net income, less any deficit, should be appropriated in the following order:

1) 10% as legal reserve;

2) Preference share dividends at 14% of par value;

3) Ordinary share dividends at 14% of par value; and

4) The remainder, if any, as additional dividends divided equally between the holders of preference and ordinary shares.

The board of directors should propose the appropriation of earnings. If necessary, it may, after appropriating for preference share dividends, propose to appropriate a special reserve or to retain certain earnings. These proposals should be submitted to the shareholders' meeting for approval.

The Corporation's steel business is in a phase of stable growth; thus, 75% or more of the appropriation for dividends should be in cash and 25% or less in shares.

Appropriation of earnings to legal reserve could be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Corporation should appropriate or reverse a special reserve. In addition, if the market price of the Corporation's ordinary shares held by subsidiaries is lower than the carrying value of the Corporation's shares held by subsidiaries, the Corporation should appropriate a special reserve equal to the difference between market price and carrying value multiplied by the percentage of ownership. Any special reserve appropriated may be reversed to the extent of the increase in valuation.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are entitled to a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2016 and 2015 had been approved in the shareholders' meeting in June 2017 and 2016, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	2016	**2015**	**2016**	**2015**
Appropriation of legal reserve	$ 1,603,837	$ 760,472		
Appropriation (reversal) of special reserve	(2,130,614)	2,654,116		
Preference shares				
Cash dividends	53,575	53,575	$ 1.40	$ 1.40
Ordinary shares				
Cash dividends	13,374,632	7,867,430	$ 0.85	$ 0.50

The appropriations of earnings for 2017 had been proposed by the Corporation's board of directors on March 28, 2018 as follows:

	Appropriations of Earnings	**Dividends Per Share (NT$)**
Appropriation of legal reserve	$ 1,690,558	
Reversal of special reserve	(5,992)	
Preference shares		
Cash dividends	53,575	$ 1.40
Ordinary shares		
Cash dividends	13,846,677	$ 0.88

The appropriations of earnings for 2017 are subject to the resolution of the shareholders' meeting to be held in June 2018.

d. Special reserves

	For the Year Ended December 31	
	2017	**2016**
Balance, beginning of year	$ 29,786,846	$ 27,132,983
Appropriation in respect of		
The difference between market value and carrying amount of the Corporation's shares held by subsidiaries	-	2,654,116
Reversal of special reserve		
The rise in market value of the Corporation's shares held by subsidiaries	(2,130,614)	-
Disposal of property, plant and equipment	(363)	(253)
Balance, end of year	$ 27,655,869	$ 29,786,846

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ (32,048)	$ 1,198,796
Exchange differences arising on translating the net investment in foreign operations	(4,015,339)	(1,819,963)
Gains and losses on hedging instruments designated in hedges of the net investment in foreign operations	2,288,725	952,457
Share of exchange difference of subsidiaries and associates accounted for using the equity method	(351,931)	(363,338)
Balance, end of year	$ (2,110,593)	$ (32,048)

2) Unrealized gains and losses on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ 8,650,573	$ 6,573,348
Unrealized gains on available-for-sale financial assets	1,134,199	3,048,382
Reclassified to profit or loss on disposal of available-for-sale financial assets	(771,464)	(603,519)
Impairment loss on available-for-sale financial assets	532,792	488,299
Share of unrealized gains and losses on available-for-sale financial assets of subsidiaries and associates accounted for using the equity method	68,763	(855,937)
Balance, end of year	$ 9,614,863	$ 8,650,573

3) The effective portion of gains and losses on hedging instruments in a cash flow hedge

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ 62,181	$ 152,264
Fair value changes of hedging instruments	(56,570)	(58,378)
Income tax relating to fair value changes	9,617	9,924
Fair value changes of hedging instruments transferred to profit or loss	-	2,458
Income tax relating to amounts transferred to profit or loss	-	(418)
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	26,018	(13,440)
Income tax relating to amounts transferred to adjust carrying amount of hedged items	(4,423)	2,285
Share of cash flow hedge of subsidiaries and associates accounted for using the equity method	(168,158)	(32,514)
Balance, end of year	$ (131,335)	$ 62,181

f. Treasury shares

Purpose of Treasury Shares	Thousand Shares			December 31	
	Beginning of Year	Addition	Reduction	Thousand Shares	Book Value
For the year ended December 31, 2017					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	318,007	804	3,645	315,166	$8,532,389
For the year ended December 31, 2016					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	318,036	-	29	318,007	$8,576,842

The Corporation's shares acquired and held by subsidiaries for the purpose of investment are accounted for as treasury shares (subsidiaries recorded those shares as available-for-sale financial assets - current and available-for-sale financial assets - noncurrent). The Corporation's shares held by more than 50%-owned subsidiaries are not allowed to participate in the Corporation's capital increase in cash and have no voting rights; other rights are the same as other ordinary shareholders. The increase of treasury shares was due to acquisition of the Corporation's shares by subsidiaries in which the Corporation has less than 50% shareholding. The decrease of treasury shares was mainly due to subsidiaries' sale of the Corporation's shares and change in percentage of ownership.

For the year ended December 31, 2017, a total of 4,490 thousand shares of the Corporation held by its subsidiaries were sold for proceeds of NT$114,019 thousand. Calculated by shareholding percentage, the proceeds of treasury shares sold were NT$92,114 thousand, and after deducting book values, the remainders amounted to NT$28,066 thousand, recorded as addition to the capital surplus. As of December 31, 2017 and 2016, the market values of the treasury shares calculated by combined shareholding percentage were NT$7,801,566 thousand and NT$7,840,025 thousand, respectively.

22. OPERATING REVENUES

	For the Year Ended December 31	
	2017	2016
Revenues from the sale of goods	$ 201,669,087	$ 163,894,831
Revenues from the rendering of services	1,524,437	1,590,451
Other revenues	3,905,106	3,441,793
	$ 207,098,630	$ 168,927,075

23. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

a. Other income

	For the Year Ended December 31	
	2017	2016
Rental income	$ 418,182	$ 395,808
Dividend income	335,909	350,156
Interest income	146,636	124,145
Royalty income	125,314	119,479
Others	357,435	333,349
	$ 1,383,476	$ 1,322,937

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Gain on disposal of investments	$ 771,464	$ 603,519
Net foreign exchange gain	423,946	187,062
Impairment loss	(573,103)	(488,299)
Loss on disposal of property, plant and equipment	(9,721)	(21,862)
Other losses	(343,668)	(314,649)
	$ 268,918	$ (34,229)

The components of net foreign exchange gain were as follows:

	For the Year Ended December 31	
	2017	2016
Foreign exchange gain	$ 1,197,237	$ 888,972
Foreign exchange loss	(773,291)	(701,910)
Net exchange gain	$ 423,946	$ 187,062

The components of impairment loss were as follows:

	For the Year Ended December 31	
	2017	2016
Available-for-sale financial assets	$ 532,792	$ 488,299
Investments accounted for using equity method	40,311	-
	$ 573,103	$ 488,299

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Interest of bonds payable	$ 1,209,980	$ 1,281,429
Interest of short-term borrowings and bank overdraft	770,132	780,590
Interest of bills payable	88,964	59,060

(Continued)

	For the Year Ended December 31	
	2017	2016
Total interest expense for financial liabilities measured at amortized cost	$ 2,069,076	$ 2,121,079
Less: Amounts included in the cost of qualifying assets	150,022	131,027
	$ 1,919,054	$ 1,990,052

(Concluded)

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized amounts	$ 150,022	$ 131,027
Capitalized annual rates (%)	1.27-1.55	1.25-1.57

d. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 17,372,998	$ 18,387,885
Investment properties	21,879	21,832
Intangible assets	9,975	10,951
	$ 17,404,852	$ 18,420,668
An analysis of depreciation by function		
Operating costs	$ 16,299,935	$ 17,428,786
Operating expenses	1,072,979	958,919
Others	21,963	22,012
	$ 17,394,877	$ 18,409,717
An analysis of amortization by function		
Operating costs	$ 9,956	$ 10,923
Operating expenses	19	28
	$ 9,975	$ 10,951

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2017	2016
Direct operating expenses of investment properties that generated rental income	$ 53,852	$ 53,529

f. Employee benefits

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits		
Salaries	$ 16,978,709	$ 16,980,848
Labor and health insurance	928,497	914,804
Others	551,301	477,983
	18,458,507	18,373,635
Post-employment benefits		
Defined contribution plans	233,755	206,846
Defined benefit plans (Note 20)	657,624	686,028
	891,379	892,874
Termination benefits	77,106	88,947
	$ 19,426,992	$ 19,355,456
An analysis by function		
Operating costs	$ 15,916,983	$ 15,728,465
Operating expenses	3,344,099	3,468,832
Others	165,910	158,159
	$ 19,426,992	$ 19,355,456

As of December 31, 2017 and 2016, the Corporation's number of employees were 10,236 and 10,287, respectively, and the headcount basis was the same as the basis of employee benefits expenses.

The Corporation distributed employees' compensation and remuneration of directors at the rates no less than 0.1% and no higher than 0.15%, respectively, of the pre-tax profit prior to deducting employees' compensation and remuneration of directors.

The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016 which have been approved by the Corporation's board of directors in March 2018 and 2017, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2017	2016
Employees' compensation	$ 1,213,396	$ 1,320,926
Remuneration of directors	22,751	24,767

Accrual Rate

	For the Year Ended December 31	
	2017	2016
Employees' compensation (%)	6.14	6.82
Remuneration of directors (%)	0.12	0.13

If there is a change in the proposed amounts after the annual standalone financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the standalone financial statements for the years ended December 31, 2016 and 2015.

Information on the employees' compensation and remuneration of directors resolved by the board of directors in 2018 and 2017 are available at the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax were as follows:

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 1,880,933	$ 1,550,757
Income tax on unappropriated earnings	229,337	-
In respect of prior years	(181,498)	242,076
Deferred tax		
In respect of the current year	(115,766)	204,180
In respect of prior years	(197,930)	(2,171)
	$ 1,615,076	$ 1,994,842

The reconciliation of accounting profit and income tax expense was as follows:

	For the Year Ended December 31	
	2017	2016
Profit before income tax	$ 18,520,664	$ 18,033,211
Income tax expense calculated at the statutory rate	$ 3,148,513	$ 3,065,646
Non-deductible expenses in determining taxable income	9,945	8,868
Tax-exempt income	(1,383,223)	(1,311,022)
Income tax on unappropriated earnings	229,337	-
Investment credits in respect of the current year	(10,068)	(8,555)
Adjustments for prior years' tax in respect of the current year	(379,428)	239,905
	$ 1,615,076	$ 1,994,842

The applicable tax rate used by the Corporation is 17%.

In February 2018, the President announced that the Income Tax Act of the Republic of China was amended. Starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. Deferred tax assets and deferred tax liabilities recognized as of December 31, 2017 are expected to be adjusted and would increase by NT$556,556 thousand and NT$124,051 thousand, respectively. In addition, the tax rate applicable to unappropriated earnings of 2018 will be reduced from 10% to 5%.

As the status of appropriations of earnings for 2018 is uncertain, the potential income tax consequences of 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2017	2016
Current tax		
Reversal of special reserve due to disposal of property, plant and equipment	$ 92	$ 64
Deferred tax		
Reversal of special reserve due to disposal of property, plant and equipment	(92)	(64)
	$ -	$ -

c. Income tax benefit recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
Fair value changes of cash flow hedges	$ 9,617	$ 9,924
Fair value changes of hedging instruments in cash flow hedges transferred to profit or loss	-	(418)
Remeasurement on defined benefit plan	200,451	111,708
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	(4,423)	2,285
	$ 205,645	$ 123,499

d. Current tax

	December 31	
	2017	2016
Current tax liabilities		
Income tax payable	$ 2,103,954	$ 1,529,584

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2017

Deferred tax assets	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Balance, End of Year
Temporary differences					
Unrealized loss on inventories	$ 737,346	$ (93,818)	$ -	$ -	$ 643,528
Defined benefit pension plan	828,430	12,229	200,451	-	1,041,110
Impairment loss on financial assets	126,361	90,574	-	-	216,935
Provision	408,816	(33,008)	-	-	375,808
Unrealized gain on the transactions with subsidiaries and associates	190,516	(25,018)	-	-	165,498

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Balance, End of Year
Unrealized settlement loss on foreign exchange forward for hedging	$ 85,239	$ (13,520)	$ -	$ -	$ 71,719
Unrealized construction loss	-	231,932	-	-	231,932
Estimated preferential severance pay	20,214	(1,617)	-	-	18,597
Foreign investment loss	461,423	81,355	-	-	542,778
Others	78,129	(14,425)	-	-	63,704
	$ 2,936,474	$ 234,684	$ 200,451	$ -	$ 3,371,609
Deferred tax liabilities					
Temporary differences					
Land value increment tax	$ 10,011,916	$ -	$ -	$ -	$ 10,011,916
Difference between tax reporting and financial reporting - depreciation methods	669,334	(84,397)	-	-	584,937
Unrealized exchange gains, net	54,670	9,334	-	-	64,004
Unrealized gain on revaluation increment	32,868	-	-	(92)	32,776
Unrealized gain on cash flow hedge	13,056	-	(5,194)	-	7,862
Others	17,735	(3,949)	-	-	13,786
	$ 10,799,579	$ (79,012)	$ (5,194)	$ (92)	$ 10,715,281

(Concluded)

For the Year Ended December 31, 2016

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Balance, End of Year
Deferred tax assets					
Temporary differences					
Unrealized loss on inventories	$ 1,233,624	$ (496,278)	$ -	$ -	$ 737,346
Defined benefit pension plan	702,563	14,159	111,708	-	828,430
Impairment loss on financial assets	43,350	83,011	-	-	126,361
Provision	288,945	119,871	-	-	408,816
Unrealized gain on the transactions with subsidiaries and associates	125,143	65,373	-	-	190,516
Unrealized settlement loss on foreign exchange forward for hedging	93,805	(8,566)	-	-	85,239
Estimated preferential severance pay	28,989	(8,775)	-	-	20,214
Foreign investment loss	264,405	197,018	-	-	461,423
Others	59,135	18,994	-	-	78,129
	2,839,959	(15,193)	111,708	-	2,936,474
Investment credits	301,020	(301,020)	-	-	-
	$ 3,140,979	$ (316,213)	$ 111,708	$ -	$ 2,936,474
Deferred tax liabilities					
Temporary differences					
Land value increment tax	$ 10,011,916	$ -	$ -	$ -	$ 10,011,916
Difference between tax reporting and financial reporting - depreciation methods	782,383	(113,049)	-	-	669,334
Unrealized exchange gains, net	51,991	2,679	-	-	54,670
Unrealized gain on revaluation increment	32,932	-	-	(64)	32,868
Unrealized gain on cash flow hedge	24,847	-	(11,791)	-	13,056
Others	21,569	(3,834)	-	-	17,735
	$ 10,925,638	$ (114,204)	$ (11,791)	$ (64)	$ 10,799,579

f. Integrated income tax

	December 31	
	2017	2016
Unappropriated earnings		
Before January 1, 1998	Note	$ 15,954
On and after January 1, 1998	Note	17,180,087
		$ 17,196,041
Imputation credit accounts (ICA)	Note	$ 484,021

	For the Year Ended December 31	
	2017	2016
Tax creditable ratio for distribution of earnings (%)	Note	14.21

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, the related information about integrated income tax in 2017 is no longer applicable.

g. Income tax assessments

The Corporation's income tax returns through 2015 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

The net profit and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	For the Year Ended December 31	
	2017	2016
Net profit for the year	$ 16,905,588	$ 16,038,369
Less: Dividends on preference shares	53,575	53,575
Net profit used in computation of basic earnings per share	$ 16,852,013	$ 15,984,794

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2017	2016
Weighted average number of ordinary shares in computation of basic earnings per share	15,420,290	15,416,854
Effect of dilutive potential ordinary shares:		
Employees' compensation	60,344	56,949
Weighted average number of ordinary shares used in computation of diluted earnings per share	15,480,634	15,473,803

Preference shares were not included in the calculation of diluted earnings per share for the years ended December 31, 2017 and 2016 because of their anti-dilutive effect.

Since the Corporation is allowed to settle the compensation paid to employees by cash or shares, the Corporation presumes that the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

26. CAPITAL MANAGEMENT

The management of the Corporation optimized the balances of working capital, debt and equity as well as the related cost through monitoring the Corporation's capital structure and capital demand by reviewing quantitative data and considering industry characteristics, domestic and international economic environment, interest rate fluctuation, strategies for development, etc.

Except for Note 16, the Corporation is not subject to any externally imposed capital requirements.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management believes the carrying amounts of financial instruments that are not measured at fair value, such as cash and cash equivalent, receivables and payables approximate their fair values.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
December 31, 2017				
Available-for-sale financial assets				
Domestic listed shares	$ 8,997,910	$ -	$ -	$ 8,997,910
Foreign listed shares	2,112,543	-	-	2,112,543
Domestic emerging market shares and unlisted shares	-	-	821,594	821,594
Foreign unlisted shares	-	-	4,598,246	4,598,246
	$ 11,110,453	$ -	$ 5,419,840	$ 16,530,293
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 57,052	$ -	$ 57,052

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 28,786	$ -	$ 28,786
December 31, 2016				
Available-for-sale financial assets				
Domestic listed shares	$ 7,616,199	$ -	$ -	$ 7,616,199
Foreign listed shares	2,434,099	-	-	2,434,099
Domestic emerging market shares and unlisted shares	-	-	1,287,029	1,287,029
Foreign unlisted shares	-	-	4,994,765	4,994,765
	$ 10,050,298	$ -	$ 6,281,794	$ 16,332,092
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 34,236	$ -	$ 34,236
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 15,869	$ -	$ 15,869

(Concluded)

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2017 and 2016.

2) Reconciliation of Level 3 fair value measurements of financial assets

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ 6,281,794	$ 7,994,052
Recognized in profit or loss - other gains and losses	(532,792)	(488,299)
Recognized in other comprehensive income - unrealized gains and losses on available-for-sale financial assets	471,487	2,478,780
Purchases	-	193,268
Reclassification	(50,000)	-
Transfer out of Level 3	(749,365)	(3,893,740)
Capital reduction	(1,284)	(2,267)
Balance, end of year	$ 5,419,840	$ 6,281,794

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement.

Derivative instruments - A discounted cash flow analysis was performed using the applicable yield curve for the duration of the derivative instruments for foreign exchange forward contracts. The estimates and assumptions used by the Corporation were consistent with those that market participants would use in setting a price for the financial instrument.

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

a) For emerging market shares, fair values were estimated on the basis of the closing price and liquidity.

b) For domestic unlisted shares and some foreign unlisted shares, fair values were determined based on industry types, valuations of similar companies and operations, or by using the net worth of companies.

c) For other foreign unlisted shares, fair values were measured under income approach and calculated by the present value of the expected return by using discounted cash flow model. Significant unobservable inputs were as follows; if the long-term pre-tax operating income rate increased or discount rate decreased, the fair value of the investments would increase.

	December 31	
	2017	**2016**
Long-term pre-tax operating income rate (%)	11.08-52.06	19.13-51.68
Discount rate (%)	6.52-10.37	6.52-8.24

If the below input to the valuation model was changed to reflect reasonably possible alternative assumptions while all other variables were held constant, the fair value of the equity investment would increase (decrease) as follows:

	December 31	
	2017	**2016**
Long-term pre-tax operating income rate		
Increase 1%	$ 199,149	$ 104,370
Decrease 1%	$ (200,299)	$ (124,143)
Discount rate		
Increase 1%	$ (579,987)	$ (511,318)
Decrease 1%	$ 716,859	$ 637,710

c. Categories of financial instruments

	December 31	
	2017	**2016**
Financial assets		
Derivative instruments in designated hedge accounting relationships	$ 57,052	$ 34,236
Loans and receivables 1)	25,814,046	24,287,988
Available-for-sale financial assets	16,530,293	16,332,092
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	28,786	15,869
Measured at amortized cost 2)	144,693,866	146,507,246

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including loans to related parties), debts investments with no active market, refundable deposits and other financial assets.

2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings and bank overdraft, short-term bills payable, accounts payable (including related parties), other payables, bonds payable, long-term bank borrowings, long-term bills payable and deposits received.

d. Financial risk management objectives and policies

The Corporation places great emphasis on financial risk management. By tracking and managing the market risk, credit risk, and liquidity risk efficiently, the management ensured that the Corporation was equipped with sufficient and lower cost working capital, which reduced financial uncertainty that may have adverse effects on the operations.

The significant financial activities of the Corporation are reviewed by the board of directors in accordance with relevant regulations and internal controls. The finance department follows the accountability and related financial risk control procedures required by the Corporation for executing financial projects. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The Corporation was exposed to foreign currency risk due to sales, purchases, construction undertaking, capital expenditures and equity investments denominated in foreign currencies. Exchange rate exposures were managed within approved policy parameters utilizing foreign exchange forward contracts, foreign deposits or foreign borrowings.

The carrying amounts of the significant non-functional currency monetary assets and liabilities at the end of the reporting period were referred to Note 31.

The Corporation was mainly exposed to the currency USD. The following table details the sensitivity to a 1% increase in NTD against the relevant foreign currency.

	USD Impact			
	For the Year Ended December 31			
	2017		**2016**	
Pre-tax profit or loss	$ 9,302	i	$ 30,640	i
Equity	272,970	ii	294,173	ii

i. These were mainly attributable to the exposure of cash, outstanding receivables and payables, deposits received and short-term borrowings which were not hedged at the balance sheet date.

ii. These were attributable to other financial assets, which were designated as hedging instruments in cash flow hedges, and changes in fair value of designated hedging instruments of hedges of net investments in foreign operations.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period.

b) Interest rate risk

The Corporation was exposed to interest rate risk because the Corporation borrowed funds at both fixed and floating interest rates. The risk is managed by the Corporation by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Corporation's financial liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2017	**2016**
Fair value interest rate risk		
Financial liabilities	$ 73,962,917	$ 72,856,744
Cash flow interest rate risk		
Financial liabilities	47,135,503	51,897,038

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2017 and 2016 would have been lower/higher by NT$471,355 thousand and NT$518,970 thousand, respectively.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in domestic and foreign listed shares.

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2017 and 2016 would have been higher/lower by NT$111,105 thousand and NT$100,503 thousand, respectively, as a result of the fair value changes of available-for-sale financial assets.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Corporation. As at the balance sheet date, the Corporation's maximum exposure to credit risk is the carrying amount of the financial assets on the standalone balance sheets and the amount of contingent liabilities in relation to financial guarantee issued by the Corporation.

The Corporation does not expect significant credit risk because the counterparties are creditworthy financial institutions and companies. The Corporation did transactions with a large number of unrelated customers and no concentration of credit risk was observed.

As of December 31, 2017 and 2016, the maximum credit risk of off-balance-sheet guarantees provided to subsidiaries and investees of co-investment for procurement and investment compliance was NT$27,224,137 thousand and NT$17,304,533 thousand.

3) Liquidity risk

The management of the Corporation continuously monitors the movement of cash flows, net cash position, significant capital expenditures and the utilization of bank loan commitments to control proportion of the long-term and short-term bank loans or issue bonds payable, and ensures compliance with loan covenants.

The following table details the undiscounted cash flows of the Corporation's remaining contractual maturity for its non-derivative financial liabilities from the earliest date on which they can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
December 31, 2017				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 21,407,773	$ -	$ -	$ 21,407,773
Variable interest rate liabilities	21,375,942	27,193,868	-	48,569,810
Fixed interest rate liabilities	15,818,304	38,722,498	25,881,204	80,422,006
Financial guarantee liabilities	191,898	12,491,760	14,540,479	27,224,137
	$ 58,793,917	$ 78,408,126	$ 40,421,683	$ 177,623,726
December 31, 2016				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 19,216,365	$ -	$ -	$ 19,216,365
Variable interest rate liabilities	13,983,728	39,922,061	-	53,905,789
Fixed interest rate liabilities	7,145,324	34,599,345	38,813,783	80,558,452
Financial guarantee liabilities	4,108,256	197,622	12,998,655	17,304,533
	$ 44,453,673	$ 74,719,028	$ 51,812,438	$ 170,985,139

The amounts included above for financial guarantee contracts were the maximum amounts the Corporation could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Corporation considers that it is more likely than not that none of the amount will be payable under the arrangement.

28. TRANSACTIONS WITH RELATED PARTIES

a. The name of the company and its relationship with the Corporation

Company	Relationship
C. S. Aluminium Corporation (CSAC)	Subsidiaries
China Steel Express Corporation (CSE)	Subsidiaries
China Steel Chemical Corporation (CSCC)	Subsidiaries
China Steel Global Trading Corporation (CSGT)	Subsidiaries
CHC Resources Corporation (CHC)	Subsidiaries

(Continued)

Company	Relationship
China Ecotek Corporation (CEC)	Subsidiaries
China Steel Structure Co., Ltd. (CSSC)	Subsidiaries
Chung Hung Steel Corporation Ltd. (CHSC)	Subsidiaries
China Steel Machinery Corporation (CSMC)	Subsidiaries
Gains Investment Corporation (GIC)	Subsidiaries
China Steel Security Corporation (CSS)	Subsidiaries
China Prosperity Development Corp. (CPDC)	Subsidiaries
InfoChamp Systems Corporation (ICSC)	Subsidiaries
China Steel Management Consulting Corporation	Subsidiaries
Himag Magnetic Corporation	Subsidiaries
Dragon Steel Corporation (DSC)	Subsidiaries
China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Subsidiaries
Chung Mao Trading (BVI) Co., Ltd.	Subsidiaries
Chung Mao Trading (Samoa) Co., Ltd.	Subsidiaries
CSGT (Singapore) Pte. Ltd.	Subsidiaries
CSE Transport Corporation (Panama) (CSEP)	Subsidiaries
Mentor Consulting Corporation	Subsidiaries
Steel Castle Technology Corporation	Subsidiaries
Union Steel Development Corp.	Subsidiaries
Betacera Inc. (BETA)	Subsidiaries
Wabo Global Trading Corporation	Subsidiaries
Universal Exchange Inc.	Subsidiaries
United Steel Engineering & Construction Corp. (USECC)	Subsidiaries
Thintech Materials Technology Co., Ltd. (TMTC)	Subsidiaries
CSGT International Corporation	Subsidiaries
CSGT Metals Vietnam Joint Stock Company	Subsidiaries
CSC Steel Sdn. Bhd. (CSCSSB)	Subsidiaries
Group Steel Corp. (M) Sdn. Bhd.	Subsidiaries
CSGT Japan Co., Ltd.	Subsidiaries
CSGT Hong Kong Limited	Subsidiaries
CSGT (Shanghai) Co., Ltd.	Subsidiaries
Changzhou China Steel Precision Materials Co., Ltd. (CCSPMC)	Subsidiaries
China Steel Corporation India Pvt. Ltd. (CSCI)	Subsidiaries
China Steel Precision Metals-Qingdao Co., Ltd. (QCSPMC)	Subsidiaries
CSEI Transport Corporation (Panama) (CSEIP)	Subsidiaries
Hung Li Steel Corporation Ltd (HLSC)	Subsidiaries
China Steel Precision Metals Kunshan Co., Ltd. (CSMK)	Subsidiaries
Hung Kao Investment Corporation	Subsidiaries
White Biotech Corporation (WBC)	Subsidiaries
CSC Precision Metal Industrial Corporation (CSCPM)	Subsidiaries
China Steel Resources Corporation	Subsidiaries
CK Japan Co., Ltd.	Subsidiaries
China Steel Management and Maintenance for Buildings Corporation	Subsidiaries
Kaohsiung Rapid Transit Corporation (KRTC)	Subsidiaries
Kaohsiung Port Cargo Handling Services Corporation	Subsidiaries
Pao Good Industrial Co., Ltd.	Subsidiaries
CSC Sonoma Pty. Ltd	Subsidiaries
China Steel Machinery Vietnam Co., Ltd.	Subsidiaries
CSC Solar Corporation	Subsidiaries

(Continued)

Company	Relationship
Changzhou China Steel New Materials Technology Co., Ltd.	Subsidiaries
China Ecotek Construction Corporation	Subsidiaries
CSC Educational Foundation	Other related parties
HC&C Auto Parts Co., Ltd.	Associates
TaiAn Technologies Corporation	Associates
Hsin Hsin Cement Enterprise Corporation	Associates
Dyna Rechi (Jiujiang) Co., Ltd.	Associates
Tatt Giap Steel Centre Sdn. Bhd.	Associates
Formosa Ha Tinh (Cayman) Limited	Other related parties (associates before July 2017)
Formosa Ha Tinh Steel Corporation	Other related parties (associates before July 2017)
TSK Steel Company Limited	Associates
Fukuta Electric & Machinery Co., Ltd.	
PT. MICS Steel Indonesia	Associates
Honley Auto. Parts Co., Ltd.	Associates
Changchun CECK Auto. Parts Co., Ltd.	Associates
Mahindra Auto Steel Private Limited	Associates
iPASS Corporation	Associates
Taiwan Rolling Stock Company Ltd.	Associates
Eminent II Venture Capital Corporation	Associates
CSBC Corporation, Taiwan	The Corporation as key management personnel of other related parties
CDIB Bioscience Ventures I, Inc.	The Corporation as key management personnel of other related parties
Rechi Precision Co., Ltd.	The Corporation as key management personnel of other related parties
TCL Rechi (Huizhou) Refrigeration Equipment Ltd.	The Corporation as key management personnel of other related parties
Rechi Refrigeration (Dongguan) Co, Ltd.	The Corporation as key management personnel of other related parties
East Asia United Steel Corporation	The Corporation as key management personnel of other related parties
Taiwan High Speed Rail Corporation	The Corporation as key management personnel of other related parties
CSC Labor Union	Other related parties as directors of the Corporation
Hsin Kuang Steel Co., Ltd.	Other related parties as supervisors of the Corporation before July 2016
Overseas Investment & Development Corp.	Associates (the Corporation as key management personnel of other related parties before September 2017)

(Concluded)

b. Operating revenues

Account Items	Related Parties Types / Names	For the Year Ended December 31 2017	2016
Revenues from sales of goods	Subsidiaries		
	CHSC	$ 20,235,517	$ 19,588,016
	Others	16,359,851	13,359,506
	The Corporation as key management personnel of other related parties	1,531,828	2,504,955
	Supervisors of the Corporation	-	866,217
	Associates of the Corporation	1,051,740	682,840
	Other related parties	370,729	-
		$ 39,549,665	$ 37,001,534

Sales to related parties were made at arm's length applied to similar transactions in the market except for terms of sales to CSCI and CSVC, for which the receivables were collected either by account receivable factoring or within 90 days after shipment date, for terms of sales to QCSPMC, for which the receivables were collected within 60 days after shipment date, terms of sales to CSMK, for which the receivables were collected within 85 days after shipment date and term of sales to some subsidiaries without similar transactions with other unrelated parties.

c. Purchase of goods

Related Parties Types / Names	For the Year Ended December 31 2017	2016
Subsidiaries		
DSC	$ 18,737,860	$ 8,606,717
Others	11,800,539	9,433,050
Associates of the Corporation	180,258	159,181
Other related parties	70,172	-
	$ 30,788,829	$ 18,198,948

Purchased from related parties were made at arm's length applied to similar transactions in the market except for terms of purchases from some subsidiaries without similar transactions with other unrelated parties.

d. Receivables from related parties (not including loans to related parties)

Account Items	Related Parties Types / Names	December 31 2017	2016
Notes and accounts receivable	Subsidiaries		
	CHSC	$ 1,104,920	$ 1,090,429
	Others	1,277,146	724,800

(Continued)

Account Items	Related Parties Types / Names	December 31 2017	December 31 2016
	The Corporation as key management personnel of other related parties	$ 223,073	$ 324,457
	Associates of the Corporation	-	170
	Other related parties	144,061	-
		$ 2,749,200	$ 2,139,856

(Concluded)

No guarantee had been received for receivables from related parties. For the years ended December 31, 2017 and 2016, no impairment loss was recognized for receivables from related parties.

e. Payables to related parties (not including loans from related parties)

Account Items	Related Parties Types / Names	December 31 2017	December 31 2016
Accounts payable	Subsidiaries		
	CSE	$ 937,726	$ 552,819
	DSC	539,447	326,310
	Others	314,398	67,254
	Associates of the Corporation	22,287	23,005
		$ 1,813,858	$ 969,388

The outstanding accounts payable to related parties are unsecured.

f. Loans to related parties (recognized as other receivables - loans to related parties)

Related Parties Types / Names	December 31 2017	December 31 2016
Subsidiaries		
CSAC	$ 3,600,000	$ 3,600,000
CSSC	700,000	900,000
Others	3,056,950	2,711,809
	$ 7,356,950	$ 7,211,809

The Corporation provided short-term loans to its subsidiaries, with the interest rate calculated at the latest 30-day average rate of the Corporation’s short-term loans in the same currencies from ordinary financial institutions. As of December 31, 2017 and 2016, the interest rate was 0.50%-4.22% p.a. and 0.45%-2.40% p.a., respectively.

Loans to the Corporation’s subsidiaries were unsecured loans with interest income of NT$60,482 thousand and NT$51,146 thousand for the years ended December 31, 2017 and 2016, respectively.

g. Loans from related parties (recognized as short-term borrowings and bank overdraft)

Related Parties Types / Names	December 31 2017	December 31 2016
Subsidiaries		
CSCPM	$ 300,000	$ 300,000
CSS	50,000	-
CSE	-	900,000
WBC	-	340,000
	$ 350,000	$ 1,540,000

The rate of loans from subsidiaries is calculated at the latest 30-day average rate of the Corporation's short-term loans in the same currencies from ordinary financial institutions and adjusted based on the circumstances. As of December 31, 2017 and 2016, the interest rate was 0.50%-0.51% p.a. and 0.49%-0.50% p.a., respectively.

Loans from the Corporation's subsidiaries were unsecured loans and with interest expense of NT$7,002 thousand and NT$6,807 thousand for the years ended December 31, 2017 and 2016, respectively.

h. Other related parties transactions

1) The Corporation signed brokerage contract with its subsidiary DSC. For the years ended December 31, 2017 and 2016, the commission revenue was NT$193,400 thousand and NT$462,107 thousand, respectively.

   The balances of consignment payable to related parties, which were included in other payables, were as follows:

Related Parties Types / Names	December 31 2017	December 31 2016
Subsidiary		
DSC	$ 939,626	$ 1,014,575

2) Other revenues which pertained to services, processing of products, utilities, construction, royalties and other services to related parties were recognized as operating revenues and non-operating income as follows.

Related Parties Types	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Subsidiaries	$ 1,025,109	$ 938,041
Other related parties	110,020	-
Associates of the Corporation	249,958	320,531
The Corporation as key management personnel of other related parties	7,140	3,908
Others	44	44
	$ 1,392,271	$ 1,262,524

3) Other expenditures paid to related parties which pertained to commissions for processing services, maintenance and repairs, commissions for export and import services, etc. were recognized as operating costs, manufacturing expenses, operating expenses and non-operating expenses.

Related Parties Types	For the Year Ended December 31 2017	2016
Subsidiaries	$ 8,291,547	$ 6,842,612
Others	109,802	5,154
	$ 8,401,349	$ 6,847,766

4) Capital expenditures

Related Parties Types / Names	For the Year Ended December 31 2017	2016
Subsidiaries		
CSMC	$ 2,149,334	$ 2,103,016
CEC	991,851	1,525,893
ICSC	541,370	717,010
Others	6,134	301,642
	$ 3,688,689	$ 4,647,561

The balances of outsourced repair and construction payable (recognized as other payables) were as follows:

Related Parties Types / Names	December 31 2017	2016
Subsidiaries		
ICSC	$ 572,521	$ 475,767
CSMC	446,111	335,832
CEC	220,945	367,289
Others	119,183	65,147
	$ 1,358,760	$ 1,244,035

5) As of December 31, 2017 and 2016, guarantees provided to the related parties for procurement and investment compliance were as follows:

Related Parties Types / Names	December 31 2017	2016
Other related parties - Formosa Ha Tinh (Cayman) Limited (former associates)		
Amount endorsed	$ 30,332,880	$ 27,251,250
Amount utilized	(22,833,360)	(12,400,125)
	$ 7,499,520	$ 14,851,125
Subsidiaries		
CSCAU		
Amount endorsed	$ 3,720,000	$ 4,031,250
Amount utilized	(3,720,000)	(4,031,250)
	$ -	$ -

(Continued)

Related Parties Types / Names	December 31 2017	December 31 2016
Others		
Amount endorsed	$ -	$ 77,006
Amount utilized	-	(77,006)
	$ -	$ -
The Corporation as key management personnel of other related parties		
Amount endorsed	$ 927,582	$ 807,392
Amount utilized	(670,777)	(796,152)
	$ 256,805	$ 11,240

(Concluded)

i. Compensation of key management personnel

The remuneration of directors and other members of key management personnel were as follows:

	For the Year Ended December 31 2017	For the Year Ended December 31 2016
Short-term employee benefits	$ 92,973	$ 87,813
Post-employment benefits	758	1,107
	$ 93,731	$ 88,920

29. ASSETS PLEDGED AS COLLATERAL OR SECURITY

As of December 31, 2017 and 2016, time deposits pledged as collateral for bank overdraft was NT$5,850,000 thousand and NT$5,650,000 thousand, respectively.

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2017 were as follows:

a. The Corporation provided letters of credits for NT$5,830,978 thousand guaranteed by financial institutions for several construction and lease contracts.

b. Unused letters of credit for importation of materials and machinery amounted to NT$4.8 billion.

c. Property purchase and construction contracts for NT$3.2 billion were signed but not yet recorded.

d. The Corporation entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, China, Japan, Philippines, Vietnam, Indonesia and domestic companies with contract terms of 1 to 5 years. Contracted annual purchases of 6,560,000 metric tons of coal, 15,010,000 metric tons of iron ore, and 2,180,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of December 31, 2017 were USD3.9 billion (including 6,510,000 metric tons of coal, 35,530,000 metric tons of iron ore, and 590,000 metric tons of limestone).

e. In December 2011, the subsidiary CHSC entered into a syndicated credit facility agreement with Bank of Taiwan and 11 other banks for NT$16 billion credit line. Under the agreement, the Corporation and its related parties should collectively hold at least 30% of CHSC's issued shares and control CHSC's operation. As of December 31, 2017, the Corporation held 41% equity of CHSC and held over half of the seats in the board of directors and controlled its operations.

f. In July 2012, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 17 other banks for a NT$35 billion credit line; in February 2008, DSC entered into another syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT$51.7 billion credit line. Under the agreements, the Corporation and its related parties should collectively hold at least 80% and 40% of DSC's issued shares and hold half or more of the seats in the board of directors. As of December 31, 2017, the Corporation held 100% equity of DSC and held all of the seats in the board of directors.

g. In October 2012, the subsidiary CSVC entered into a syndicated credit facility agreement with Mega Bank and 11 other banks for a USD246,000 thousand credit line. The syndicated credit facility agreement has been re-signed in December 2017 for a USD94,500 thousand credit line. In addition, the subsidiary CSVC continually entered into several short-term financing contracts with Standard Chartered Bank and other banks for a total amount of USD25,000 thousand (or the equal amount in VND, the credit line remained unchanged) and USD32,500 thousand credit line. Under the agreements, the Corporation should hold at least 51% and 56% of CSVC's issued shares and hold half or more of the seats in the board of directors. As of December 31, 2017, the Corporation held 56% equity of CSVC and half or more of the seats in the board of directors.

h. Starting from May 2014, the subsidiary CSCI entered into several short-term financing contracts with CTBC Bank and other banks for totaling INR2.06 billion credit lines as well as USD110,000 thousand syndicated credit facility agreement. The syndicated credit facility agreement has been re-signed, with the credit line remained unchanged. Under the agreements, the Corporation should hold at least 60% and 75% of CSCI's issued shares and hold half or more and two-thirds or more of the seats in the board of directors, respectively. If CSCI expands or invites new strategic investors, the Corporation should hold at least 60% of CSCI's issued shares and hold half or more of the seats in the board of directors. As of December 31, 2017, the Corporation held 100% equity of CSCI and all of the seats in the board of directors.

i. Starting from January 2016, the subsidiary CCSPMC entered into several credit facility agreements with ANZ Bank and other banks for total amount of USD35,000 thousand (or the equal amount in RMB, the credit line remained unchanged) and RMB102,000 thousand. Under the agreements, the Corporation and its subsidiaries should collectively hold over 50% of the CCSPMC's equity and half of the seats in the board of directors and supervisors. As of December 31, 2017, the subsidiary CSAPH held 70% equity of CCSPMC and three-quarters of the seats in the board of directors and supervisors.

j. In September 2016, the subsidiary QCSPMC entered into short-term financing contracts with MUFG Bank (China) and Sumitomo Mitsui Bank (China) for USD10,000 thousand (or the equal amount in RMB, the credit line remained unchanged) credit lines, respectively. Under the agreements, the Corporation and its subsidiaries should collectively hold at least 70% of the QCSPMC's issued shares and half of the seats in the board of directors. As of December 31, 2017, the subsidiaries CSAPH and CSGT collectively held 70% equity of QCSPMC and four-fifths of the seats in the board of directors.

k. Starting from August 2014, the associate Chang-Chun Ceck Auto. Parts Co., Ltd. (CCCA) entered into several credit facility agreements with CTBC Bank and other banks for USD10,000 thousand (or the equal amount in EUR, the credit line remained unchanged) and USD 14,000 thousand short and medium term credit lines. Under the agreement, the Corporation and its associates should collectively hold at least 38% or 30% of CCCA's issued shares and one seat in the board of directors. As of December 31, 2017, the Corporation indirectly held 38% equity of CCCA and one seat in the board of directors.

l. In November 2014, the associate HAPC entered into a credit facility agreement with Shanghai Commercial and Savings Bank for a NT$295,000 thousand factory building loan commitment which had been transferred to long-term credit line in March 2016. Under the agreements, the Corporation and its associates should collectively hold at least 30% of HAPC's issued shares and two seats in the board of directors. As of December 31, 2017, the Corporation held 38% equity of HAPC and two seats in the board of directors.

m. Starting from March 2015, the subsidiary CSMK entered into several short-term financing contracts with CTBC Bank and other banks for USD45,000 thousand long, medium and short term credit line (or the equal amount in RMB, the credit line remained unchanged) and RMB50,000 thousand short term credit line. Under the agreements, the Corporation and its subsidiaries should collectively hold 100% of CSMK's issued shares and all of the seats in the board of directors. As of December 31, 2017, the subsidiary CSAPH and CSGT collectively held 100% equity of CSMK and all of the seats in the board of directors.

n. The amount utilized for guarantees provided to related parties and investees of co-investment for procurement and investment compliances was NT$27,224,137 thousand.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation and the exchange rates between foreign currencies and respective functional currencies were disclosed.

The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2017	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary foreign currency assets			
USD	$ 130,471	29.7600	$ 3,882,779
JPY	7,592,275	0.2642	2,005,879
Non-monetary foreign currency assets			
Available-for-sales financial assets			
USD	87,920	29.7600	2,616,509
JPY	7,996,000	0.2642	2,112,543
MYR	280,223	7.0720	1,981,737
Investments accounted for using equity method			
USD	1,445,806	29.7600	43,023,074
AUD	679,476	23.1850	15,753,650
INR	4,793,299	0.4649	2,228,405
Monetary foreign currency liabilities			
USD	1,078,963	29.7600	32,109,945
JPY	11,425,187	0.2642	3,018,534

(Continued)

December 31, 2016	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary foreign currency assets			
JPY	$ 6,854,064	0.2756	$ 1,888,980
USD	58,131	32.2500	1,874,880
AUD	199	23.2850	4,627
Non-monetary foreign currency assets			
Available-for-sales financial assets			
USD	82,871	32.2500	2,672,590
JPY	8,832,000	0.2756	2,434,099
MYR	255,987	6.9050	1,767,588
Investments accounted for using equity method			
USD	1,447,829	32.2500	46,657,095
AUD	711,451	23.2850	16,566,147
INR	4,656,887	0.4762	2,217,610
Monetary foreign currency liabilities			
USD	1,065,309	32.2500	34,356,217
AUD	180,194	23.2850	4,195,825
JPY	10,782,013	0.2756	2,974,049

(Concluded)

For the years ended December 31, 2017 and 2016, realized and unrealized net foreign exchange gains were NT$423,946 thousand and NT$187,062 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

32. SEGMENT INFORMATION

Disclosure of the segment information in standalone financial statements is waived.