China Steel Corporation and Subsidiaries

Consolidated 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 consolidated financial statements of China Steel Corporation (the Corporation) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

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 Consolidated Financial Statements section of our report. We are independent of the Corporation and its subsidiaries 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 consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated 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 and its subsidiaries' consolidated financial statements for the year ended December 31, 2017 are stated as follows:

Inventory Valuation

As of December 31, 2017, inventories of the Corporation and its subsidiaries amounted to NT$87,963,760 thousand, of which the inventories from steel industry amounted to NT$74,899,633 thousand, representing 11% of the Corporation and its subsidiaries' 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, 5 and 13 to the consolidated financial statements for the related accounting policies and disclosures of inventory valuation.

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

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

Valuation of Available-For-Sale Financial Assets - Formosa Ha Tinh (Cayman) Limited

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 5% of the Corporation and its subsidiaries' 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 matter. Refer to Note 4 to the consolidated financial statements for the related accounting policies on valuation of financial assets.

The key audit procedures we performed included:

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

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 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 consolidated financial statements as of December 31, 2016 and for the year then ended 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 5% of the Corporation and its subsidiaries' 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 5% of the Corporation and its subsidiaries' total comprehensive income, for the years ended December 31, 2017 and 2016.

We have also audited the standalone financial statements of China Steel Corporation as of and for the years ended December 31, 2017 and 2016 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation and its subsidiaries' 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 and its subsidiaries 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 and its subsidiaries' financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 and its subsidiaries' 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 and its subsidiaries' 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 consolidated 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 and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Corporation and its subsidiaries 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 consolidated 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

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. As stated in Note 4 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2017		December 31, 2016	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 12,856,662	2	$ 15,467,768	2
Financial assets at fair value through profit or loss - current (Notes 4, 5 and 7)	4,910,644	1	3,288,349	1
Available-for-sale financial assets - current (Notes 4, 5 and 8)	2,186,156	-	2,806,737	-
Derivative financial assets for hedging - current (Notes 4 and 10)	54,131	-	36,784	-
Notes receivable (Notes 4 and 11)	1,797,938	-	1,233,769	-
Notes receivable - related parties (Notes 4, 11 and 32)	309,587	-	384,078	-
Accounts receivable, net (Notes 4 and 11)	14,311,437	2	11,463,575	2
Accounts receivable - related parties (Notes 4, 11 and 32)	355,077	-	499,185	-
Amounts due from customers for construction contracts (Notes 4 and 12)	9,400,960	2	8,472,037	1
Other receivables (Notes 4 and 32)	1,636,999	-	1,382,410	-
Current tax assets (Note 28)	181,204	-	139,482	-
Inventories (Notes 4, 5 and 13)	87,963,760	13	79,489,138	12
Non-current assets held for sale (Note 4)	212,780	-	-	-
Other financial assets - current (Notes 4, 16 and 33)	10,752,021	2	11,833,708	2
Other current assets	4,051,059	1	3,558,170	1
Total current assets	150,980,415	23	140,055,190	21
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 8)	58,383,988	9	26,306,913	4
Held-to-maturity financial assets - noncurrent (Notes 4 and 9)	129,750	-	222,669	-
Derivative financial assets for hedging - noncurrent (Notes 4 and 10)	16,237	-	3,354	-
Debt investments with no active market - noncurrent (Notes 4 and 14)	1,854,343	-	1,932,814	-
Investments accounted for using equity method (Notes 4 and 15)	14,729,813	2	49,528,952	7
Property, plant and equipment (Notes 4, 17 and 33)	413,821,236	62	430,849,587	64
Investment properties (Notes 4, 18 and 33)	10,956,078	2	10,316,142	2
Intangible assets (Note 4)	1,938,180	-	2,488,714	-
Deferred tax assets (Notes 4 and 28)	6,192,780	1	5,372,981	1
Refundable deposits (Note 4)	700,646	-	566,022	-
Other financial assets - noncurrent (Notes 4, 16 and 33)	2,623,741	-	3,393,174	-
Other noncurrent assets	5,388,672	1	5,085,281	1
Total noncurrent assets	516,735,464	77	536,066,603	79
TOTAL	$ 667,715,879	100	$ 676,121,793	100

	December 31, 2017		December 31, 2016	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft (Notes 19 and 33)	$ 35,326,058	5	$ 35,905,740	5
Short-term bills payable (Note 19)	24,635,582	4	16,632,100	2
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	247	-	4,941	-
Derivative financial liabilities for hedging - current (Notes 4 and 10)	48,218	-	37,609	-
Notes payable	1,188,154	-	851,631	-
Accounts payable (Note 21)	13,261,485	2	12,484,269	2
Accounts payable - related parties (Notes 21 and 32)	37,377	-	536,544	-
Amounts due to customers for construction contracts (Notes 4 and 12)	5,426,228	1	3,853,724	1
Other payables (Notes 22 and 32)	23,155,371	3	21,437,649	3
Current tax liabilities (Note 28)	3,127,173	-	2,129,043	-
Provisions - current (Notes 4 and 23)	4,042,476	-	4,324,106	1
Current portion of bonds payable (Notes 4 and 20)	11,198,974	2	5,212,668	1
Current portion of long-term bank borrowings (Notes 19 and 33)	18,549,055	3	16,210,014	2
Other current liabilities	4,323,642	1	3,530,170	1
Total current liabilities	144,320,040	21	123,150,208	18
NONCURRENT LIABILITIES				
Derivative financial liabilities for hedging - noncurrent (Notes 4 and 10)	210,325	-	36,065	-
Bonds payable (Notes 4 and 20)	83,852,513	13	95,037,294	14
Long-term bank borrowings (Notes 19 and 33)	57,047,876	9	70,329,355	10
Long-term bills payable (Note 19)	27,613,159	4	36,626,165	6
Provisions - noncurrent (Notes 4 and 23)	835,048	-	815,694	-
Deferred tax liabilities (Notes 4 and 28)	12,205,775	2	12,261,289	2
Net defined benefit liabilities (Notes 4 and 24)	8,321,780	1	6,901,619	1
Other noncurrent liabilities	1,357,376	-	1,384,411	-
Total noncurrent liabilities	191,443,852	29	223,391,892	33
Total liabilities	335,763,892	50	346,542,100	51
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 25)				
Share capital				
Ordinary shares	157,348,610	24	157,348,610	23
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	24	157,731,290	23
Capital surplus	38,211,082	6	37,807,466	6
Retained earnings				
Legal reserve	61,538,216	9	59,934,379	9
Special reserve	27,655,869	4	29,786,846	4
Unappropriated earnings	20,033,060	3	17,196,041	3
Total retained earnings	109,227,145	16	106,917,266	16
Other equity	7,372,935	1	8,680,706	1
Treasury shares	(8,532,389)	(1)	(8,576,842)	(1)
Total equity attributable to owners of the Corporation	304,010,063	46	302,559,886	45
NON-CONTROLLING INTERESTS	27,941,924	4	27,019,807	4
Total equity	331,951,987	50	329,579,693	49
TOTAL	$ 667,715,879	100	$ 676,121,793	100

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

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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, 26, 32 and 36)	$ 347,012,002	100	$ 293,055,804	100
OPERATING COSTS (Notes 13, 27 and 32)	307,672,853	89	253,332,496	87
GROSS PROFIT	39,339,149	11	39,723,308	13
OPERATING EXPENSES				
Selling and marketing expenses	5,407,932	1	4,950,440	2
General and administrative expenses	6,940,039	2	7,165,255	2
Research and development expenses	2,069,549	1	2,175,992	1
Total operating expenses	14,417,520	4	14,291,687	5
PROFIT FROM OPERATIONS	24,921,629	7	25,431,621	8
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 27 and 32)	1,778,303	1	1,471,380	-
Other gains and losses (Notes 27 and 32)	745,573	-	(523,311)	-
Finance costs (Note 27)	(3,717,893)	(1)	(3,816,641)	(1)
Share of the profit of associates	(324,315)	-	(663,882)	-
Total non-operating income and expenses	(1,518,332)	-	(3,532,454)	(1)
PROFIT BEFORE INCOME TAX	23,403,297	7	21,899,167	7
INCOME TAX (Notes 4 and 28)	2,972,107	1	2,711,843	1
NET PROFIT FOR THE YEAR	20,431,190	6	19,187,324	6
OTHER COMPREHENSIVE INCOME (Notes 4, 24, 25 and 28)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(1,500,451)	-	(1,166,886)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	236,316	-	182,490	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(2,073,572)	(1)	(1,827,100)	(1)

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
Unrealized gains and losses on available-for-sale financial assets	$ 979,157	-	$ 1,900,382	1
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(198,511)	-	(164,285)	-
Share of the other comprehensive income (loss) of associates	(828,695)	-	(186,690)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	87,480	-	86,036	-
Other comprehensive loss for the year, net of income tax	(3,298,276)	(1)	(1,176,053)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 17,132,914	5	$ 18,011,271	6
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 16,905,588	5	$ 16,038,369	6
Non-controlling interests	3,525,602	1	3,148,955	1
	$ 20,431,190	6	$ 19,187,324	7
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 14,430,315	4	$ 15,950,850	5
Non-controlling interests	2,702,599	1	2,060,421	1
	$ 17,132,914	5	$ 18,011,271	6
EARNINGS PER SHARE (Note 29)				
Basic	$ 1.09		$ 1.04	
Diluted	$ 1.09		$ 1.03	

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation													
							Other Equity							
	Share Capital			Retained 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		Total Equity Attributable to Owners of the Corporation		
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings					Treasury Shares		Non-controlling Interests	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	$ 26,404,014	$ 320,724,833
Appropriation of 2015 earnings (Note 25)														
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)	-	(7,867,430)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(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	3,148,955	19,187,324
Other comprehensive income 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)	(1,088,534)	(1,176,053)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	15,194,552	(1,230,844)	2,077,225	(90,083)	756,298	-	15,950,850	2,060,421	18,011,271
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	159,065	-	-	-	-	-	-	-	-	159,065	96,945	256,010
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,541,573)	(1,541,573)
Adjustment of other equity	-	-	36,374	-	-	12,981	-	-	-	-	802	50,157	-	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	27,019,807	329,579,693
Appropriation of 2016 earnings (Note 25)														
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)	-	(13,374,632)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(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	3,525,602	20,431,190
Other comprehensive income 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)	(823,003)	(3,298,276)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	15,738,086	(2,078,545)	964,290	(193,516)	(1,307,771)	-	14,430,315	2,702,599	17,132,914
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	(19,595)	(19,595)	(19,249)	(38,844)
Disposal of the Corporation's shares held by subsidiaries accounted for as treasury shares	-	-	28,066	-	-	-	-	-	-	-	64,048	92,114	21,905	114,019
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	267,245	-	-	-	-	-	-	-	-	267,245	163,931	431,176
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,947,069)	(1,947,069)
Adjustment of other equity	-	-	108,305	-	-	-	-	-	-	-	-	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	$ 27,941,924	$ 331,951,987

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

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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	$ 23,403,297	$ 21,899,167
Adjustments for:		
Depreciation expense	34,529,292	35,691,883
Amortization expense	346,646	371,594
Net gain on financial assets and liabilities at fair value through profit or loss	(382,240)	(38,984)
Finance costs	3,717,893	3,816,641
Interest income	(290,218)	(317,940)
Dividend income	(586,347)	(574,258)
Share of the profit of associates	254,202	581,025
Gain on disposal of property, plant and equipment	(75,446)	(335,742)
Gain on disposal of intangible assets	(2,741)	(2,741)
Gain on disposal of investments	(1,410,097)	(1,288,242)
Impairment loss recognized on financial assets	784,146	699,784
Impairment loss recognized on nonfinancial assets	829,398	148,168
Reversal of loss on inventories	(880,774)	(3,970,141)
Recognition of provisions	8,948,686	8,665,856
Others	71,743	80,617
Changes in operating assets and liabilities		
Financial instruments held for trading	(92,049)	(296,414)
Notes receivable	(564,169)	(26,983)
Notes receivable - related parties	74,491	(126,073)
Accounts receivable	(2,820,725)	(930,908)
Accounts receivable - related parties	144,252	(50,988)
Amounts due from customers for construction contracts	(928,923)	295,306
Other receivables	(187,347)	38,119
Inventories	(7,729,846)	(6,612,449)
Other current assets	(492,889)	(61,464)
Notes payable	336,523	296,145
Accounts payable	777,216	4,585,809
Accounts payable - related parties	(499,167)	280,413
Amounts due to customers for construction contracts	1,572,504	(261,446)
Other payables	1,946,119	2,591,463
Provisions	(9,237,518)	(7,522,566)
Other current liabilities	793,500	(166,259)
Net defined benefit liabilities	(80,290)	(50,764)
Cash generated from operations	52,269,122	57,407,628
Income taxes paid	(2,797,644)	(2,226,223)
Net cash generated from operating activities	49,471,478	55,181,405

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	$ (4,415,691)	$ (3,263,329)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	3,188,616	3,714,862
Acquisition of available-for-sale financial assets	(1,466,827)	(2,570,588)
Proceeds from disposal of available-for-sale financial assets	2,634,032	4,266,220
Proceeds from the capital reduction on available-for-sale financial assets	23,728	16,840
Purchases of debt investments with no active market	(18,451)	(24,269)
Proceeds from disposal of debt investments with no active market	20,000	120,419
Acquisition of held-to-maturity financial assets	-	(19,480)
Proceeds from disposal of held-to-maturity financial assets	-	77,236
Acquisition of investments accounted for using equity method	(1,226,596)	(11,100,850)
Proceeds from disposal of investments accounted for using equity method	240,791	178,384
Disposal of subsidiaries	13,021	-
Acquisition of property, plant and equipment	(21,812,961)	(19,618,793)
Proceeds from disposal of property, plant and equipment	336,150	895,675
Increase in refundable deposits	(134,624)	(86,735)
Acquisition of intangible assets	(39,082)	(382,402)
Acquisition of investment properties	(614,852)	(339,112)
Decrease (increase) in other financial assets	1,888,676	(289,219)
Decrease in other noncurrent assets	671,269	392,851
Interest received	297,593	332,908
Dividends received from associates	660,524	289,575
Dividends received from others	601,667	558,902
Net cash used in investing activities	(19,153,017)	(26,850,905)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	254,690,716	286,529,045
Repayments of short-term borrowings	(255,597,380)	(283,521,183)
Increase in short-term bills payable	255,688,593	501,168,607
Decrease in short-term bills payable	(247,685,111)	(516,177,793)
Issuance of bonds payable	-	5,400,000
Repayments of bonds payable	(5,213,643)	(4,699,300)
Proceeds from long-term bank borrowings	26,710,000	57,902,133
Repayments of long-term bank borrowings	(34,033,111)	(76,915,897)
Increase in long-term bills payable	7,777,423	179,932,318
Decrease in long-term bills payable	(16,790,429)	(167,766,032)
Increase (decrease) in other noncurrent liabilities	(20,001)	45,656
Dividends paid to owners of the Corporation	(13,264,276)	(7,815,051)
Acquisition of the Corporation’s shares by subsidiaries	(38,844)	-

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2017	**2016**
Disposal of the Corporation's shares by subsidiaries	$ 114,019	$ -
Interest paid	(3,954,803)	(4,032,834)
Decrease in non-controlling interests	(1,947,069)	(1,541,573)
Net cash used in financing activities	(33,563,916)	(31,491,904)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(211,212)	(553,340)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,456,667)	(3,714,744)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	13,340,196	17,054,940
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 9,883,529	$ 13,340,196
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2017 and 2016:		
Cash and cash equivalents in the consolidated balance sheets	$ 12,856,662	$ 15,467,768
Bank overdraft	(2,973,133)	(2,127,572)
Cash and cash equivalents in the consolidated statements of cash flows	$ 9,883,529	$ 13,340,196

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 and its subsidiaries, including China Steel Structure Co., Ltd., China Steel Chemical Corporation, CHC Resources Corporation, China Ecotek Corporation and Chung Hung Steel Corporation Ltd., have been listed on the Taiwan Stock Exchange. The shares of the subsidiary Thintech Materials Technology Co., Ltd. have been traded on the Taipei Exchange. The subsidiary Dragon Steel Corporation has issued shares to the public.

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

3. APPLICATION OF NEW AND AMENDED 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 and its subsidiaries' accounting policies:

   1) Amendments to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

      The amendments clarify 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 and its subsidiaries are 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 and its subsidiaries, or is the spouse or second immediate family of the chairman of the board of directors or president of the Corporation and its subsidiaries, 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 and its subsidiaries have significant transactions. If the transaction amount or balance with a specific related party is 10% or more of the Corporation and its subsidiaries' respective total transaction amount or balance, such transactions should be separately disclosed by the name of each related party.

The amendments also require additional disclosure if there is a significant difference between the actual operation conditions after a business combination and the expected benefits at the acquisition date.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 32 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.

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 and its subsidiaries’ 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 and its subsidiaries 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 and its subsidiaries 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; in some subsidiaries, available-for-sale will be designated as at fair value through profit or loss.

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. In some subsidiaries, debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

c) Mutual funds classified as available-for-sale held by some subsidiaries will be classified as at fair value through profit or loss because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments; part of the subsidiaries investment in debt investments classified as held-to-maturity financial assets will be classified as at fair value through other comprehensive income under IFRS 9, because on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The loss allowance is required for financial assets measured at amortized cost, debt investments measured at FVTOCI, 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 trade receivables that do not constitute a financing transaction.

For originated credit-impaired financial assets, the Corporation and its subsidiaries take 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 and its subsidiaries have performed a preliminary assessment that the Corporation and its subsidiaries will apply the simplified approach to recognize lifetime expected credit losses for trade receivables, contract assets and lease receivables. In relation to the debt instrument investment and the financial guarantee contracts, the Corporation and its subsidiaries 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. In general, the Corporation and its subsidiaries anticipate that the application of the expected credit losses model of IFRS 9 will result in an earlier recognition of credit losses for financial assets.

The Corporation and its subsidiaries elect not to restate prior reporting periods when applying the recognition, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application.

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 and its subsidiaries’ 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 and its subsidiaries 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 Group 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 and its subsidiaries and its subsidiaries regularly sell 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).

If the customer has retained a portion of payment to the Corporation and its subsidiaries in accordance with the terms of the contract in order to protect the customer from the contractor’s possible failure to adequately complete its obligations under the contract, such payment arrangement does not include a significant financing component and is recognized as a contract asset before the contractual obligation is completed under IFRS 15. Currently, any retention receivable under a construction contract is recognized as a receivable and is discounted to reflect the time value of money in accordance with IAS 39.

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 and its subsidiaries 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 and its subsidiaries recognize 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 a contract with a customer becomes onerous, the Corporation and its subsidiaries 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 and its subsidiaries elect 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 and its subsidiaries 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 9 and IFRS 15 on January 1, 2018 is detailed 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 profit or loss - current	$ 4,910,644	$ 307,459	$ 5,218,103
Financial assets at fair value through other comprehensive income - current	-	1,878,697	1,878,697
Available-for-sale financial assets - current	2,186,156	(2,186,156)	-
Derivative financial assets for hedging - current	54,131	(54,131)	-
Financial assets for hedging - current	-	1,988,630	1,988,630
Contract assets - current	-	9,853,404	9,853,404
Accounts receivable, net	14,311,437	(5,913)	14,305,524
Amounts due from customers for construction contracts	9,400,960	(9,400,960)	-
Inventories	87,963,760	85,039	88,048,799
Other financial assets - current	10,752,021	(1,934,499)	8,817,522
Financial assets at fair value through profit or loss - noncurrent	-	2,015,603	2,015,603
Financial assets at fair value through other comprehensive income - noncurrent	-	58,005,745	58,005,745
Available-for-sale financial assets - noncurrent	58,383,988	(58,383,988)	-
Held-to-maturity financial assets - noncurrent	129,750	(129,750)	-
Derivative financial assets for hedging - noncurrent	16,237	(16,237)	-
Financial assets measured at amortized cost - noncurrent	-	120,312	120,312
Financial assets for hedging - noncurrent	-	16,237	16,237
Debt investments with no active market - noncurrent	1,854,343	(1,854,343)	-
Deferred tax assets	6,192,780	(217,793)	5,974,987
Total effect on assets	$ 196,156,207	$ 87,356	$ 196,243,563
Short-term borrowings and bank overdraft	$ 35,326,058	$ 193,132	$ 35,519,190
Derivative financial liabilities for hedging - current	48,218	(48,218)	-
Financial liabilities for hedging - current	-	9,908,833	9,908,833
Contract liabilities - current	-	7,040,043	7,040,043
Amounts due to customers for construction contracts	5,426,228	(5,426,228)	-
Other payables	23,155,371	(1,549,825)	21,605,546
Provisions - current	4,042,476	1,262,557	5,305,033

(Continued)

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
Current portion of long-term bank borrowings	$ 18,549,055	$ (9,860,615)	$ 8,688,440
Refund liabilities - current	-	1,582,200	1,582,200
Other current liabilities	4,323,642	(2,579,786)	1,743,856
Derivative financial liabilities for hedging - noncurrent	210,325	(210,325)	-
Financial liabilities for hedging - noncurrent	-	20,863,345	20,863,345
Contract liabilities-noncurrent	-	76,230	76,230
Long-term bank borrowings	57,047,876	(20,653,020)	36,394,856
Deferred tax liabilities	12,205,775	2,549	12,208,324
Other noncurrent liabilities	1,357,376	(76,925)	1,280,451
Total effect on liabilities	$ 161,692,400	$ 523,947	$ 162,216,347
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
Non-controlling interests	27,941,924	(14,538)	27,927,386
Total effect on equity	$ 144,542,004	$ (436,591)	$ 144,105,413

(Concluded)

3) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendments clarify that the difference between the carrying amount of a debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the subsidiary expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Corporation and its subsidiaries should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendments also stipulate that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the subsidiary’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the subsidiary will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

In assessing a deferred tax asset, the subsidiary currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit. The amendments will be applied retrospectively in 2018.

4) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the subsidiary should transfer to, or from, investment property when, and only when, a property meets, or ceases to meet, the definition of investment property and there is evidence of a change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that evidence of a change in use is not limited to those illustrated in IAS 40.

The subsidiary will reclassify property as necessary according to the amendments to reflect the conditions that exist at January 1, 2018. In addition, the subsidiary will disclose the reclassified amounts in 2018 and the reclassified amounts of January 1, 2018 should be included in the reconciliation of the carrying amount of investment property.

Except for the above impacts, as of the date the consolidated financial statements were issued by the board of directors, the Corporation and its subsidiaries assessed that there would be no material impact of the initial application of other standards and the amendments to interpretations on their 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) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Corporation and its subsidiaries sell or contribute assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Corporation and its subsidiaries lose control of a subsidiary that contains a business but retain significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Corporation and its subsidiaries sell or contribute assets that do not constitute a business as defined in IFRS 3 to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated. Also, when the Corporation and its subsidiaries lose control of a subsidiary that does not contain a business but retain significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate or joint venture, i.e. the entity's share of the gain or loss is eliminated.

2) 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 and its subsidiaries are lessee, they shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Corporation and its subsidiaries 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 consolidated statements of comprehensive income, the Corporation and its subsidiaries 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 consolidated 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 consolidated financial statements.

When IFRS 16 becomes effective, the Corporation and its subsidiaries 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 and its subsidiaries are still assessing the effect of the initial application of the standard as lessee.

3) IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Corporation and its subsidiaries should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Corporation and its subsidiaries conclude that it is probable that the taxation authority will accept an uncertain tax treatment, the Corporation and its subsidiaries 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 and its subsidiaries 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 and its subsidiaries have to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Corporation and its subsidiaries 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 issued by the board of directors, the Corporation and its subsidiaries are 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 consolidated 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 consolidated financial statements shall prevail. However, the accompanying consolidated 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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

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

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

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 used for an exchange or used to settle a liability for more than twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities expected to be settled within twelve 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 consolidated financial statements are authorized for issue; and

3) Liabilities without an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

For the Corporation and its subsidiaries' construction-related business, which has an operating cycle of over one year, the length of the operating cycle is the basis for classifying the Corporation and its subsidiaries' construction assets and liabilities as current or noncurrent.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation. All intra-Corporation and its subsidiaries transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Corporation's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

The consolidated entities were as follows:

			Percentage of Ownership (%)		
Investor	**Investee**	**Main Businesses**	**December 31, 2017**	**December 31, 2016**	**Additional Descriptions**
China Steel Corporation	China Steel Express Corporation (CSE)	Ocean freight forwarding and bulk shipping transportation	100	100	
	C. S. Aluminium Corporation (CSAC)	Production and sale of aluminum and other non-ferrous metal	100	100	
	Gains Investment Corporation (GIC)	General investment	100	100	
	China Prosperity Development Corporation (CPDC)	Land and commercial real estate sale, rental and development service	100	100	
	China Steel Asia Pacific Holdings Pte Ltd (CSAPH)	General investment	100	100	
	China Steel Global Trading Corporation (CSGT)	Steel product agency and trading service	100	100	
	China Steel Machinery Corporation	Manufacture and sale of machinery and equipment for railroad, transportation and generator	74	74	Direct and indirect ownerships amounted to 100%
	China Steel Security Corporation	Guard security and system security	100	100	
	InfoChamp Systems Corporation (ICSC)	Design and sale of IT hardware and software	100	100	
	CSC Steel Australia Holdings Pty Ltd. (CSCAU)	General investment	100	100	
	Himag Magnetic Corporation	Manufacture and sale of magnetic material, special usage chemicals and ferric iron oxide	69	69	Direct and indirect ownerships amounted to 88%
	Dragon Steel Corporation (DSC)	Manufacture and sale of steel product	100	100	
	China Steel Management Consulting Corporation	Business management consultant	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2017	Percentage of Ownership (%) December 31, 2016	Additional Descriptions
	China Ecotek Corporation (CEC)	Electrical engineering and co-generation	45	45	Refer to 1) below
	China Steel Chemical Corporation (CSCC)	Production and sale of coal chemistry and specialty chemicals	29	29	Refer to 1) below
	Chung Hung Steel Corporation Ltd. (CHSC)	Manufacture and sale of steel product	41	41	Refer to 1) below
	CHC Resources Corporation (CHC)	Manufacture and sale of slag powder, air - cooled blast - furnace slag and basic - oxygen - furnace slag, treatment and disposal of hazardous waste and recovery of materials	20	20	Direct and indirect ownerships amounted to 36%, and refer to 1) below
	China Steel Structure Co., Ltd. (CSSC)	Design, manufacture and sale of steel structure	33	33	Direct and indirect ownerships amounted to 37%, and refer to 1) below
	China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Manufacture and sale of steel product	56	56	
	China Steel Corporation India Pvt. Ltd. (CSCI)	Manufacture and sale of steel product (electromagnetic steel coil)	100	100	
	Kaohsiung Rapid Transit Corporation (KRTC)	Public Rapid Transit	43	43	Direct and indirect ownerships amounted to 51%
	China Steel Resources Corporation	Manufacture of other non-metallic mineral products	100	100	
	CSC Precision Metal Industrial Corporation	Other non-ferrous metal basic industries	100	100	
	Eminent Venture Capital Corporation (EVCC)	General investment	-	-	Indirect ownership was 55%
	White Biotech Corporation (WBC)	Biology introduction and development	87	87	
	CSC Solar Corporation	Solar power generation	55	55	Direct and indirect ownerships amounted to 100%
China Steel Express Corporation	CSE Transport Corporation (Panama) (CSEP)	Ocean freight forwarding	100	100	
	CSEI Transport Corporation (Panama) (CSEIP)	Ocean freight forwarding	100	100	
	Transyang Shipping Pte Ltd (TSP)	Ocean freight forwarding	51	51	
	Transglory Investment Corporation (TIC)	General investment	50	50	Direct and indirect ownerships amounted to 100%
	Kaohsiung Port Cargo Handling Services Corporation	Cargo Stevedoring	66	66	
C.S. Aluminium Corporation	ALU Investment Offshore Corporation	General investment	100	100	
ALU Investment Offshore Corporation	United Steel International Development Corporation	General investment	65	65	Direct and indirect ownerships amounted to 79%
United Steel International Development Corporation	Ningbo Huayang Aluminium-Tech Co., Ltd.	Manufacture and sale of aluminum alloy material	100	100	
Gains Investment Corporation	Eminence Investment Corporation	General investment	100	100	
	Gainsplus Asset Management Inc.	General investment	100	100	
	Winning Investment Corporation (WIC)	General investment	49	49	Direct and indirect ownerships amounted to 58%
	Mentor Consulting Corporation	Consulting service of management	100	100	
	Betacera Inc. (BETA)	Manufacture and trading of electronic ceramics	48	48	Refer to 1) below
	Universal Exchange Inc.	Wholesale of information software and electronic information supply service	64	64	Direct and indirect ownerships amounted to 99%
	Thintech Materials Technology Co., Ltd. (TMTC)	Manufacture and sale of metal sputter targets	32	32	Direct and indirect ownerships amounted to 40%, and refer to 2) below
Eminence Investment Corporation	Shin-Mau Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Gau Ruel Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2017	Percentage of Ownership (%) December 31, 2016	Additional Descriptions
	Ding Da Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Chiun Yu Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%
Shin-Mau Investment Corporation	Horng Chyuan Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
	Chii Yih Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
Gau Ruel Investment Corporation	Lih Ching Loong Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
	Sheng Lih Dar Investment Corporation	General investment	4	4	Direct and indirect ownerships amounted to 100%
Ding Da Investment Corporation	Jiing Cherng Fa Investment Corporation	General investment	4	4	Direct and indirect ownerships amounted to 100%
Betacera Inc.	Lefkara Ltd.	Electronic ceramics trading	100	100	
Lefkara Ltd.	Shang Hai Xike Ceramic Electronic Co., Ltd.	Manufacture and sale of electronic ceramics	100	100	
	Betacera (Su Zhou) Co., Ltd.	Manufacture and sale of electronic ceramics	100	100	
	Suzhou Betacera Technology Co., Ltd.	Manufacture and sale of life-saving equipment for aviation and shipping	100	100	
Thintech Materials Technology Co., Ltd.	Thintech International Limited	International trading and investment service	-	100	End of settlement in July 2017
	Thintech Global Limited	International trading and investment service	100	100	
	Thintech United Limited	International trading and investment service	100	100	
Thintech International Limited	Nantong Zhongxing Materials Technology Co., Ltd. (NZMTCL)	Manufacture new compound metal material and vacuum sputtering targets	-	47	End of settlement in April 2017
Thintech Global Limited	Taicang Thintech Materials Co., Ltd.	Process and sale of targets and electro conductive slurry	100	100	
Thintech United Limited	Thintech United Metal Resources (Taicang) Co., Ltd.	Refining, sale and process of metal	84	84	
China Prosperity Development Corporation	CK Japan Co., Ltd.	Real estate sale and rental	80	80	Direct and indirect ownerships amounted to 100%
China Steel Asia Pacific Holdings Pte Ltd	CSC Steel Holdings Berhad (CSHB)	General investment	46	46	Refer to 1) below
	Changzhou China Steel Precision Materials Co., Ltd. (CCSPMC)	Manufacture and sale of titanium-nickel alloy and non-ferrous metal	70	70	
	China Steel Precision Metals - Qingdao Co., Ltd. (QCSPMC)	Steel cutting and processing	60	60	Direct and indirect ownerships amounted to 70%
	United Steel International Co., Ltd.	General investment	80	80	Direct and indirect ownerships amounted to 100%
	CSC Bio-Coal Sdn. Bhd.	Manufacture bio-coal from bio-mass	-	100	Disposal in September 2017
CSC Steel Holdings Berhad	CSC Steel Sdn. Bhd. (CSCSSB)	Manufacture and sale of steel product	100	100	
	Group Steel Corp. (M) Sdn. Bhd.	Manufacture and sale of steel product	100	100	
CSC Steel Sdn. Bhd.	Constant Mode Sdn. Bhd.	General investment	100	100	
United Steel International Co., Ltd.	China Steel Precision Metals Kunshan Co., Ltd. (CSMK)	Steel cutting and processing	100	100	Renamed in September 2017, the former name was United Steel Engineering and Construction Co., Ltd.
China Steel Global Trading Corporation	Chung Mao Trading (SAMOA) Co., Ltd.	Investment and trading service	100	100	
	CSGT (Singapore) Pte. Ltd.	Steel product agency and trading service	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2017	Percentage of Ownership (%) December 31, 2016	Additional Descriptions
	Chung Mao Trading (BVI) Co., Ltd.	Steel product agency and trading service	65	65	
	Wabo Global Trading Corporation	Steel product agency and trading service	44	44	Direct and indirect ownerships amounted to 50%
	CSGT International Corporation	Investment and trading service	100	100	
Chung Mao Trading (SAMOA) Co., Ltd.	CSGT (Shanghai) Co., Ltd.	Steel product agency and trading service	100	100	
Chung Mao Trading (BVI) Co., Ltd.	CSGT Hong Kong Limited	Steel product agency and trading service	100	100	
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company	Steel cutting and processing	54	54	Direct and indirect ownerships amounted to 60%
	CSGT Trading India Private Limited	Steel product agency and trading service	99	99	Direct and indirect ownerships amounted to 100%
Wabo Global Trading Corporation	CSGT Japan Co., Ltd.	Steel product agency and trading service	100	100	
China Steel Machinery Corporation	China Steel Machinery Holding Corporation	General investment	100	100	
	China Steel Machinery Vietnam Co., Ltd.	Installation and technology service of machinery and equipment	100	100	
	China Steel Machinery Corporation India Private Limited	Manufacture of machinery	99	99	Direct and indirect ownerships amounted to 100%
China Steel Machinery Holding Corporation	CSMC (Shanghai) Global Trading Co., Ltd.	Wholesale and retail trade	100	100	
China Steel Security Corporation	Steel Castle Technology Corporation	Fire Fighting Equipments Construction	100	100	
	China Steel Management and Maintenance for Buildings Corporation	Building management	100	100	
InfoChamp Systems Corporation	Info-Champ System (B.V.I) Corporation	General investment	100	100	
Info-Champ System (B.V.I) Corporation	Wuham InfoChamp I.T. Co., Ltd.	Software programming	100	100	
CSC Steel Australia Holdings Pty Ltd.	CSC Sonoma Pty. Ltd.	Coal investment	100	100	
Himag Magnetic Corporation	Himag Magnetic (Belize) Corporation	Magnetic powder trading	-	100	End of settlement in June 2017
	Magnpower Corporation	Manufacture and sale of permanent magnetic ferrite	55	55	
China Ecotek Corporation	CEC International Co.	General investment	100	100	
	CEC Development Co.	General investment	100	100	
	CEC Holding Co., Ltd.	General investment	100	100	
	China Ecotek Construction Corporation	Engineering	100	100	
CEC International Co.	China Ecotek India Private Limited	Engineering design and construction	100	100	
CEC Development Co.	China Ecotek Vietnam Company Ltd. (CEVC)	Engineering design and construction	100	100	
	Xiamen Ecotek PRC Co., Ltd.	Metal materials agency and trading service	100	100	
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	International trading	100	100	
	Ever Wealthy International Corporation	General investment	100	100	
	Formosa Ha Tinh CSCC (Cayman) International Limited	International trading	50	50	
Ever Wealthy International Corporation	China Steel Carbon Materials Technology Co., Ltd.	General investment	100	100	
China Steel Carbon Materials Technology Co., Ltd.	Changzhou China Steel New Materials Technology Co., Ltd.	Processing and trading of mesocarbon microbeads powder	100	100	
Chung Hung Steel Corporation Ltd.	Taiwan Steel Corporation (TSC)	Metal smelting	100	100	
	Hung Kao Investment Corporation	General investment	100	100	
	Hung Li Steel Corporation Ltd. (HLSC)	Steel product processing	100	100	
CHC Resources Corporation	Union Steel Development Corp.	Manufacture and trade of metal powder and refractory materials, and trade and manpower dispatch	93	93	
	Pao Good Industrial Co., Ltd.	Fly ash and cement dry mixing processing and trading	51	51	
	Yu Cheng Lime Corporation	Real estate leasing and raw material tally	90	90	
	CHC Resources Vietnam Co., Ltd.	Sales affairs of GBFS and cooperative work of steel mill	85	85	
China Steel Structure Co., Ltd.	United Steel Engineering & Construction Corp.	Contract project of civil engineering and construction engineering, and steel structure installation	100	100	
	China Steel Structure Investment Pte Ltd.	General investment	100	100	
United Steel Engineering & Construction Corp.	United Steel Investment Pte Ltd.	General investment	100	100	
	United Steel Construction (Vietnam) Co., Ltd.	Civil engineering construction and other business contract and management	100	100	
	United Steel Development Co., Ltd.	House and construction development and real estate sale and rental business	100	100	
China Steel Structure Investment Pte Ltd.	China Steel Structure Holding Co., Ltd.	General investment	63	63	Direct and indirect ownerships amounted to 100%

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2017	Percentage of Ownership (%) December 31, 2016	Additional Descriptions
China Steel Structure Holding Co., Ltd.	China Steel Structure Investment Co., Ltd.	General investment	100	100	
China Steel Structure Investment Co., Ltd.	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Manufacture, installation and consulting of steel structure and steel cutting	100	100	
White Biotech Corporation (WBC)	Renewable Energy Biotech Corp.	Manufacture and sale of alcohol	100	100	Started the liquidation procedures in December 2017

(Concluded)

1) Explanations for subsidiaries which are less than 50% owned but included in the consolidated entities are as follows:

   a) The actual operations of CEC, CSCC, CHSC, CHC, CSSC and BETA are controlled by the respective board of directors. The Corporation and other subsidiaries jointly had more than half of the seats in the board of directors of CEC, CSCC, CHSC, CHC, CSSC and BETA. The actual operation of CSHB is also controlled by the board of directors. The Corporation's subsidiaries had control of more than half of the voting rights in the board of directors. Therefore, the Corporation had control-in-substance over the aforementioned entities and included them in the consolidated entities.

   b) The chairman and general manager of TMTC are designated by other subsidiaries in order to control its finance, operation, and human resources. Therefore, the Corporation had control-in-substance over TMTC and included it in the consolidated entities.

2) The subsidiary, China Steel Machinery Corporation, acquired 50% of shareholding in Senergy Wind Power Co., Ltd. Under the shareholders' agreement, the subsidiary China Steel Machinery Corporation and the other shareholder of the company each hold half of the seats in the board of directors, respectively. The chairman of the board of directors and chief executive officer are served in turns and actual operations should be approved by more than half of the seats in the board of directors. Thus, the Corporation and its subsidiaries have no control over the company. The management of the Corporation and its subsidiaries, however, believe that they are able to exercise significant influence over the company and therefore classified the company as an associate of the Corporation and its subsidiaries.

3) The Corporation had no subsidiary with material non-controlling interests.

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests are initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

When a business combination is achieved in stages, the Corporation and its subsidiaries' previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are recognized on the same basis as would be required if that interest were directly disposed of by the Corporation and its subsidiaries.

f. Foreign currencies

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity'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 rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the year 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 included in profit or loss for the year except for exchange differences 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 purpose of presenting consolidated financial statements, the functional currencies of the Corporation's entities (including subsidiaries and associates in other countries that use currency different from the currency of the Corporation) 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 period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Corporation and its subsidiaries' entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation 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 re-attributed to non-controlling interests of the subsidiary and is 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.

g. Inventories

Inventories manufactured or traded by the Corporation and its subsidiaries 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 or weighted-average cost.

Besides the goods manufactured or traded by the Corporation and its subsidiaries, inventories also include buildings and lands under construction and prepayment for land.

The cost of buildings construction is calculated by each different construction project. The expenditure on land before acquiring land ownership is recorded as prepayment for land. The construction and other costs after acquiring land ownership are recognized as construction in progress, which will be transferred to property held for sale after the completion, and transferred to operating costs based on the ratio of area sold to total area when the lands and buildings are sold and the criteria of revenue recognition were met.

Before the transfer of land ownership and the completion of construction, interest arising from land purchase and cost of construction in progress (including costs of lands and constructions) is capitalized and recorded as acquisition cost of land and construction cost.

h. Investment in associates

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

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

Any excess of the cost of acquisition over the Corporation and its subsidiaries' 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 Corporation and its subsidiaries' 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 and its subsidiaries subscribe 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 and its subsidiaries' proportionate interest in the associate. The Corporation and its subsidiaries record such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Corporation and its subsidiaries' share of equity of associates. If the Corporation and its subsidiaries' 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 a deduction to capital surplus, but the capital surplus recognized from investments accounted for using equity method is insufficient, the shortage is deducted from retained earnings.

When the Corporation and its subsidiaries' share of losses of an associate equal or exceed their 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 and its subsidiaries' net investment in the associate), the Corporation and its subsidiaries discontinue recognizing their share of further losses. Additional losses and liabilities are recognized only to the extent that the Corporation and its subsidiaries have 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 investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

The Corporation and its subsidiaries discontinue the use of the equity method from the date on which their investment cease to be associates. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. 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 and its subsidiaries account 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 and its subsidiaries transact with their associates, profits and losses on these transactions are recognized in the consolidated financial statements only to the extent of interests in the associate that are not related to the Corporation and its subsidiaries.

i. Joint operations

A joint operation is a joint arrangement whereby the Corporation and its subsidiaries and other parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Any acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business should be treated as a business combination, except when the parties sharing joint control are under the common control of the same ultimate controlling party or parties both before and after the acquisition and that control is not transitory.

The Corporation and its subsidiaries recognize the following items in relation to their interests in a joint operation:

1) The assets, including their share of any assets held jointly;

2) The liabilities, including their share of any liabilities incurred jointly;

3) The revenue from the sale of their share of the output arising from the joint operation;

4) The share of the revenue from the sale of the output of the joint operation; and

5) The expenses, including their share of any expenses incurred jointly.

The Corporation and its subsidiaries account for the assets, liabilities, revenues and expenses relating to their interests in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When the Corporation and its subsidiaries sell or contribute assets to their joint operation, they recognize gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When the Corporation and its subsidiaries purchase assets from its joint operation, they do not recognize their share of the gain or loss until they resell those assets to a third party.

j. Property, plant, and equipment

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

Properties in the course of construction for production, supply or administrative purposes 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 and depreciation of the machineries in the recycling plant of the subsidiary CHC is calculated by the working-hour method, other depreciation (including assets held under finance leases) is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, 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.

k. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), also include land held for a currently undetermined future use.

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

Investment properties under construction of which the fair value is not reliably measurable are stated at cost less accumulated depreciation and accumulated impairment loss until either such time as the fair value becomes reliably measureable or construction is completed (whichever comes earlier).

Investment properties in the course of construction are stated at cost less accumulated impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Depreciation of these assets commences when the assets are ready for their intended use.

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.

l. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Corporation and its subsidiaries’ cash-generating units or Corporation and its subsidiaries of cash-generating units (referred to as cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

m. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

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

n. Impairment of tangible and intangible assets

At the end of each reporting period, the Corporation and its subsidiaries review the carrying amounts of their 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 and its subsidiaries estimate the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation; 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. The impairment loss is 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 immediately in profit or loss.

o. Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

When a sale plan would result in a loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether the Corporation and its subsidiaries will retain a non-controlling interest in that subsidiary after the sale.

p. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. 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 and its subsidiaries include financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables.

i Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation and its subsidiaries' documented risk management or investment strategy, and information about the group is provided internally on that basis; or

iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 31.

ii Held-to-maturity investments

Structure notes and guarantee debt certificates, which are above specific credit ratings and the Corporation and its subsidiaries have positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

iii 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 reclassified in 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 and its subsidiaries' right to receive the dividends is established.

iv Loans and receivables

Loans and receivables (including cash and cash equivalents, notes and accounts receivable, net, other receivables, 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 equivalent includes 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, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. 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 and its subsidiaries' 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.

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 available-for-sale equity investments, a significant or prolonged decline in the fair value of the securities 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, the disappearance of an active market for that financial asset because of financial difficulties, or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

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. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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 and its subsidiaries derecognize 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 is recognized in profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Corporation and its subsidiaries 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 and its subsidiaries are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability.

A financial liability may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

i Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation and its subsidiaries' documented risk management or investment strategy, and information about the group is provided internally on that basis.

iii The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 31.

b) Derecognition of financial liabilities

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) Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Corporation and its subsidiaries are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

On initial recognition, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to capital surplus - share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognized in equity will be transferred to capital surplus - share premium.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability components (included in the carrying amount of liabilities) and equity components (included in equity) in proportion to the allocation of the gross proceeds.

5) Derivative financial instruments

The Corporation and its subsidiaries enter into a variety of derivative financial instruments to manage their exposure to foreign exchange rate and interest rate risks, including foreign exchange forward contracts and interest rate swap contracts.

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.

q. Hedge accounting

The Corporation and its subsidiaries designate 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 and its subsidiaries revoke 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 and its subsidiaries' documented hedging strategy from inception), 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 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. The gain or loss relating to the ineffective portion is recognized immediately 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 and its subsidiaries revoke the designated hedging relationship, or 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 and its subsidiaries' 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 similar 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.

r. Provisions

Provisions are measured at the best estimate 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. Provisions are measured using the cash flows estimated to settle the present obligation.

s. Treasury shares

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

t. 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 moved out of the Corporation and its subsidiaries' 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 and its subsidiaries 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 and its subsidiaries recognize the full amount of the loss immediately.

Freight revenues are recognized according to the proportion of voyage days used to contracted voyage of each ship. Revenues from construction contracts are recognized in accordance with the accounting standards for construction contracts which are described below in "Construction Contracts". Please refer to Note 4 u. for related disclosures.

u. Construction contracts

When the outcome of a construction contract can be estimated reliably, revenues and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent of contract costs incurred that are estimated as recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated, contractors and customers can accept or reject any part of the contract related to each asset and the costs and revenues of each asset can be separately identified. A group of contracts performed concurrently or in a continuous sequence is treated as a single construction contract when the contracts were negotiated as a single package and they are so closely inter-related that they constitute a single project with an overall profit margin.

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work.

v. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Corporation and its subsidiaries as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rents are recognized as income in the year in which they are incurred.

2) The Corporation and its subsidiaries as lessee

Assets held under finance leases are initially recognized as assets of the Corporation and its subsidiaries at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents are recognized as income in the year in which they are incurred.

w. 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.

All borrowing costs other than those stated above are recognized in profit or loss in the period in which they are incurred.

x. Government grants

Government grants are not recognized until there is reasonable assurance that the subsidiaries will comply with the conditions attaching to them and that the grants will be received.

y. 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 (asset) represents the actual deficit (surplus) in the Corporation and its subsidiaries' 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 and its subsidiaries can no longer withdraw the offer of the termination benefit and when the Corporation and its subsidiaries recognize any related restructuring costs.

z. 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 end of each reporting period. 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 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, unused loss carry forward and unused tax credits for purchases of machinery and equipment, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary 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 and its subsidiaries are 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 each balance sheet date 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 balance sheet date 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 balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation and its subsidiaries expect, 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation and its subsidiaries' accounting policies, management is required to make judgments, estimates and assumptions 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 and its subsidiaries use 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 private-placement shares of listed companies, emerging market shares, unlisted equity securities and impairment loss

As described in Note 31, the Corporation and its subsidiaries 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 private-placement shares of listed companies, emerging market shares and unlisted equity securities includes assumptions not based on observable market prices or interest rates; therefore, the fair value may change significantly.

The Corporation and its subsidiaries immediately recognize impairment loss on its available-for-sale financial assets when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Corporation and its subsidiaries' management evaluates the impairment based on the estimated future cash flow expected to be generated by the investment and takes into consideration the market conditions and industry development.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	**2016**
Cash on hand	$ 46,814	$ 47,111
Checking accounts and demand deposits	8,364,630	7,267,847

(Continued)

	December 31	
	2017	2016
Cash equivalents (investments with original maturities less than three months)		
Time deposits	$ 2,259,696	$ 3,503,330
Commercial papers with repurchase agreements	1,808,222	3,914,480
Bonds with repurchase agreements	377,300	735,000
	$ 12,856,662	$ 15,467,768

(Concluded)

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2017	2016
Financial assets at FVTPL - current		
Financial assets designated as at FVTPL		
Mutual funds	$ 2,655,982	$ 1,359,532
Listed shares	46,868	36,488
Future contracts (a)	-	899
	2,702,850	1,396,919
Financial assets held for trading		
Listed shares	1,138,209	607,426
Mutual funds	622,426	732,951
Convertible bonds	229,671	319,100
Emerging market shares	215,464	231,953
Foreign exchange forward contracts (b)	2,024	-
	2,207,794	1,891,430
	$ 4,910,644	$ 3,288,349
Financial liabilities at FVTPL - current		
Financial liabilities designated as at FVTPL		
Call and put options (Note 20)	$ -	$ 405
Financial liabilities held for trading		
Future contracts (a)	247	-
Foreign exchange forward contracts (b)	-	4,536
	247	4,536
	$ 247	$ 4,941

a. The subsidiary Thintech United Metal Resources (Taicang) Co., Ltd. entered into precious metals futures contracts to manage fair value exposures arising from price fluctuation on precious metals. However, some of those contracts did not accounted for by using hedge accounting. As of the balance sheet date, the outstanding precious metals futures contracts were as follows:

Maturity Date	Weight (Kilograms)	Amount (In thousands)
December 31, 2017		
June 15, 2018	510	$ 8,798 (RMB 1,927 thousand)
December 31, 2016		
June 15, 2017	1,275	25,046 (RMB 5,425 thousand)

b. The subsidiaries entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, some of those contracts did not accounted for by using hedge accounting. The outstanding foreign exchange forward contracts not under hedge accounting of the subsidiaries at the balance sheet date were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2017			
Sell	USD/NTD	January 2018	USD6,805/NTD204,580
Sell	HKD/NTD	January 2018	HKD11,000/NTD42,410
December 31, 2016			
Sell	USD/NTD	January 2017-March 2017	USD7,634/NTD241,717
Sell	HKD/NTD	February 2017	HKD7,500/NTD30,734

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Current		
Domestic investments		
Listed shares	$ 1,993,089	$ 2,359,896
Mutual funds	143,539	397,759
Unlisted shares	49,528	49,082
	$ 2,186,156	$ 2,806,737
Noncurrent		
Domestic investments		
Listed shares	$ 9,050,659	$ 7,428,757
Emerging market shares and unlisted shares	2,482,383	2,754,165
Private-placement shares of listed companies	172,785	136,042
	11,705,827	10,318,964

(Continued)

	December 31	
	2017	2016
Foreign investments		
Unlisted shares	$ 43,754,121	$ 12,757,612
Listed shares	2,141,150	2,457,207
Certificate of entitlement	782,890	773,130
	46,678,161	15,987,949
	$ 58,383,988	$ 26,306,913

(Concluded)

9. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	December 31	
	2017	2016
Structured notes	$ 102,360	$ 110,924
Guarantee debt certificates	-	84,043
Corporate bonds	27,390	27,702
	$ 129,750	$ 222,669

10. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2017	2016
Derivative financial assets for hedging - current		
Foreign exchange forward contracts (a)	$ 54,131	$ 36,784
Derivative financial assets for hedging - noncurrent		
Foreign exchange forward contracts (a)	$ 16,237	$ 3,354
Derivative financial liabilities for hedging - current		
Foreign exchange forward contracts (a)	$ 42,433	$ 28,328
Interest rate swap contracts (b)	5,785	9,281
	$ 48,218	$ 37,609
Derivative financial liabilities for hedging - noncurrent		
Foreign exchange forward contracts (a)	$ 210,325	$ 17,599
Interest rate swap contracts (b)	-	18,466
	$ 210,325	$ 36,065

a. The Corporation and its subsidiaries entered into foreign exchange forward contracts to manage cash flow and fair value exposures arising from exchange rate fluctuations on foreign-currency capital expenditures and sales and purchases contracts. The outstanding foreign exchange forward contracts of the Corporation and its subsidiaries at the end of the reporting period were as follows:

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
December 31, 2017			
Buy	NTD/USD	January 2018-April 2020	NTD8,078,352/USD272,936
Buy	NTD/EUR	January 2018-December 2021	NTD2,416,438/EUR69,571
Buy	NTD/JPY	January 2018-December 2019	NTD134,732/JPY482,808
Buy	NTD/CNY	January 2018-March 2018	NTD16,686/CNY3,750
Sell	USD/NTD	January 2018	USD78/NTD2,356
December 31, 2016			
Buy	NTD/USD	January 2017-February 2020	NTD1,845,189/USD58,454
Buy	NTD/EUR	January 2017-March 2019	NTD983,531/EUR28,130
Buy	NTD/JPY	May 2017-June 2018	NTD140,853/JPY500,540
Buy	NTD/CNY	May 2017	NTD20,736/CNY4,375
Sell	USD/NTD	January 2017-March 2017	USD417/NTD13,321

b. The subsidiary DSC entered into interest rate swap contracts to manage cash flow exposures arising from interest rate fluctuations on bank loans. The outstanding interest rate swap contracts as of December 31, 2017 and 2016 were all as follows:

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid (%)	Range of Interest Rates Received
December 31, 2017			
NT$3,584,000	January 2018-July 2018	1.077-1.14	90 days fixing TAIBOR rate provided by Thomson Reuters
December 31, 2016			
NT$9,277,000	February 2017-July 2018	0.988-1.14	90 days fixing TAIBOR rate provided by Thomson Reuters

c. Movements of derivative financial instruments for hedging were as follows:

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ (33,536)	$ 78,701
Recognized in other comprehensive income	(191,231)	(99,678)
Recognized in other gains and losses	6,317	(27,235)
Transferred to construction in progress and equipment to be inspected	33,771	11,409
Transferred to construction contract	(3,496)	-
Transferred to operating revenues	-	3,267
Balance, end of year	$ (188,175)	$ (33,536)

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

	December 31	
	2017	2016
Notes receivable		
Operating	$ 2,107,525	$ 1,617,847
Non-operating	-	-
	2,107,525	1,617,847
Less: Allowance for doubtful accounts	-	-
	$ 2,107,525	$ 1,617,847
Accounts receivable	$ 14,718,811	$ 12,042,400
Less: Allowance for doubtful accounts	52,297	79,640
	$ 14,666,514	$ 11,962,760

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 an account receivable, the Corporation and its subsidiaries considered any change in the credit quality of the note and account receivable since the credit was initially granted to the end of the reporting period. For the past due notes and accounts receivable not collected after executing legal procedures, the Corporation and its subsidiaries will recognize 100% allowance for doubtful accounts.

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

The aging of notes and accounts receivable was as follows:

	December 31	
	2017	2016
Not past due	$ 15,518,346	$ 12,809,916
1 to 30 days	776,274	365,801
31-60 days	170,983	179,756
61-365 days	220,495	156,229
More than 365 days	87,941	68,905
	$ 16,774,039	$ 13,580,607

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

Aging analysis of notes and accounts receivable that are past due but not impaired was as follows:

	December 31	
	2017	2016
Less than 31 days	$ 769,349	$ 365,801
31-60 days	169,780	172,525

(Continued)

	December 31	
	2017	2016
61-365 days	$ 218,014	$ 151,389
More than 365 days	84,555	65,846
	$ 1,241,698	$ 755,561

(Concluded)

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

Movements in the allowance for doubtful accounts recognized on accounts receivable were as follows:

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ 79,640	$ 34,207
Recognition (reversal)	(26,667)	47,025
Write off	(62)	(87)
Effect of foreign currency exchange difference	(614)	(1,505)
Balance, end of year	$ 52,297	$ 79,640

Aging analysis of individually impaired accounts receivable was as follows:

	December 31	
	2017	2016
Less than 31 days	$ 6,925	$ -
31-60 days	1,203	7,231
61-365 days	2,481	4,840
More than 365 days	3,386	3,059
	$ 13,995	$ 15,130

Above analysis of accounts receivable after deducting the allowance for doubtful accounts was based on the past due days from end of credit term.

Retentions receivable from construction contracts included in the accounts receivable did not bear interests; they were expected to be received upon the satisfaction of conditions specified in each contract for the payment of such amounts during retention periods, which were within normal operating cycle of the Corporation and its subsidiaries, usually more than twelve months. Refer to Note 12 for details on construction contracts.

The Corporation and its subsidiaries CHSC and CSAC entered into accounts receivable factoring agreements (without recourse) with Mega Bank and other financial institutions. Under the agreements, the Corporation and its subsidiaries are empowered to sell accounts receivable to the banks upon the delivery of products to customers and are required to complete related formalities at the next banking day.

For the years ended December 31, 2017 and 2016, the related information for the Corporation and its subsidiaries CHSC's and CASC'S sale of accounts receivable was as follows. Advances received at year-end dominated 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
Mega Bank	1,099,546	3,137,353	3,148,673	1,088,226	1.19	NT$3 billion
Bank of Taiwan	106,911	356,052	400,158	62,805	2.58	USD30,000 thousand
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
Bank of Taiwan	-	324,490	166,809	157,681	1.52-2.55	USD15,000 thousand
Taishin Bank	-	726,453	726,453	-	2.610	USD10,000 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
	$ 9,075,866	$ 35,226,205	$ 34,619,875	$ 9,682,196		
For the Year Ended December 31, 2016						
Mega Bank	$ 985,460	$ 3,114,118	$ 3,000,032	$ 1,099,546	1.19	NT$3 billion
Mega Bank	2,742,114	8,983,818	8,318,277	3,407,655	1.04-1.68	NT$9 billion
Bank of Taiwan	-	147,712	40,801	106,911	2.07	USD30,000 thousand
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
	$ 7,066,482	$ 26,217,160	$ 24,207,776	$ 9,075,866		

12. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONSTRUCTION CONTRACTS

	December 31 2017	December 31 2016
Amounts due from customers for construction contracts		
Construction costs incurred plus recognized profits less recognized losses to date	$ 63,159,329	$ 51,910,226
Less: Progress billings	53,758,369	43,438,189
Amounts due from customers for construction contracts	$ 9,400,960	$ 8,472,037
Amounts due to customers for construction contracts		
Progress billings	$ 14,469,434	$ 27,629,282
Less: Construction costs incurred plus recognized profits less recognized losses to date	9,043,206	23,775,558
Amounts due to customers for construction contracts	$ 5,426,228	$ 3,853,724

(Continued)

	December 31	
	2017	2016
Retentions receivable	$ 1,371,118	$ 1,131,990
Retentions payable	$ 2,717,118	$ 2,575,200

(Concluded)

13. INVENTORIES

	December 31	
	2017	2016
Work in progress	$ 23,421,176	$ 21,410,134
Finished goods	24,357,521	19,679,031
Raw materials	18,974,890	19,618,052
Supplies	10,675,761	10,064,257
Raw materials and supplies in transit	7,826,224	6,914,867
Buildings and lands under construction	2,482,318	1,462,463
Lands held for construction	-	142,688
Others	225,870	197,646
	$ 87,963,760	$ 79,489,138

The cost of inventories recognized as operating costs for the years ended December 31, 2017 and 2016 was NT$264,013,789 thousand and NT$207,788,337 thousand, respectively, including reversal of loss on inventories NT$880,774 and NT$3,970,141, respectively.

14. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2017	2016
Noncurrent		
Unlisted preference shares - overseas		
East Asia United Steel Corporation (EAUS) - Preference A	$ 1,761,421	$ 1,837,425
Bonds	88,907	71,038
Subordinated financial bonds	4,015	24,351
	$ 1,854,343	$ 1,932,814

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.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2017	2016
Material associates		
7623704 Canada Inc.	$ 8,059,570	$ 8,738,490
Formosa Ha Tinh (Cayman) Limited	-	34,874,658
Associates that are not individually material	6,670,243	5,915,804
	$ 14,729,813	$ 49,528,952

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Percentage of Ownership and Voting Rights (%) December 31, 2017	Percentage of Ownership and Voting Rights (%) December 31, 2016
7623704 Canada Inc.	Mineral Investment	Canada	25	25
Formosa Ha Tinh (Cayman) Limited	General investment	Cayman	-	25

The summarized financial information below represents amounts shown in the financial statements of 7623704 Canada Inc., which has been prepared in accordance with IFRSs, converted to the functional currency and adjusted for the purposes of applying equity method.

	December 31	
	2017	2016
Current assets	$ 106,549	$ 134,511
Noncurrent assets	32,736,293	35,474,697
Current liabilities	(260)	(38)
Equity	$ 32,842,582	$ 35,609,170
Percentage of the Corporation and its subsidiaries' ownership (%)	25	25
Equity attributable to the Corporation and its subsidiaries (carrying amount of the investment)	$ 8,059,570	$ 8,738,490

	For the Year Ended December 31	
	2017	2016
Net profit for the year	$ 2,215,665	$ 1,014,821
Total comprehensive income for the year	$ (455,667)	$ 1,440,686
Dividends received from 7623704 Canada Inc.	$ 531,892	$ 179,564
Equity attributable to the Corporation and its subsidiaries (carrying amount of the investment)	$ (111,821)	$ 344,997

In July 2017, the subsidiary CSAPH did not participate in cash capital increase of Formosa Ha Tinh (Cayman) Limited following by decrease in its shareholdings. 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, the Corporation and CSAPH have no ability to exercise significant influence over Formosa Ha Tinh (Cayman) Limited and the investment was reclassified to available-for-sale financial assets.

The summarized financial information below represents amounts shown in the financial statements of Formosa Ha Tinh (Cayman) Limited prepared in accordance with IFRSs, and has been converted to the Corporation's functional currency and adjusted for the purposes of applying equity method.

	December 31, 2016
Current assets	$ 33,309,463
Noncurrent assets	253,081,599
Current liabilities	(16,863,112)
Noncurrent liabilities	(137,090,790)
Equity	$ 132,437,160
Percentage of the Corporation and its subsidiaries' ownership (%)	25
Equity attributable to the Corporation and its subsidiaries	$ 33,107,828
Intangible assets	1,766,830
Carrying amount of the investment	$ 34,874,658

	For the Nine Months Ended September 30, 2017	For the Year Ended December 31, 2016
Net loss for the period	$ (4,355,509)	$ (3,132,536)
Total comprehensive income for the period	$ (4,355,509)	$ (3,132,536)
Comprehensive income attributable to the Corporation and its subsidiaries	$ (875,298)	$ (969,122)

b. Information about associates that are not individually material was as follows:

	For the Year Ended December 31	
	2017	2016
The Corporation and its subsidiaries' share of		
Net profit for the year	$ 77,372	$ 147,607
Other comprehensive income	(173,150)	(291,197)
Total comprehensive income	$ (95,778)	$ (143,590)

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

	December 31	
	2017	2016
Chateau International Development Co., Ltd.	$ 791,532	$ 869,182

The investments accounted for using equity method as of December 31, 2017 and 2016, and the Corporation and its subsidiaries' share of profit and other comprehensive income of those investments for the years ended December 31, 2017 and 2016, were based on the associates' audited financial statements for the same period.

16. OTHER FINANCIAL ASSETS

	December 31	
	2017	2016
Current		
Pledged time deposits	$ 6,580,282	$ 6,327,109
Time deposits with original maturities more than three months	2,108,285	3,098,858
Hedging foreign-currency deposits	1,874,979	2,407,725
Deposits for projects	188,475	16
	$ 10,752,021	$ 11,833,708
Noncurrent		
Pledged receivables	$ 2,000,000	$ 2,000,000
Deposits for projects	337,023	1,090,454
Pledged time deposits	264,574	279,024
Time deposits with original maturities more than three months	22,144	23,696
	$ 2,623,741	$ 3,393,174

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation and its subsidiaries 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 consist of those designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT$1,874,979 thousand (JPY1.08 billion, RMB63,443 thousand, USD29,386 thousand, EUR11,562 thousand and GBP332 thousand), NT$2,407,725 thousand (JPY1.17 billion, RMB118,463 thousand, USD37,820 thousand, EUR9,040 thousand and GBP332 thousand), respectively. As of December 31, 2017 and 2016 cash outflows would be expected from aforementioned contracts for the periods from 2018 and 2017, respectively.

Movements of hedging foreign-currency deposits were as follows:

	For the Year Ended December 31	
	2017	2016
Balance, beginning of year	$ 2,407,725	$ 2,438,316
Increase	(495,189)	52,079
Recognized in other comprehensive income	(38,730)	(57,849)
Transferred to construction in progress and equipment to be inspected	376	(24,821)
Transferred to construction contract	797	-
Balance, end of year	$ 1,874,979	$ 2,407,725

Refer to Note 33 for information relating to other financial assets pledged as collateral.

17. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2017

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2017	$ 63,547,108	$ 4,992,881	$ 122,481,708	$ 618,315,362	$ 29,763,661	$ 17,086,014	$ 9,906,663	$ 323,003	$ 17,497,100	$ 883,913,500
Additions	3,294,316	57,984	1,667,674	8,368,272	258,808	659,561	1,217,484	-	6,014,342	21,538,441
Disposals	(11,260)	-	(11,781)	(3,113,979)	(855,554)	(245,466)	(1,649,315)	-	(1,728)	(5,889,083)
Reclassification	5,106	162	(204,731)	(654,614)	1,415	(5,069)	858,280	-	(522,761)	(522,212)
Effect of foreign currency exchange difference	(600)	(2,682)	(287,642)	(1,382,304)	(1,631,796)	(19,783)	-	-	(2,321)	(3,327,128)
Others	-	-	-	1,362	-	-	(32,648)	-	-	(31,286)
Balance at December 31, 2017	$ 66,834,670	$ 5,048,345	$ 123,645,228	$ 621,534,099	$ 27,536,534	$ 17,475,257	$ 10,300,464	$ 323,003	$ 22,984,632	$ 895,682,232
Accumulated depreciation and impairment										
Balance at January 1, 2017	$ 25,546	$ 4,568,858	$ 44,480,284	$ 375,772,170	$ 11,541,392	$ 12,646,644	$ 4,006,875	$ 22,144	$ -	$ 453,063,913
Depreciation	-	71,377	3,902,393	26,127,985	1,574,188	1,176,926	1,595,535	10,702	-	34,459,106
Disposals	-	-	(8,921)	(3,041,143)	(703,831)	(225,169)	(1,649,315)	-	-	(5,628,379)
Impairment losses	-	-	-	781,099	-	786	94,895	-	-	876,780
Reclassification	-	-	(33,217)	(167,147)	1,415	(1,228)	194,417	-	-	(5,760)
Effect of foreign currency exchange difference	-	(417)	(25,130)	(226,771)	(647,804)	(5,904)	-	-	-	(906,026)
Others	-	-	-	1,362	-	-	-	-	-	1,362
Balance at December 31, 2017	$ 25,546	$ 4,639,818	$ 48,315,409	$ 399,247,555	$ 11,765,360	$ 13,592,055	$ 4,242,407	$ 32,846	$ -	$ 481,860,996
Carrying amount at December 31, 2017	$ 66,809,124	$ 408,527	$ 75,329,819	$ 222,286,544	$ 15,771,174	$ 3,883,202	$ 6,058,057	$ 290,157	$ 22,984,632	$ 413,821,236

For the year ended December 31, 2016

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2016	$ 63,550,486	$ 5,025,039	$ 120,691,611	$ 604,487,779	$ 33,561,105	$ 16,821,603	$ 10,731,091	$ 322,270	$ 21,071,613	$ 876,262,597
Additions	-	20,512	2,131,538	17,246,496	2,052,113	498,266	1,244,520	733	(3,397,812)	19,796,366
Disposals	(1,880)	(1,201)	(76,084)	(2,300,198)	(5,566,777)	(212,495)	(2,046,502)	-	-	(10,205,137)
Reclassification	-	(48,146)	66,099	(119,144)	10,270	25,918	-	-	(152,406)	(217,409)
Effect of foreign currency exchange difference	(1,498)	(3,323)	(331,456)	(999,571)	(293,050)	(47,278)	-	-	(24,295)	(1,700,471)
Others	-	-	-	-	-	-	(22,446)	-	-	(22,446)
Balance at December 31, 2016	$ 63,547,108	$ 4,992,881	$ 122,481,708	$ 618,315,362	$ 29,763,661	$ 17,086,014	$ 9,906,663	$ 323,003	$ 17,497,100	$ 883,913,500
Accumulated depreciation and impairment										
Balance at January 1, 2016	$ 25,546	$ 4,493,123	$ 40,756,301	$ 350,679,360	$ 15,360,049	$ 11,591,381	$ 4,656,809	$ 11,447	$ -	$ 427,574,016
Depreciation	-	77,217	3,860,583	27,341,461	1,654,446	1,271,175	1,395,253	10,697	-	35,610,832
Disposals	-	(1,199)	(74,207)	(1,941,610)	(5,399,687)	(181,999)	(2,046,502)	-	-	(9,645,204)
Impairment losses	-	-	151	44,799	-	218	-	-	-	45,168
Reclassification	-	-	10,846	(1,464)	533	(1,583)	1,315	-	-	9,647
Effect of foreign currency exchange difference	-	(283)	(73,390)	(350,376)	(73,949)	(32,611)	-	-	-	(530,609)
Others	-	-	-	-	-	63	-	-	-	63
Balance at December 31, 2016	$ 25,546	$ 4,568,858	$ 44,480,284	$ 375,772,170	$ 11,541,392	$ 12,646,644	$ 4,006,875	$ 22,144	$ -	$ 453,063,913
Carrying amount at December 31, 2016	$ 63,521,562	$ 424,023	$ 78,001,424	$ 242,543,192	$ 18,222,269	$ 4,439,370	$ 5,899,788	$ 300,859	$ 17,497,100	$ 430,849,587

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
Others	5-15 years
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
Others	3-10 years
Machinery and equipment	
Power equipment	2-25 years
Process equipment	8-40 years

(Continued)

Lifting equipment	8-25 years
Electrical equipment	3-16 years
High-temperature equipment	3-17 years
Examination equipment	3-10 years
Others	2-25 years
Transportation equipment	
Ship equipment	18-25 years
Railway equipment	5-20 years
Telecommunication equipment	5-6 years
Transportation equipment	3-10 years
Others	2-3 years
Other equipment	
Leasehold improvement	3-35 years
Office, air condition and extinguishment equipment	5-25 years
Computer equipment	3-15 years
Others	2-15 years
Rental assets	
Financial lease assets	30 years

(Concluded)

The subsidiary CHSC bought farmlands for warehousing at the Jia Xing Section and Quing Shui Section of the Gangshan District in Kaohsiung City. However, certain regulations prohibit CHSC from registering the title of these farmlands in CHSC's name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with CHSC in freely changing the land title to CHSC or to the name of other people under CHSC instructions. Meanwhile, the land had been pledged to CHSC as collateral. As of December 31, 2017 and 2016, the book value of the farmlands were NT$55,433 thousand and NT$66,753 thousand, respectively, recorded as land.

Portions of subsidiary DSC's property, plant and equipment are idle or have high possibility to become idle in the future; as a result, the management of DSC assessed the amounts were not considered recoverable and recognized impairment loss in the amount of NT$795,330 thousand, recorded as operating costs in the statements of comprehensive income.

Refer to Note 33 for the carrying amount of property, plant and equipment that had been pledged by the Corporation and its subsidiaries to secure borrowings.

18. INVESTMENT PROPERTIES

For the year ended December 31, 2017

	Land	Buildings	Total
Cost			
Balance at January 1, 2017	$ 8,222,428	$ 3,236,752	$ 11,459,180
Additions	-	614,852	614,852
Transfer from inventory	142,688	-	142,688
Transfer to property, plant and equipment	(5,106)	(9,612)	(14,718)
Effect of foreign currency exchange difference	(6,476)	(16,535)	(23,011)
Balance at December 31, 2017	$ 8,353,534	$ 3,825,457	$ 12,178,991

(Continued)

	Land	Buildings	Total
Accumulated depreciation and impairment			
Balance at January 1, 2017	$ 222,057	$ 920,981	$ 1,143,038
Impairment loss	15,307	-	15,307
Depreciation	-	70,186	70,186
Transfer to property, plant and equipment		(3,477)	(3,477)
Effect of foreign currency exchange difference		(2,141)	(2,141)
Balance at December 31, 2017	$ 237,364	$ 985,549	$ 1,222,913
Carrying amount at December 31, 2017	$ 8,116,170	$ 2,839,908	$ 10,956,078

(Concluded)

For the year ended December 31, 2016

	Land	Buildings	Total
Cost			
Balance at January 1, 2016	$ 8,220,781	$ 2,963,556	$ 11,184,337
Additions	-	339,112	339,112
Transfer to property, plant and equipment	-	(62,113)	(62,113)
Effect of foreign currency exchange difference	1,647	(3,803)	(2,156)
Balance at December 31, 2016	$ 8,222,428	$ 3,236,752	$ 11,459,180
Accumulated depreciation and impairment			
Balance at January 1, 2016	$ 222,057	$ 854,091	$ 1,076,148
Depreciation	-	81,051	81,051
Transfer to property, plant and equipment	-	(11,903)	(11,903)
Effect of foreign currency exchange difference	-	(2,258)	(2,258)
Balance at December 31, 2016	$ 222,057	$ 920,981	$ 1,143,038
Carrying amount at December 31, 2016	$ 8,000,371	$ 2,315,771	$ 10,316,142

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

Buildings	2-60 years

The Corporation and its subsidiaries participated in “Qianzhen Residential Building Project” conducted by the subsidiary CPDC and signed the land purchase agreement with its employees. According to the purchase agreement, land prices received from its employees are deposited in the Bank of Taiwan and recognized as other financial assets-noncurrent and other noncurrent liabilities.

The fair value of the investment properties was arrived at on the basis of valuation carried out in 2013, 2014, 2015 and 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	$ 27,140,670	$ 25,137,693
Depreciation rate (%)	1.20-2.00	1.20-2.00
Discount rate (%)	0.85-2.13	2.11-4.14

All of the Corporation and its subsidiaries' investment properties are held under freehold interests. Refer to Note 33 for the carrying amount of the investment properties that had been pledged by the Corporation and its subsidiaries to secure borrowings.

19. BORROWINGS

a. Short-term borrowings and bank overdraft

	December 31	
	2017	2016
Unsecured loans - interest at 0.42%-7.40% p.a. and 0.35%-8.52% p.a. as of December 31, 2017 and 2016, respectively	$ 29,311,397	$ 31,384,879
Bank overdraft - interest at 0.14%-7.40% p.a. and 0.14%-8.35% p.a. as of December 31, 2017 and 2016, respectively	2,973,133	2,127,572
Letters of credit - interest at 0%-1.25% p.a. and 0.93%-1.85% p.a. as of December 31, 2017 and 2016, respectively	1,503,507	2,088,590
Export bill loans - interest at 0.37%-6.45% p.a. as of December 31, 2017	780,207	-
Secured loans (Note 33) - interest at 0.88%-5.30% p.a. and 4.35% p.a. as of December 31, 2017 and 2016, respectively	757,814	304,699
	$ 35,326,058	$ 35,905,740

Starting from January 2016, the subsidiary CCSPMC entered into several credit facility agreements with ANZ (China) and several banks for total amount of USD35,000 thousand (or equal amount in RMB, the credit line remained unchanged) and RMB102,000 thousand credit line. Under the agreements, the Corporation and its subsidiaries should collectively hold over 50% of the CCSPMC's equity and half or more 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.

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

Starting from May 2014, the subsidiary CSCI entered into short-term financing contracts with CTBC Bank and several banks for INR 2.06 billion credit line. Under the agreements, the Corporation should collectively hold at least 75% of CSCI's issued shares and hold two-thirds 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.

Starting from May 2014, the subsidiary CSVC continuously entered into short-term financing contracts with Standard Chartered Bank and several banks for a USD25,000 thousand credit lines (or equal amount in VND, the credit line remained unchanged) and USD32,500 thousand short-term credit line. Under the agreements, the Corporation should hold at least 56% of CSVC's issued shares and 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.

Starting from September 2016, the subsidiary QCSPMC entered into short-term financing contracts with MUFG Bank (Qingdao) and Sumitomo Mitsui Bank (Shanghai) for USD 10,000 thousand credit lines (or equal amount in RMB, the credit line remained unchanged), respectively. Under the agreements, the Corporation and its subsidiaries should collectively hold at least 70% of QCSPMC's issued shares and half or more of the seats in the board of directors. As of December 31, 2017, the Subsidiaries CSAPH held 70% equity of QCSPMC and four fifths seats in the board of directors.

b. Short-term bills payable

	December 31	
	2017	**2016**
Commercial paper - interest at 0.39%-1.14% p.a. and 0.40%-1.00% p.a. as of December 31, 2017 and 2016, respectively	$ 24,643,000	$ 16,639,000
Less: Unamortized discounts	7,418	6,900
	$ 24,635,582	$ 16,632,100

The above commercial paper was secured by Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Grand Bills Finance Corp., Taiwan Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Union Bank of Taiwan, Bank of Taiwan, Hua Nan Bills Finance Corp., Taiwan Cooperative Bank and Dah Chung Bills Finance Corp., Shanghai Commercial & Savings Bank and Bangkok Bank, etc.

c. Long-term borrowings

	December 31	
	2017	**2016**
Syndicated bank loans		
Bank of Taiwan and other banks loan to CHSC		
Repaid in December 2017, interest at 1.58% p.a.	$ -	$ 2,672,308
Repayable in March 2019 with a revolving credit, interest at 1.58% p.a. as of December 31, 2017 and 2016, respectively	2,250,000	2,250,000
Bank of Taiwan and other banks loan to DSC		
Repayable in 14 equal semiannual installments from January 2012 to July 2018, interest at 1.14% p.a. and 1.11% p.a. as of December 31, 2017 and 2016, respectively	6,523,540	13,053,540
Bank of Taiwan and other banks loan to the Corporation		
Repayable in several installments from February 2020, 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 loan to the Corporation		
Repayable in August 2018, interest at 2.50%-2.57% p.a., 1.97%-1.99% p.a. as of December 31, 2017 and 2016, respectively	4,464,000	4,837,500

(Continued)

	December 31	
	2017	2016
Mega Bank and other banks loan to CSVC		
Repayable in 10 semiannual installments from September 2015 to March 2020, interest at 2.53% and 2.25% p.a. as of December 31, 2017 and 2016, respectively	$ 2,812,320	$ 3,453,975
CTBC Bank and other banks loan to CSCI		
Repayable in 5 semiannual installments from June 2017 to June 2019, interest at 3.35% p.a. and 3.00% p.a. as of December 31, 2017 and 2016, respectively	3,269,178	3,559,603
Mortgage loans (Note 33)		
Due on various dates through April 2032, interest at 1.26%-2.44% p.a. and 1.22%-2.02% p.a. as of December 31, 2017 and 2016, respectively	8,009,239	9,968,040
Unsecured loans		
Due on various dates through June 2022, interest at 0.28%-2.57% p.a. and 0.31%-2.81% p.a. as of December 31, 2017 and 2016, respectively	33,409,554	30,664,227
	75,617,831	86,584,193
Less: Syndicated loan fee	20,900	44,824
Current portion	18,549,055	16,210,014
	$ 57,047,876	$ 70,329,355

(Concluded)

1) In December 2011, the subsidiary CHSC entered into a syndicated credit facility agreement with Bank of Taiwan and 11 other financial institutions for a NT$16 billion credit line, which consists of NT$7 billion secured loans with a non-revolving credit line, which had been repaid in December 2017, and NT$9 billion unsecured loans with a revolving credit line. Under the agreement, the Corporation and its related parties should collectively hold at least 30% of the CHSC's issued shares and control CHSC's operation. Starting from 2012, CHSC should meet some financial ratios and criteria.

   The amounts referring to the above financial ratios and criteria should be based on audited annual financial statements. If CHSC breaches the agreements, it should take remedial measures within half a year from the next day of the financial statements' declaration date; otherwise, the interest rate needs to be adjusted in accordance with the agreement. CHSC was in compliance with syndicated credit facility agreements base on its standalone financial statements for the years ended December 31, 2017 and 2016. As of December 31, 2017, the Corporation directly held 41% equity of CHSC and held half or more of the seats in the board of directors and controlled its operation.

2) In July 2012, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 17 other financial institutions for a NT$35 billion credit line, which consists of NT$30 billion secured loans with a non-revolving credit line and NT$5 billion secured commercial paper with a revolving credit line (recognized as long-term bills payable); in February 2008, DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 13 other financial institutions for a NT$51.7 billion credit line. Under the agreements, the Corporation and its associates 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. Starting from 2012, DSC should meet some financial ratios and criteria.

   DSC was in compliance with the syndicated credit facility agreement based on its financial statements of 2017 and 2016. As of December 31, 2017, the Corporation held 100% equity of DSC and all of the seats in the board of directors.

3) 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, which consists of USD126,000 thousand long-term borrowings with a non-revolving credit line and USD120,000 thousand short-term borrowings for operation with a revolving credit line. The syndicated credit facility agreement has been re-signed in December 2017 for a USD94,500 thousand credit line. Under the agreements, the Corporation should hold at least 51% of CSVC's issued shares and half of the seats in the board of directors. Starting from 2015, CSVC should meet some financial ratios and criteria. CSVC was not in compliance with the syndicated credit facility agreement based on its 2016 audited financial statements. Breaching of financial ratios referring to the above has made the interest rate adjusted in accordance with the agreement; however, the interest rate adjusted was not being considered breaching of agreement. As of December 31, 2017, the Corporation held 56% equity of CSVC and half or more of the seats in the board of directors.

4) In January 2013, the subsidiary CSCI entered into a syndicated credit facility agreement with CTBC Bank and 9 other banks for a USD110,000 thousand credit line. Under the agreement, the Corporation should collectively hold at least 75% of CSCI's issued shares and hold two thirds or more of the seats in the board of directors. If CSCI expands or invites new strategic investors, the Corporation should collectively hold at least 60% of CSCI's issued shares and hold half or more of the seats in the board of directors. The syndicated credit facility agreement has been re-signed in November 2016. CSCI should meet some financial ratios and criteria required by the new syndicated credit facility agreement based on the Corporation's reviewed financial statements for the six months ended June 30 and audited annual financial statements as well as CSCI's unreviewed financial statements for the six months ended September 30 and audited annual financial statements. CSCI was in compliance with the syndicated credit facility agreement based on its financial statement for the six months ended September 30, 2017 and 2016 audited financial statements. As of December 31, 2017, the Corporation held 100% equity of CSCI and held all of the seats in the board of directors.

5) In July and August 2015, the Corporation entered into syndicated credit facility agreement with Mizuho bank with 7 other financial institutions and Bank of Taiwan with 14 other financial institutions for a USD150,000 thousand and USD500,000 thousand unsecured non-revolving credit line, respectively. Under the agreement, 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 clauses, 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 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.

6) The above unsecured loans and syndicated credit facility agreements included those obtained by the Corporation in JPY, AUD and USD to hedge the exchange rate fluctuations on equity investments in EAUS, CSAPH, CSVC, and CSCAU, and on the available-for-sale financial assets in Maruichi Steel Tube Ltd. and Yodogawa Steel Works, Ltd.

d. Long-term bills payable

	December 31	
	2017	**2016**
Commercial paper - interest at 0.40%-1.00% p.a. and 0.41%-1.05% p.a. as of December 31, 2017 and 2016, respectively	$ 26,620,000	$ 31,640,000

(Continued)

	December 31	
	2017	2016
Secured commercial paper in syndicated bank loans - interest at 0.96% p.a. and 0.97% p.a. as of December 31, 2017 and 2016, respectively	$ 1,000,000	$ 5,000,000
	27,620,000	36,640,000
Less: Unamortized discounts	6,841	13,835
	$ 27,613,159	$ 36,626,165

(Concluded)

The Corporation and its subsidiaries entered into commercial paper contracts with bills finance corporations and banks. The duration of the contracts is three to five years and the cycles of issuance are fifteen to sixty days, during which the Corporation and its subsidiaries only have to pay service fees and interests. Therefore, the Corporation and its subsidiaries recorded those commercial papers issued as long-term bills payable.

The subsidiary DSC issued secured commercial paper in a syndicated bank loan with the duration of seven years. Refer to c. 2) for details.

The above commercial paper was secured by Mega Bank, Agricultural Bank of Taiwan, Taishin Bank, ANZ Bank (Taiwan), Hua Nan Bank, Bangkok Bank, Bank of Taiwan and Bank BNP Paribas, etc.

20. BONDS PAYABLE

	December 31	
	2017	2016
5-year unsecured bonds - issued at par by DSC in:		
June 2014; repayable in June 2018 and 2019; interest at 1.40% p.a., payable annually	$ 7,000,000	$ 7,000,000
June 2015; repayable in June 2019 and 2020; interest at 1.45% p.a., payable annually	7,500,000	7,500,000
June 2016; repayable in June 2020 and 2021; interest at 0.89% p.a., payable annually	5,400,000	5,400,000
7-year unsecured bonds - issued at par by the Corporation in:		
October 2011; repayable in October 2017 and 2018; interest at 1.57% p.a., payable annually	5,200,000	10,400,000
August 2012; repayable in August 2018 and 2019; interest at 1.37% p.a., payable annually	5,000,000	5,000,000
July 2013; repayable in July 2019 and 2020; interest at 1.44% p.a., payable annually	6,300,000	6,300,000
January 2014; repayable in January 2020 and 2021; interest at 1.75% p.a., payable annually	6,900,000	6,900,000
7-year unsecured bonds - issued at par by DSC in:		
June 2014; repayable in June 2020 and 2021; interest at 1.75% p.a., payable annually	5,000,000	5,000,000
June 2015; repayable in June 2021 and 2022 respectively; interest at 1.72% p.a., payable annually	2,500,000	2,500,000

(Continued)

	December 31	
	2017	2016
10-year unsecured bonds - issued at par by the Corporation in:		
August 2012; repayable in August 2021 and 2022; interest at 1.50% p.a., payable annually	$ 15,000,000	$ 15,000,000
July 2013; repayable in July 2022 and 2023; interest at 1.60% p.a., payable annually	9,700,000	9,700,000
January 2014; repayable in January 2023 and 2024; interest at 1.95% p.a., payable annually	7,000,000	7,000,000
15-year unsecured bonds - issued at par by the Corporation in:		
July 2013; repayable 30% in July 2026 and 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 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	9,000,000	9,000,000
Liability component of secured domestic convertible bonds - issued by TMTC	-	14,000
	95,100,000	100,314,000
Less: Issuance cost of bonds payable	33,836	43,256
Unamortized discount on bonds payable	14,677	20,782
Current portion	11,198,974	5,212,668
	$ 83,852,513	$ 95,037,294

(Concluded)

In September 2013, the subsidiary TMTC issued NT$200,000 thousand of 3-year secured domestic convertible bonds at par from September 2013 to September 2016 which were secured by Hua Nan Commercial Bank. From one month after the issuance date to 10 days before the maturity date, bondholders may request TMTC to convert the bonds into its ordinary shares (except for the related book closure period). On the repurchase date, two years after the issuance date, bondholders may request TMTC to repurchase the bonds at their face value plus interest (1.9090% of face value, yield to put 0.95%) by cash in five trading days. From one month after the issuance date to 40 days before the maturity date, if the closing price of TMTC's shares on the Taipei Exchange is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of initial issued bonds, TMTC may redeem the remaining bonds at their face value by cash in five trading days after the redemption date. As of December 31, 2017, the convertible bonds with NT$151,700 thousand face value have been converted and redeemed into NT$5,766 thousand ordinary share capital.

In September 2013, the subsidiary TMTC issued NT$100,000 thousand of 5-year unsecured domestic convertible bonds at par from September 2013 to September 2018. From one month after the issuance date to 10 days before the maturity date, bondholders may request TMTC to convert the bonds into its ordinary shares (except for the related book closure period). On the repurchase dates, two years, three years and four years after the issuance date, bondholders may request TMTC to repurchase the bonds at their face value plus interest (2.5156%, 3.7971% and 5.0945% of face value for two years, three years and four years, respectively, yield to put 1.25%) by cash in five trading days. From one month after the issuance date to 40 days before the maturity date, if the closing price of TMTC's shares on the Taipei Exchange is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of initial issued bonds, TMTC may redeem the remaining bonds at their face value by cash in five trading days after the redemption date. As of December 31, 2017, the convertible bonds with NT$100,000 thousand face value have been redeemed or converted into NT$21,975 thousand ordinary share capital.

According to IAS 32 and IAS 39, TMTC has separately recognized the embedded derivatives and the host contract - bonds payable. The embedded derivatives, including put options and call options, were recognized in financial instruments at fair value through profit or loss (Note 7) and measured at fair value.

21. ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

Accounts payable includes advances received on construction contracts. Advances received on construction contracts bears no interests and are expected to be paid until the satisfaction of conditions specified in each contract for the payment of such amounts during retention periods, which were within the normal operating cycle of the Corporation and its subsidiaries, usually more than twelve months. Refer to Note 12 for details on construction contracts.

22. OTHER PAYABLES

	December 31	
	2017	2016
Salaries and incentive bonus	$ 7,470,082	$ 7,820,606
Purchase of equipment	2,568,395	2,788,624
Employee compensation and remuneration of directors and supervisors	1,690,094	1,708,289
Sales returns and discounts	1,522,348	1,492,872
Outsourced repair and construction	1,154,788	1,084,736
Interest payable	1,073,702	1,091,405
Others	7,675,962	5,451,117
	$ 23,155,371	$ 21,437,649

23. PROVISIONS

	December 31	
	2017	2016
Current		
Onerous contracts (a)	$ 3,573,465	$ 3,750,118
Construction warranties (b)	309,472	463,355
Sale returns and discounts (c)	55,946	24,415
Others	103,593	86,218
	$ 4,042,476	$ 4,324,106
Noncurrent		
Provision for stabilization funds (d)	$ 828,352	$ 802,859
Others	6,696	12,835
	$ 835,048	$ 815,694

	Onerous Contracts	Construction Warranties	Sale Returns and Discounts	Provision for Stabilization Funds	Others	Total
Balance at January 1, 2017	$ 3,750,118	$ 463,355	$ 24,415	$ 802,859	$ 99,053	$ 5,139,800
Recognized (reversal)	7,585,438	(152,673)	1,494,113	26,556	21,808	8,975,242
Paid	(7,762,091)	(1,210)	(1,462,582)	(1,063)	(10,572)	(9,237,518)
Balance at December 31, 2017	$ 3,573,465	$ 309,472	$ 55,946	$ 828,352	$ 110,289	$ 4,877,524

(Continued)

	Onerous Contracts	Construction Warranties	Sale Returns and Discounts	Provision for Stabilization Funds	Others	Total
Balance at January 1, 2016	$ 2,611,156	$ 491,899	$ -	$ 793,851	$ 90,386	$ 3,987,292
Recognized	7,897,571	1,331	745,506	9,218	21,448	8,675,074
Paid	(6,758,609)	(29,875)	(721,091)	(210)	(12,781)	(7,522,566)
Balance at December 31, 2016	$ 3,750,118	$ 463,355	$ 24,415	$ 802,859	$ 99,053	$ 5,139,800

(Concluded)

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

b. 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 and its subsidiaries' obligations for warranties. The estimate had been made on the basis of historical warranty trends.

c. The provision for sales returns and 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.

d. The provision for stabilization funds represents the provision recognized in accordance with the build-operate-transfer contract by the subsidiary KRTC. The provision was used for capital demand due to force majeure, exceptional events, operating deficits, etc. The provision for stabilization funds was recognized based on increase in stabilization funds.

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation and its domestic subsidiaries 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 and its subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The foreign subsidiaries also make contribution in accordance with the local regulations, which is a defined contribution plan.

b. Defined benefit plans

The Corporation and its domestic subsidiaries 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 and its domestic subsidiaries make 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 and its domestic subsidiaries assess 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 and its domestic 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 and its subsidiaries have no right to influence the investment policy and strategy. The Corporation and its subsidiaries, such as CSGT, ICSC, CHC, etc., also makes contributions, equal to a certain percentage of salaries of management personnel, to another pension fund, which are deposited and administered by the officers' pension fund management committee. The Corporation and its subsidiaries, such as CSAC, CHSC, CSCC, etc., also set up rules of consolation payment and holiday benefits, which are defined benefit plans.

The amounts included in the consolidated balance sheets in respect of the Corporation and its subsidiaries' defined benefit plans were as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	$ 29,361,216	$ 29,668,411
Fair value of plan assets	(20,982,995)	(22,698,162)
Deficit	8,378,221	6,970,249
Net defined benefit liabilities - recognized as other payables, other current assets or other noncurrent assets	(56,441)	(68,630)
Net defined benefit liability	$ 8,321,780	$ 6,901,619

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	$ 29,668,411	$ (22,698,162)	$ 6,970,249
Service cost			
Current service cost	758,757	-	758,757
Past service cost and loss on settlements	9,202	-	9,202
Interest expense (income)	279,223	(213,816)	65,407
Recognized in profit or loss	1,047,182	(213,816)	833,366
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(13,589)	(13,589)
Actuarial loss - changes in demographic assumptions	99,817	-	99,817
Actuarial loss - changes in financial assumptions	539,512	-	539,512
Actuarial loss - experience adjustments	874,711	-	874,711
Recognized in other comprehensive income	1,514,040	(13,589)	1,500,451
Contributions from the employer	-	(858,065)	(858,065)
Contributions of employee returning	(3,125)	(3,133)	(6,258)
Benefits paid	(2,865,195)	2,803,770	(61,425)
Others	(97)	-	(97)
	(2,868,417)	1,942,572	(925,845)
Balance at December 31, 2017	$ 29,361,216	$ (20,982,995)	$ 8,378,221
Balance at January 1, 2016	$ 29,823,879	$ (23,812,775)	$ 6,011,104
Service cost			
Current service cost	779,771	-	779,771
Past service cost and loss on settlements	(728)	-	(728)
Interest expense (income)	382,390	(307,944)	74,446
Recognized in profit or loss	1,161,433	(307,944)	853,489

(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)	$ -	$ 148,758	$ 148,758
Actuarial loss - changes in demographic assumptions	77,748	-	77,748
Actuarial loss - changes in financial assumptions	174,432	-	174,432
Actuarial loss - experience adjustments	765,948	-	765,948
Recognized in other comprehensive income	1,018,128	148,758	1,166,886
Contributions from the employer	-	(950,818)	(950,818)
Contributions of employee returning	9,010	(22,728)	(13,718)
Benefits paid	(2,343,882)	2,247,426	(96,456)
Others	(157)	(81)	(238)
	(2,335,029)	1,273,799	(1,061,230)
Balance at December 31, 2016	$ 29,668,411	$ (22,698,162)	$ 6,970,249

(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	2016
Operating costs	$ 588,066	$ 626,116
Operating expenses	243,294	225,339
Others	2,006	2,034
	$ 833,366	$ 853,489

Through the defined benefit plans under the Labor Standards Law, the Corporation and its subsidiaries are exposed to the following risks:

1) Investment risk

   The plan assets are invested in domestic and foreign equity securities, 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 obligation 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 (%)	0.875-1.625	0.875-1.500
Expected rate of salary increase (%)	1.875-3.250	1.500-3.250
Turnover rate (%)	0.000-21.500	0.000-24.000

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	$ (505,980)	$ (519,225)
0.25% decrease	$ 522,501	$ 543,690
Expected rate of salary increase		
0.25% increase	$ 507,811	$ 519,320
0.25% decrease	$ (494,360)	$ (505,343)

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	$ 899,095	$ 751,385
The average duration of the defined benefit obligation	4.1-18.2 years	5.0-17.0 years

25. 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 supervisors; 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 and equivalent to 20,385,130 ordinary shares (including 310 fractional shares) and 21,100,350 ordinary shares (including 310 fractional shares), which 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 transferred 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 shares 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 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 on June 2017 and June 2016, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	2016	2015	2016	2015
Legal reserve	$ 1,603,837	$ 760,472		
Special reserve (reversal)	(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$)
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	(3,816,672)	(2,264,151)
Income tax relating to exchange differences arising on translating the net assets of foreign operations	48,787	21,170
Gains and losses on hedging instruments designated in hedges of the net investment of foreign operations	2,288,725	952,456
Share of exchange difference of associates accounted for using the equity method	(599,385)	59,681
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	1,485,880	2,640,007
Income tax relating to unrealized gains and losses on available-for-sale financial assets	369	9,427
Reclassified to profit or loss on disposal of available-for-sale financial assets	(1,027,027)	(971,208)
Impairment on available for-sale financial assets	725,240	613,540
Share of unrealized gains and losses on available-for-sale financial assets of associates accounted for using the equity method	(220,172)	(214,541)
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 instrument	(256,415)	(107,454)
Income tax relating to fair value changes	38,519	22,980
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	28,865	(9,216)
Income tax relating to amounts transferred to adjust carrying amount of hedged items	(4,485)	1,567
Balance, end of year	$ (131,335)	$ 62,181

f. Treasury shares

Purpose of Treasury Shares	Thousand Shares: Beginning of Year	Thousand Shares: Addition	Thousand Shares: Reduction	December 31: Thousand Shares	December 31: 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. 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 based on the percentage of shares held, 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 holding percentage were NT$7,801,566 thousand and NT$7,840,025 thousand, respectively.

g. Non-controlling interests

	For the Year Ended December 31: 2017	2016
Balance, beginning of year	$ 27,019,807	$ 26,404,014
Attributable to non-controlling interests:		
Share of net profit for the year	3,525,602	3,148,955
Exchange difference on translating foreign operations	(545,625)	(515,405)
Income tax relating to exchange difference on translating foreign operations	4,682	11,788
Unrealized gains and losses on available-for-sale financial assets	(66,285)	(126,326)
Income tax relating to unrealized gains and losses on available-for-sale financial assets	452	16,133
Impairment of available-for-sale financial assets	22,056	7,277
Reclassified to profit or loss on disposal of available-for-sale financial assets	(160,707)	(262,908)
Fair value changes of cash flow hedges	26,454	(50,078)
Income tax relating to cash flow hedges	(844)	3,389

(Continued)

	For the Year Ended December 31	
	2017	2016
Fair value changes of hedging instruments transferred to adjust the carrying amount of hedged items	$ 2,585	$ 5
Remeasurement on defined benefit plans	(102,521)	(157,270)
Income tax relating to remeasurement on defined benefit plans	5,888	16,690
Share of other comprehensive income of associates accounted for using the equity method	(9,138)	(31,830)
Changes of non-controlling interest arising from obtaining subsidiaries	-	381,814
Capital reduction from subsidiaries	(180,040)	-
Non-controlling interest arising from acquisition of subsidiaries	(10,265)	(16,421)
Dividend distributed by subsidiaries	(1,762,037)	(2,029,248)
Others	171,860	219,228
Balance, end of year	$ 27,941,924	$ 27,019,807

(Concluded)

26. OPERATING REVENUES

	For the Year Ended December 31	
	2017	2016
Revenues from the sale of goods	$ 319,717,226	$ 263,932,828
Construction contract revenues	17,496,736	19,760,229
Freight and service revenues	6,936,438	7,254,353
Other revenues	2,861,602	2,108,394
	$ 347,012,002	$ 293,055,804

27. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

	For the Year Ended December 31	
	2017	2016
Dividends income	$ 460,644	$ 433,634
Interest income	290,218	317,940
Insurance claim income	246,601	43,299
Rental income	127,813	122,968
Others	653,027	553,539
	$ 1,778,303	$ 1,471,380

b. Other gains and losses

	For the Year Ended December 31	
	2017	2016
Gain on disposal of investments	$ 1,098,751	$ 822,674
Net foreign exchange gain	683,424	65,866
Gain arising on financial assets at fair value through profit or loss	126,218	30,720
Loss on disposal of property, plant and equipment	(54,510)	(371,274)
Impairment loss	(621,291)	(596,784)
Other losses	(487,019)	(474,513)
	$ 745,573	$ (523,311)

The components of net foreign exchange gain were as follows:

	For the Year Ended December 31	
	2017	2016
Foreign exchange gain	$ 2,121,017	$ 1,688,239
Foreign exchange loss	(1,437,593)	(1,622,373)
Net exchange gains	$ 683,424	$ 65,866

c. Finance costs

	For the Year Ended December 31	
	2017	2016
Total interest expense	$ 3,937,073	$ 4,037,507
Less: Amounts included in the cost of qualifying assets	219,180	220,866
	$ 3,717,893	$ 3,816,641

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2017	2016
Capitalized amounts	$ 219,180	$ 220,866
Capitalized annual rates (%)	0.40-1.60	0.53-1.63

d. Impairment loss recognized on (reversal of) financial assets

	For the Year Ended December 31	
	2017	2016
Available-for-sale financial assets	$ 747,296	$ 620,817
Held-to maturity financial assets	86,737	-
Accounts receivable	(26,667)	47,025
Long-term receivable (recorded as other noncurrent assets)	(23,220)	31,942
	$ 784,146	$ 699,784

(Continued)

	For the Year Ended December 31	
	2017	2016
Analysis of impairment loss recognized on (reversal of) financial assets by function		
Operating costs	$ 231,503	$ 127,033
Operating expenses	(26,677)	97,727
Other income	(23,210)	(18,760)
Others gains and losses	602,530	493,784
	$ 784,146	$ 699,784

(Concluded)

e. Impairment loss recognized on (reversal of) non-financial assets

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 876,780	$ 45,168
Investments accounted for using equity method	(103,000)	103,000
Investment properties	15,307	-
Goodwill	40,311	-
	$ 829,398	$ 148,168
Analysis of impairment loss recognized on (reversal of) non-financial assets by function		
Operating costs	$ 792,260	$ 45,452
Operating expenses	18,377	(284)
Others gains and losses	18,761	103,000
	$ 829,398	$ 148,168

f. Depreciation and amortization

	For the Year Ended December 31	
	2017	2016
Property, plant and equipment	$ 34,459,106	$ 35,610,832
Investment properties	70,186	81,051
Intangible assets	262,994	275,947
Others	83,652	95,647
	$ 34,875,938	$ 36,063,477
Analysis of depreciation by function		
Operating costs	$ 32,849,676	$ 34,123,879
Operating expenses	1,653,654	1,544,252
Others	25,962	23,752
	$ 34,529,292	$ 35,691,883

(Continued)

	For the Year Ended December 31	
	2017	2016
Analysis of amortization by function		
Operating costs	$ 190,640	$ 214,057
Operating expenses	145,508	152,741
Others	10,498	4,796
	$ 346,646	$ 371,594

(Concluded)

g. 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	$ 161,976	$ 173,181

h. Employee benefits

	For the Year Ended December 31	
	2017	2016
Short-term employee benefits		
Salaries	$ 30,870,934	$ 30,441,763
Labor and health insurance	1,973,203	1,902,650
Others	1,374,425	1,326,544
	34,218,562	33,670,957
Post-employment benefits		
Defined contribution plans	756,725	699,625
Defined benefit plans (Note 24)	833,366	853,489
	1,590,091	1,553,114
Termination benefits	77,701	89,689
	$ 35,886,354	$ 35,313,760
Analysis of employee benefits by function		
Operating costs	$ 28,789,792	$ 28,213,232
Operating expenses	6,619,529	6,604,868
Others	477,033	495,660
	$ 35,886,354	$ 35,313,760

The numbers of employees of the Corporation and its subsidiaries combined were 28,332 and 26,639 as of December 31, 2017 and 2016, respectively.

i. Employee's compensation and remuneration of directors

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 consolidated 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 consolidated 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.

28. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	$ 3,144,422	$ 2,484,969
Income tax on unappropriated earnings	404,006	121,761
In respect of prior years	(28,238)	(203,193)
Deferred tax		
In respect of the current year	(223,652)	297,486
In respect of prior years	(324,431)	10,820
	$ 2,972,107	$ 2,711,843

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

	For the Year Ended December 31	
	2017	2016
Profit before income tax	$ 23,403,297	$ 21,899,167
Income tax expense calculated at the statutory rate	$ 4,381,933	$ 4,123,151
Non-deductible expenses in determining taxable income	20,321	19,929
Tax-exempt income	(621,142)	(642,138)
Others	21,940	(70,195)
Additional income tax under the Alternative Minimum Tax Act	9,693	9,411
Income tax on unappropriated earnings	404,006	121,761
Unrecognized deductible temporary differences	(219,645)	(275,429)
Unrecognized loss carryforwards	(294,660)	(184,812)
Unrecognized investment credits	(377,670)	(197,462)
In respect of prior years	(352,669)	(192,373)
	$ 2,972,107	$ 2,711,843

The applicable tax rate used above is the corporate tax rate of 17% payable by the Corporation and its subsidiaries in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by NT$965,484 thousand and NT$292,340 thousand, respectively. In addition, the tax rate of the corporate unappropriated earnings in 2018 will be reduced from 10% to 5%.

As the status of appropriations of earnings for 2017 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
Translation of foreign operations	$ 53,469	$ 32,958
Unrealized gains and losses on available-for-sale financial asset	821	25,560

(Continued)

	For the Year Ended December 31	
	2017	2016
Fair value changes of cash flow hedges	$ 37,675	$ 26,369
Remeasurement on defined benefit plans	236,316	182,490
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	(4,485)	1,567
Fair value changes of hedging instruments in cash flow hedges transferred to profit or loss	-	(418)
	$ 323,796	$ 268,526

(Concluded)

d. Current tax assets and liabilities

	December 31	
	2017	2016
Current tax assets		
Tax refund receivable	$ 179,277	$ 132,124
Prepaid income tax	1,927	7,358
	$ 181,204	$ 139,482
Current tax liabilities		
Income tax payable	$ 3,127,173	$ 2,129,043

e. Deferred tax assets and liabilities

The Corporation and its subsidiaries offset certain deferred tax assets and deferred tax liabilities which met the offset criteria.

Changes 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	Exchange Differences	Closing Balance
Temporary differences						
Defined benefit plan and estimated preferential severance pay	$ 1,118,088	$ (7,358)	$ 234,460	$ -	$ -	$ 1,345,190
Unrealized loss on inventories	1,038,741	(115,588)	-	-	(63)	923,090
Provisions	729,422	(55,846)	-	-	-	673,576
Impairment loss on financial assets	126,361	90,915	-	-	-	217,276
Unrealized loss on construction	55,633	232,980	-	-	-	288,613
Difference between tax reporting and financial reporting - revenue recognition	163,449	(44,655)	-	-	-	118,794
Unrealized gain on the transactions with subsidiaries and associates	194,359	(18,605)	-	-	-	175,754
Unrealized settlement loss on foreign exchange forward for hedging	85,239	(13,520)	-	-	-	71,719
Foreign investment loss	519,409	94,772	-	-	-	614,181
Others	947,835	293,434	77,387	-	7,950	1,326,606
	4,978,536	456,529	311,847	-	7,887	5,754,799
Tax losses	384,781	51,525	-	-	(702)	435,604
Investment credits	9,664	(7,287)	-	-	-	2,377
	$ 5,372,981	$ 500,767	$ 311,847	$ -	$ 7,185	$ 6,192,780

(Continued)

Deferred tax liabilities	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Closing Balance
Temporary differences						
Land value increment tax	$ 10,240,123	$ -	$ -	$ -	$ -	$ 10,240,123
Difference between tax reporting and financial reporting - depreciation methods	808,075	(93,121)	-	-	2,982	717,936
Foreign investment income	972,942	119,520	-	-	861	1,093,323
Others	240,149	(73,715)	(11,949)	(92)	-	154,393
	$ 12,261,289	$ (47,316)	$ (11,949)	$ (92)	$ 3,843	$ 12,205,775

(Concluded)

For the Year Ended December 31, 2016

Deferred tax assets	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Closing Balance
Temporary differences						
Defined benefit plan and estimated preferential severance pay	$ 972,213	$ (20,179)	$ 161,837	$ -	$ 4,217	$ 1,118,088
Unrealized loss on inventories	1,660,471	(621,274)	-	-	(456)	1,038,741
Provisions	538,871	190,551	-	-	-	729,422
Impairment loss on financial assets	43,350	83,011	-	-	-	126,361
Unrealized loss on construction	100,823	(45,190)	-	-	-	55,633
Difference between tax reporting and financial reporting - revenue recognition	165,665	(2,216)	-	-	-	163,449
Unrealized gain on the transactions with subsidiaries and associates	129,848	64,511	-	-	-	194,359
Unrealized settlement loss on foreign exchange forward for hedging	93,805	(8,566)	-	-	-	85,239
Foreign investment loss	292,666	226,743	-	-	-	519,409
Others	967,159	(108,457)	88,492		641	947,835
	4,964,871	(241,066)	250,329	-	4,402	4,978,536
Tax losses	273,917	115,968	-	-	(5,104)	384,781
Investment credits	319,368	(309,704)	-	-	-	9,664
	$ 5,558,156	$ (434,802)	$ 250,329	$ -	$ (702)	$ 5,372,981
Deferred tax liabilities						
Temporary differences						
Land value increment tax	$ 10,240,123	$ -	$ -	$ -	$ -	$ 10,240,123
Difference between tax reporting and financial reporting - depreciation methods	932,354	(115,535)	-	-	(8,744)	808,075
Foreign investment income	928,890	36,031	6,947	-	1,074	972,942
Others	316,108	(46,992)	(25,144)	(64)	(3,759)	240,149
	$ 12,417,475	$ (126,496)	$ (18,197)	$ (64)	$ (11,429)	$ 12,261,289

f. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31 2017	December 31 2016
Loss carryforwards	$ 13,502,694	$ 14,588,271
Investment credits		
Purchase of machinery and equipment (due in 2017)	$ -	$ 2,126,423
Deductible temporary differences	$ 803,693	$ 568,999

The unrecognized loss carryforwards will expire from 2018 to 2027.

g. Information about unused investment credits

As of December 31, 2017, investment credits were comprised of:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Encouragement of Private Participation in Transportation Infrastructure Projects	Transportation Infrastructure	$ 2,377	2019

Loss carryforwards as of December 31, 2017 comprised of:

Unused Amount	Expiry Year
$ 2,464,906	2018-2027

h. Integrated income tax

	December 31	
	2017 (Note)	2016
Unappropriated earnings		
Before January 1, 1998	Note	$ 15,954
On and after January 1, 1998	Note	17,180,087
		$ 17,196,041
Imputation credits 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.

i. Income tax assessments

The Corporation's income tax returns through 2015 and the subsidiaries' income tax returns through 2013 to 2016 have been assessed by the tax authorities.

29. 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 attributable to owners of the Corporation	$ 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 the 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 offered to settle the compensation paid to employees by cash or shares, the Corporation assumed 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 board of directors resolve the number of shares to be distributed to employees in the following year.

30. CAPITAL MANAGEMENT

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

Except for Note 19, the Corporation and its subsidiaries are not subject to any externally imposed capital requirements.

31. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the Corporation and its subsidiaries believe the carrying amounts of financial instruments, including cash and cash equivalents, receivables, debt investments with no active market, and payables recognized in the consolidated financial statements approximated their fair values.

	December 31			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity investments	$ 129,750	$ 108,683	$ 222,669	$ 197,485

The fair value of held-to-maturity investment, which were grouped into Level 2, was measured under valuation method. The estimates and assumptions used by the Corporation and its subsidiaries were consistent with those that market participants would use in setting a price for the financial instrument.

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				
Financial assets at fair value through profit or loss				
Mutual funds	$ 3,278,408	$ -	$ -	$ 3,278,408
Listed shares	1,185,077	-	-	1,185,077
Convertible bonds	229,671	-	-	229,671
Emerging market shares	-	-	215,464	215,464
Foreign currency forward contracts	-	2,024	-	2,024
	$ 4,693,156	$ 2,024	$ 215,464	$ 4,910,644
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 44,537,011	$ 44,537,011
Domestic emerging market shares and unlisted shares	-	-	2,531,911	2,531,911
Domestic listed shares	11,043,748	-	-	11,043,748
Foreign listed shares	2,141,150	-	-	2,141,150
Mutual funds	143,539	-	-	143,539
Private-placement shares of listed companies	-	172,785	-	172,785
	$ 13,328,437	$ 172,785	$ 47,068,922	$ 60,570,144
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 70,368	$ -	$ 70,368
Financial liabilities at fair value through profit or loss				
Future contracts	$ -	$ 247	$ -	$ 247

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities for hedging				
Interest rate swap contracts	$ -	$ 5,785	$ -	$ 5,785
Foreign exchange forward contracts	-	252,758	-	252,758
	$ -	$ 258,543	$ -	$ 258,543
December 31, 2016				
Financial assets at fair value through profit or loss				
Mutual funds	$ 2,092,483	$ -	$ -	$ 2,092,483
Listed shares	643,914	-	-	643,914
Convertible bonds	319,100	-	-	319,100
Emerging market shares	-	-	231,953	231,953
Futures contracts	-	899	-	899
	$ 3,055,497	$ 899	$ 231,953	$ 3,288,349
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 13,530,742	$ 13,530,742
Domestic emerging market shares and unlisted shares	-	-	2,803,247	2,803,247
Domestic listed shares	9,788,653	-	-	9,788,653
Foreign listed shares	2,457,207	-	-	2,457,207
Mutual funds	397,759	-	-	397,759
Private-placement shares of listed companies	-	136,042	-	136,042
	$ 12,643,619	$ 136,042	$ 16,333,989	$ 29,113,650
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 40,138	$ -	$ 40,138
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ 4,536	$ -	$ 4,536
Call and put options	-	405	-	405
	$ -	$ 4,941	$ -	$ 4,941
Derivative financial liabilities for hedging				
Interest rate swap contracts	$ -	$ 27,747	$ -	$ 27,747
Foreign exchange forward contracts	-	45,927	-	45,927
	$ -	$ 73,674	$ -	$ 73,674

(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

	Financial Assets at Fair Value Through Profit or Loss	Available-for-sale Financial Assets	Total
For the year ended December 31, 2017			
Balance, beginning of year	$ 231,953	$ 16,333,989	$ 16,565,942
Recognized in profit or loss	7,195	(741,703)	(734,508)
Recognized in other comprehensive income (classified as unrealized gains and losses on available-for-sale financial assets)	-	742,273	742,273
Purchase	-	364,035	364,035
Reclassification	-	32,133,525	32,133,525
Transfer out of Level 3	-	(796,102)	(796,102)
Disposal	(23,684)	(135,154)	(158,838)
Capital reduction	-	(23,728)	(23,728)
Effect of foreign currency exchange difference	-	(808,213)	(808,213)
Balance, end of year	$ 215,464	$ 47,068,922	$ 47,284,386
For the year ended December 31, 2016			
Balance, beginning of year	$ 245,455	$ 45,129,968	$ 45,375,423
Recognized in profit or loss	(13,502)	(343,550)	(357,052)
Recognized in other comprehensive income (classified as unrealized gains and losses on available-for-sale financial assets)	-	1,884,679	1,884,679
Purchase	-	539,720	539,720
Reclassification	-	(25,194,760)	(25,194,760)
Transfer out of Level 3	-	(4,458,702)	(4,458,702)
Disposal	-	(525,987)	(525,987)
Capital reduction	-	(14,040)	(14,040)
Effect of foreign currency exchange difference	-	(683,339)	(683,339)
Balance, end of year	$ 231,953	$ 16,333,989	$ 16,565,942

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

Financial Instrument	Valuation Techniques and Inputs
Derivative instruments	A discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-option derivatives, and option pricing models for option derivatives. The estimates and assumptions used by the Corporation and its subsidiaries were consistent with those that market participants would use in setting a price for the financial instrument.
Private-placement shares of listed companies	Based on information from the Market Observation Post System, the Taipei Exchange, etc. and calculated by using the Black-Scholes Model.

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, some foreign unlisted shares and certificate of entitlement, 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 returns 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		
Fair value through profit or loss		
Designated as at fair value through profit or loss	$ 2,702,850	$ 1,396,919
Held for trading	2,207,794	1,891,430
Derivative instruments in designated hedge accounting relationships	70,368	40,138
Available-for-sale financial assets	60,570,144	29,113,650
Held-to-maturity investments	129,750	222,669
Loans and receivables 1)	47,198,451	48,156,503
Financial liabilities		
Fair value through profit or loss		
Held for trading	247	4,536
Designated as at fair value through profit or loss	-	405
Derivative instruments in designated hedge accounting relationships	258,543	73,674
Measured at amortized cost 2)	296,392,387	311,543,875

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, debt 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, notes and accounts payable (including related parties), other payables, bonds payable, long-term borrowings, long-term bills payable and deposits received.

d. Financial risk management objectives and policies

The Corporation and its subsidiaries are extremely focused on financial risk management. By tracking and managing the market risk, credit risk, and liquidity risk efficiently, the management ensured that the Corporation and its subsidiaries were 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 and its subsidiaries 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 and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The Corporation and its subsidiaries were exposed to foreign currency risk due to sales, purchases, 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 (including those eliminated on consolidation) at the balance sheet date were referred to Note 35.

The Corporation and its subsidiaries were mainly exposed to the currencies USD and RMB. The following table details the sensitivity to a 1% increase in the functional currencies against the relevant foreign currencies.

	USD Impact			RMB Impact		
	For the Year Ended December 31			For the Year Ended December 31		
	2017	2016		2017	2016	
Pre-tax profit or loss	$ 6,434	$ 28,583	i	$ (16,158)	$ (8,872)	i
Pre-tax equity	270,504	288,872	ii	(3,015)	(5,647)	ii

i. These were mainly attributable to the exposure of cash, outstanding receivables and payables, which were not hedged at the balance sheet date, and debt investments with no active market and borrowings, which were respectively designated as hedged items and hedging instruments in fair value hedges.

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 and its subsidiaries were exposed to interest rate risk because the Corporation and its subsidiaries borrowed funds at both fixed and floating interest rates. The risk is managed by the Corporation and its subsidiaries by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts.

The carrying amounts of the Corporation and its subsidiaries' 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	$ 119,687,069	$ 116,882,062
Cash flow interest rate risk		
Financial liabilities	138,536,148	159,071,274

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation and its subsidiaries' pre-tax profit would have been lower/higher by NT$1,385,361 thousand and NT$1,590,713 thousand, respectively, for the years ended December 31, 2017 and 2016.

c) Other price risk

The Corporation and its subsidiaries were exposed to equity price risk through their investments in mutual funds and listed shares.

If equity prices had been 1% higher/lower, the pre-tax profit for the years ended December 31, 2017 and 2016 would have been higher/lower by NT$44,635 thousand and NT$27,364 thousand, respectively, as a result of the fair value changes of financial assets at fair value through profit or loss, and the other comprehensive income for the years ended December 31, 2017 and 2016 would have been higher/lower by NT$133,284 thousand and NT$126,436 thousand, respectively, as a result of the changes in fair value 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 and its subsidiaries. As at the balance sheet date, the Corporation and its subsidiaries' maximum exposure to credit risk is the carrying amount of the financial assets on the consolidated balance sheets and the amount of contingent liabilities in relation to financial guarantee issued by the Corporation and its subsidiaries.

The Corporation and its subsidiaries do not expect significant credit risk because the counterparties are creditworthy financial institutions and companies.

Counterparties of accounts receivable consisted of a large number of different customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the customers' financial condition.

The Corporation and its subsidiaries did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Corporation and its subsidiaries define counterparties as having similar characteristics if they are related entities.

As of December 31, 2017 and 2016, the maximum credit risk of off-balance-sheet guarantees and amount provided to investees of co-investment for procurement compliance was NT$23,504,137 thousand and NT$13,196,277 thousand.

3) Liquidity risk

The management of the Corporation and its subsidiaries continuously monitor 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 and its subsidiaries' 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 span 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.

The table below summarizes the maturity profile of the Corporation and its subsidiaries' financial liabilities based on contractual undiscounted payments:

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
December 31, 2017				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 36,072,502	$ 496,183	$ -	$ 36,568,685
Variable interest rate liabilities	56,551,013	83,807,062	1,649,263	142,007,338
Fixed interest rate liabilities	34,546,614	66,824,023	25,881,204	127,251,841
Financial guarantee liabilities	191,898	8,771,760	14,540,479	23,504,137
	$ 127,362,027	$ 159,899,028	$ 42,070,946	$ 329,332,001
December 31, 2016				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 33,114,877	$ 1,103,811	$ -	$ 34,218,688
Variable interest rate liabilities	53,965,318	106,590,665	2,721,873	163,277,856
Fixed interest rate liabilities	24,184,220	61,814,679	40,085,283	126,084,182
Financial guarantee liabilities	-	197,622	12,998,655	13,196,277
	$ 111,264,415	$ 169,706,777	$ 55,805,811	$ 336,777,003

The amounts included above for financial guarantee liabilities were the maximum amounts the Corporation and its subsidiaries 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 balance sheet date, the Corporation and its subsidiaries considered that it is more likely than not that none of the amount will be payable under the arrangement.

32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Corporation and other related parties are disclosed below:

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

Company	Relationship
TaiAn Technologies Corporation	Associates
FUKUTA ELECTRIC & MACHINERY CO., LTD.	Associates
Hsin Hsin Cement Enterprise Corporation	Associates
Nikken & CSSC Metal Products Co., Ltd.	Associates
Eminent II Venture Capital Corporation	Associates
iPASS Corporation	Associates
Honley Auto. Parts Co., Ltd.	Associates
Majestic Solid Light Corporation	Associates

(Continued)

Company	Relationship
Ascentek Venture Capital Corp.	Associates
TAIWAN ROLLING STOCK COMPANY LTD.	Associates
CHUNGKANG STEEL STRUCTURE (CAMBODIA) CO., LTD.	Associates
Formosa Ha Tinh Steel Corporation	Other related parties (Associates before July 2017)
Formosa Ha Tinh (Cayman) Limited	Other related parties (Associates before July 2017)
Wuhan Huade Ecotek Corporation	Associates
HC&C Auto Parts Co., Ltd.	Associates
PT. MICS Steel Indonesia	Associates
SINO Vietnam Hi-tech Material Co., Ltd.	Associates
Tatt Giap Steel Centre Sdn. Bhd.	Associates
TSK Steel Company Limited	Associates
Wuhan WISCO YUTEK Environment Technology Co., Ltd.	Associates
Dyna Rechi Co., Ltd.	Associates
Dyna Rechi (Jiujiang) Co., Ltd.	Associates
Changchun CECK Auto. Parts Co., Ltd.	Associates
Mahindra Auto Steel Private Limited	Associates
Chateau International Development Co., Ltd.	Associates
Kaohsiung Arena Development Corp.	Associates
Overseas Investment & Development Corp.	Associates (Reclassified as the Corporation as key management personnel of other related parties before September 2017)
CSBC Corporation, Taiwan	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
Rechi Precision 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
Sakura Ferroalloys Sdn. Bhd.	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
Ministry of Economic Affairs, R.O.C.	Director of the Corporation
The CSC Labor Union	Director of the Corporation
HSIN KUANG STEEL CO., LTD	Other related parties as supervisors of the Corporation (The relationship ended since July 2016)

(Concluded)

b. Operating revenues

Account Items	Related Parties Types	For the Year Ended December 31 2017	2016
Revenues from sales of goods	Other related parties	$ 395,916	$ -
	Associates	1,642,273	3,447,408
	The Corporation as key management personnel of other related parties	961,962	3,228,028
	Others	1,426,418	2,548,473
		$ 4,426,569	$ 9,223,909
Construction contract revenues	Other related parties	$ 589,311	$ -
	Associates	440,251	1,249,956
	Others	111	169,844
		$ 1,029,673	$ 1,419,800

Sales to related parties were made at arm's length. The construction contracts undertaken by the Corporation and its subsidiaries with related parties were different from those with unrelated parties; therefore, the prices were not comparable while the collection terms have no material differences.

c. Purchase of goods

Related Parties Types	For the Year Ended December 31 2017	2016
Other related parties	$ 2,371,206	$ -
Associates	1,718,906	295,461
Others	-	4,370,839
	$ 4,090,112	$ 4,666,300

Purchases from related parties were made at arm's length.

d. Receivables from related parties

Account Items	Related Parties Types	For the Year Ended December 31 2017	2016
Notes and accounts receivable	The Corporation as key management personnel of other related parties	$ 223,217	$ 475,496
	Other related parties	219,246	-
	Associates	48,668	127,622
	Others	173,533	280,145
		$ 664,664	$ 883,263

(Continued)

Account Items	Related Parties Types/Names	For the Year Ended December 31 2017	2016
Other receivables	Other related parties		
	Formosa Ha Tinh (Cayman) Limited	$ 208,320	$ 232,684
	Formosa Ha Tinh Steel Corporation	7,970	-
	Others	29,384	36
		$ 245,674	$ 232,720

(Concluded)

The subsidiary China Ecotek Corporation recognized and reverse the allowance for doubtful accounts in the amount of reversal of NT$2,837 thousand and recognition of NT$1,903 thousand for the years ended December 31, 2017 and 2016, respectively. As of December 31, 2017 and 2016, the allowance for doubtful accounts amounted to NT$151 thousand and NT$3,059 thousand, respectively.

e. Payables to related parties

Account Items	Related Parties Types	For the Year Ended December 31 2017	2016
Accounts payable	Associates	$ 37,377	$ 44,998
	Others	-	491,546
		$ 37,377	$ 536,544
Other payables	Other related parties	$ 551,072	$ -
	The Corporation as key management personnel of other related parties	121,442	37,919
	Associates	12,662	598,693
	Others	11,261	31,478
		$ 696,437	$ 668,090

The outstanding payables to related parties were unsecured.

f. Others

Account Items	Related Parties Types	For the Year Ended December 31 2017	2016
Service and other revenues	Associates	$ 325,884	$ 497,394
	Other related parties	160,174	-
	Others	7,555	112,805
		$ 493,613	$ 610,199

g. Endorsements and guarantees provided by the Corporation and its subsidiaries

Related Parties Types/Names	For the Year Ended 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
The Corporation as key management personnel of others		
Amount endorsed	$ 927,582	$ 807,392
Amount utilized	(670,777)	(796,152)
	$ 256,805	$ 11,240

Endorsements and guarantees above are provided to investee by the percentage of shareholdings under joint venture agreements.

h. 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	2016
Short-term employee benefits	$ 92,973	$ 87,813
Post-employment benefits	758	1,107
	$ 93,731	$ 88,920

33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The Corporation and its subsidiaries' assets mortgaged or pledged as collateral for long-term borrowings, short-term borrowings and bank overdraft, performance guarantees and bankers' acceptance bills, etc. were as follows (listed based on their carrying amounts):

	December 31	
	2017	2016
Net property, plant and equipment	$ 116,024,557	$ 124,349,476
Time deposits (Note 16)	6,844,856	6,606,133
Shares (a.)	5,838,525	5,814,935
Net investment properties	1,464,627	1,511,854
Pledged receivables (Note 16) (b.)	2,000,000	2,000,000
	$ 132,172,565	$ 140,282,398

a. Shares of the Corporation were pledged by WIC and TIC, both subsidiaries, and were recorded as treasury shares in the consolidated financial statements.

b. In accordance with revised agreements of build-operate-transfer contract in 2013, the subsidiary KRTC reclassified NT$2,000,000 thousand including arbitration receivable - Kaohsiung City Government and part of the consideration of transferred assets to operating performance guarantees.

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 19, significant commitments and contingencies of the Corporation and its subsidiaries as of December 31, 2017 were as follows:

a. The Corporation and its subsidiaries provided letters of credits for NT$7.8 billion guaranteed by financial institutions for several constructions, lease contracts and payment. Guarantee notes for NT$69.9 billion were provided to banks and owners for loans, purchase agreements and warranties.

b. Unused letters of credit for importation of materials and machinery amounted to NT$9.3 billion.

c. Property purchase and construction contracts for NT$5.4 billion were signed but not yet recorded.

d. Construction contracts for NT$31.6 billion were not yet being completed.

e. The Corporation and its subsidiaries 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 10,080,000 metric tons of coal, 23,650,000 metric tons of iron ore, and 3,520,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of December 31, 2017 were USD6.1 billion (including 9,030,000 metric tons of coal, 57,000,000 metric tons of iron ore, and 1,020,000 metric tons of limestone).

f. Starting from August 2014, the associate Changchun CECK Auto. Parts Co., Ltd. (CCCA) entered into credit facility agreements with Taipei Fubon Bank and several banks for USD10,000 thousand (or the equal amount in EUR, the credit line remained unchanged) and USD14,000 thousand credit lines. Under the agreements, the Corporation and its associates should collectively hold at least 38% and 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.

g. In November 2014, the associate Honley Auto. Parts Co., Ltd. (HAPC) entered into a construction financing 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 agreement, 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.

35. 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 its subsidiaries 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:

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
December 31, 2017				
Monetary foreign currency assets				
USD	$ 262,256	29.7600	(USD:NTD)	$ 7,804,749
USD	19,305	6.5192	(USD:RMB)	574,530
USD	10,565	1.2836	(USD:AUD)	314,416
USD	8,429	4.2081	(USD:MYR)	250,859
JPY	8,067,470	0.2642	(JPY:NTD)	2,131,426
RMB	418,269	4.5650	(RMB:NTD)	1,909,400
VND	836,695,307	0.00004	(VND:USD)	995,667
EUR	15,628	35.5700	(EUR:NTD)	555,886
Non-monetary foreign currency assets				
Available-for-sale financial assets				
USD	1,190,666	29.7600	(USD:NTD)	35,434,212
JPY	7,996,000	0.2642	(JPY:NTD)	2,112,543
MYR	280,223	7.0720	(MYR:NTD)	1,981,737
RMB	30,899	4.5650	(RMB:NTD)	141,054
Associates accounted for using equity method				
USD	1,445,806	29.7600	(USD:NTD)	43,023,074
AUD	679,476	23.1850	(AUD:NTD)	15,753,650
INR	4,793,299	0.4649	(INR:NTD)	2,228,405
Monetary foreign currency liabilities				
USD	1,084,227	29.7600	(USD:NTD)	32,266,606
USD	110,000	64.0138	(USD:INR)	3,273,600
USD	17,589	6.5192	(USD:RMB)	523,441
USD	24,398	24800.0000	(USD:VND)	726,085
JPY	11,421,430	0.2642	(JPY:NTD)	3,017,542
December 31, 2016				
Monetary foreign currency assets				
USD	244,290	32.2500	(USD:NTD)	7,878,362
USD	18,827	6.9851	(USD:RMB)	607,164
USD	10,039	1.3850	(USD:AUD)	323,762
USD	8,914	4.6705	(USD:MYR)	287,483
USD	3,883	24,807.6923	(USD:VND)	125,226
JPY	7,729,021	0.2756	(JPY:NTD)	2,130,118
RMB	304,794	4.6170	(RMB:NTD)	1,407,236
EUR	10,559	33.9000	(EUR:NTD)	357,942
VND	1,035,080,000	0.00004	(VND:USD)	1,335,253
Non-monetary foreign currency assets				
Available-for-sale financial assets				
USD	93,665	32.2500	(USD:NTD)	3,020,686
JPY	8,832,000	0.2756	(JPY:NTD)	2,434,099
MYR	255,987	6.9050	(MYR:NTD)	1,767,588
KRW	20,541,000	0.0270	(KRW:NTD)	554,607
RMB	80,198	4.6170	(RMB:NTD)	370,272

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Associates accounted for using equity method				
USD	$ 1,447,829	32.2500	(USD:NTD)	$ 46,657,095
AUD	711,451	23.2850	(AUD:NTD)	16,566,147
INR	4,656,887	0.4762	(INR:NTD)	2,217,610
Monetary foreign currency liabilities				
USD	1,107,225	32.2500	(USD:NTD)	35,708,001
USD	110,000	67.7240	(USD:INR)	3,547,500
USD	24,279	6.9850	(USD:RMB)	782,986
USD	21,709	24,807.6923	(USD:VND)	700,127
USD	9,133	4.6710	(USD:MYR)	294,536
AUD	180,194	23.2850	(AUD:NTD)	4,195,825
JPY	11,053,025	0.2756	(JPY:NTD)	3,046,214

(Concluded)

The total realized and unrealized foreign exchange gains were NT$683,424 thousand and NT$65,866 thousand for the years ended December 31, 2017 and 2016, 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 of each entity.

36. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. As a result, those whose nature of the products and production processes are similar have been considered single operation segments. Reported segments of the Corporation and its subsidiaries were as follows:

- Steel department - manufacture and sell steel products, including the Corporation, DSC, CHSC, CSCSSB, CSVC, CSCI, HLSC and TSC.

a. Segment revenues and operating results

The following is an analysis of the Corporation and its subsidiaries' revenues and results of operations by reportable segment.

	Steel Department	Others	Adjustment and Elimination	Total
For the year ended December 31, 2017				
Revenues from external customers	$ 280,433,594	$ 66,578,408	$ -	$ 347,012,002
Inter-segment revenues	83,222,397	49,759,201	(132,981,598)	-
Segment revenues	$ 363,655,991	$ 116,337,609	$(132,981,598)	$ 347,012,002

(Continued)

	Steel Department	Others	Adjustment and Elimination	Total
Segment profit	$ 17,909,851	$ 7,304,089	$ (292,311)	$ 24,921,629
Interest income	179,938	181,117	(70,837)	290,218
Financial costs	(3,141,382)	(620,430)	43,919	(3,717,893)
Share of the profit (loss) of associates	7,438,653	1,947,849	(9,710,817)	(324,315)
Other non-operating income and expenses	2,394,578	558,787	(719,707)	2,233,658
Profit before income tax	24,781,638	9,371,412	(10,749,753)	23,403,297
Income tax	(1,984,831)	(997,609)	10,333	(2,972,107)
Net profit for the year	$ 22,796,807	$ 8,373,803	$ (10,739,420)	$ 20,431,190
For the year ended December 31, 2016				
Revenues from external customers	$ 230,821,150	$ 62,234,654	$ -	$ 293,055,804
Inter-segment revenues	60,496,533	40,341,630	(100,838,163)	-
Segment revenues	$ 291,317,683	$ 102,576,284	$(100,838,163)	$ 293,055,804
Segment profit	$ 18,553,416	$ 6,655,435	$ 222,770	$ 25,431,621
Interest income	205,861	174,635	(62,556)	317,940
Financial costs	(3,346,114)	(507,080)	36,553	(3,816,641)
Share of the profit (loss) of associates	5,839,250	458,136	(6,961,268)	(663,882)
Other non-operating income and expenses	1,004,649	322,026	(696,546)	630,129
Profit before income tax	22,257,062	7,103,152	(7,461,047)	21,899,167
Income tax	(1,842,915)	(833,029)	(35,899)	(2,711,843)
Net profit for the year	$ 20,414,147	$ 6,270,123	$ (7,496,946)	$ 19,187,324

(Concluded)

Inter-segment revenues were accounted for according to market price or cost-plus pricing.

Segment profit represented the profit from operations earned by each segment and was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31 2017	December 31 2016
Segment assets		
Steel department	$ 722,336,406	$ 728,761,785
Others	237,018,165	237,849,833
Adjustment and elimination	(291,638,692)	(290,489,825)
Consolidated total assets	$ 667,715,879	$ 676,121,793
Segment liabilities		
Steel department	$ 281,461,836	$ 293,415,373
Others	76,873,211	73,719,248
Adjustment and Elimination	(22,571,155)	(20,592,521)
Consolidated total liabilities	$ 335,763,892	$ 346,542,100

c. Revenues from major products and services

Revenues from major products and services of the Corporation and its subsidiaries were as follows:

	For the Year Ended December 31	
	2017	2016
Steel products	$ 287,137,194	$ 234,621,561
Non-ferrous materials	32,255,497	28,975,673
Construction contract revenues	17,496,736	19,760,229
Freight and service revenues	6,936,438	7,254,353
Others	3,186,137	2,443,988
	$ 347,012,002	$ 293,055,804

d. Geographical information

The Corporation and its subsidiaries operate in five principal geographical areas - Taiwan, Malaysia, China, Vietnam and India.

The Corporation and its subsidiaries' revenues from continuing operations from external customers and information about its non-current assets by geographical location were detailed below:

	Revenues from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2017	2016	2017	2016
Taiwan	$ 303,319,159	$ 258,526,517	$ 393,562,138	$ 404,952,118
Vietnam	20,361,997	16,569,248	15,556,015	18,030,115
Malaysia	8,922,984	7,727,096	1,885,363	1,988,172
China	7,791,599	5,965,053	3,634,948	3,952,537
India	3,711,027	1,935,617	5,455,860	5,557,033
Others	2,905,236	2,332,273	12,009,842	14,259,749
	$ 347,012,002	$ 293,055,804	$ 432,104,166	$ 448,739,724

Non-current assets excluded those classified as financial instruments, deferred tax assets and retirement benefit assets.

e. Information about major customers

No revenue from any individual customer exceeds 10% of the Corporation and its subsidiaries' total revenues for the years ended December 31, 2017 and 2016.