China Steel Corporation

Standalone Financial Statements for the Years Ended December 31, 2013 and 2012 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Steel Corporation

We have audited the accompanying standalone balance sheets of China Steel Corporation (the "Corporation") as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related standalone statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the standalone financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall standalone financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the standalone financial statements referred to in the first paragraph present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2013, December 31, 2012 and January 1, 2012, and its standalone financial performance and its standalone cash flows for the years ended 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China.

Deloitte & Touche

March 21, 2014

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

The accompanying standalone financial statements are intended only to present the standalone financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such standalone financial statements are those generally applied in the Republic of China.

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

Member of Deloitte Touche Tohmatsu Limited

CHINA STEEL CORPORATION

STANDALONE BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	December 31, 2013		December 31, 2012		January 1, 2012	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 27)	$ 1,331,421	-	$ 1,633,583	-	$ 583,607	-
Available-for-sale financial assets - current (Notes 4, 7 and 27)	2,589,723	1	1,645,451	1	2,207,870	-
Derivative financial assets for hedging - current (Notes 4, 8 and 27)	13,550	-	33,120	-	22,630	-
Notes receivable, net (Notes 4, 9 and 27)	408,444	-	476,696	-	866,772	-
Notes receivable - related parties (Notes 4, 9, 27 and 28)	600,863	-	519,453	-	468,399	-
Accounts receivable, net (Notes 4, 5, 9 and 27)	2,115,874	1	2,712,325	1	2,764,299	1
Accounts receivable - related parties (Notes 4, 5, 9, 27 and 28)	1,318,659	-	830,895	-	553,216	-
Other receivables (Notes 4, 11 and 27)	1,082,512	-	870,429	-	989,066	-
Other receivables - loans to related parties (Notes 27 and 28)	2,320,000	1	-	-	-	-
Current tax assets (Note 24)	8,663	-	8,663	-	173,364	-
Inventories (Notes 4, 5 and 10)	46,516,733	10	47,309,649	11	66,803,068	16
Other financial assets - current (Notes 4, 13, 27 and 29)	6,621,540	1	8,490,713	2	8,178,037	2
Other current assets	2,994,363	1	2,186,371	1	2,250,015	1
Total current assets	67,922,345	15	66,717,348	16	85,860,343	20
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent (Notes 4, 5, 7, 8 and 27)	19,013,560	4	13,297,620	3	12,984,109	3
Derivative financial assets for hedging - noncurrent (Notes 4, 8 and 27)	4,357	-	4,042	-	89,387	-
Bond investments with no active market - noncurrent (Notes 4, 11 and 27)	2,839,000	1	3,364,000	1	3,906,000	1
Investments accounted for using equity method (Notes 4, 8, 12 and 27)	165,350,184	36	146,956,682	34	125,240,189	29
Property, plant and equipment (Notes 4, 5, 8, 13, 14, 28 and 29)	192,022,654	42	189,509,120	44	187,141,146	44
Investment properties (Notes 4, 5 and 15)	5,577,685	1	4,740,277	1	3,063,360	1
Intangible assets	99,721	-	141,888	-	184,081	-
Deferred tax assets (Notes 4, 5 and 24)	4,213,562	1	4,778,954	1	3,650,961	1
Refundable deposits (Note 27)	52,526	-	144,807	-	223,215	-
Prepaid investments	142,500	-	-	-	-	-
Other financial assets - noncurrent (Notes 4, 13, 27 and 29)	42,424	-	68,185	-	2,153,505	1
Total noncurrent assets	389,358,173	85	363,005,575	84	338,635,953	80
TOTAL	$ 457,280,518	100	$ 429,722,923	100	$ 424,496,296	100

	December 31, 2013		December 31, 2012		January 1, 2012	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES						
Short-term borrowings and bank overdraft (Notes 6, 16, 27, 28 and 29)	$ 7,433,861	2	$ 8,868,560	2	$ 6,467,626	2
Short-term bills payable (Notes 16 and 27)	8,968,844	2	13,294,434	3	3,595,877	1
Derivative financial liabilities for hedging - current (Notes 4, 8 and 27)	7,952	-	11,752	-	7,620	-
Accounts payable (Note 27)	4,856,273	1	3,516,165	1	4,665,602	1
Accounts payable - related parties (Notes 27 and 28)	1,591,679	-	496,968	-	851,314	-
Other payables (Notes 5, 18, 20, 21, 27 and 28)	15,722,312	3	14,669,080	4	13,266,676	3
Current tax liabilities (Note 24)	2,047,487	-	1,368,313	-	2,520,677	1
Provisions - current (Notes 4, 5 and 19)	1,466,265	-	1,403,935	-	1,316,439	-
Current portion of bonds payable (Notes 17 and 27)	3,499,318	1	11,297,543	3	11,295,086	3
Current portion of long-term bank borrowings (Notes 16, 27 and 29)	6,642,101	2	7,940,886	2	3,682,227	1
Other current liabilities (Note 4)	2,125,450	1	1,433,596	-	1,728,306	-
Total current liabilities	54,361,542	12	64,301,232	15	49,397,450	12
NONCURRENT LIABILITIES						
Derivative financial liabilities for hedging - noncurrent (Notes 4, 8 and 27)	2,984	-	451	-	421	-
Bonds payable (Notes 17 and 27)	62,744,803	14	46,657,982	11	37,969,340	9
Long-term bank borrowings (Notes 16, 27 and 29)	24,541,232	5	15,180,409	4	21,284,765	5
Long-term bills payable (Notes 16 and 27)	8,996,565	2	10,494,163	2	11,989,008	3
Deferred tax liabilities (Notes 4 and 24)	11,385,765	3	11,545,694	3	11,726,153	3
Accrued pension liabilities (Notes 4, 5 and 20)	5,560,573	1	5,671,841	1	5,877,120	1
Total noncurrent liabilities	113,231,922	25	89,550,540	21	88,846,807	21
Total liabilities	167,593,464	37	153,851,772	36	138,244,257	33
EQUITY (Notes 4, 8, 12, 13, 21 and 24)						
Share capital						
Ordinary shares	154,255,840	34	152,724,765	36	150,462,093	36
Preference shares	382,680	-	382,680	-	382,680	-
Total share capital	154,638,520	34	153,107,445	36	150,844,773	36
Capital surplus	36,960,818	8	36,575,997	8	36,184,596	8
Retained earnings						
Legal reserve	55,359,726	12	54,778,577	13	52,829,209	12
Special reserve	26,920,871	6	29,248,991	7	29,251,979	7
Unappropriated earnings	16,348,240	3	6,156,721	1	19,606,971	5
Total retained earnings	98,628,837	21	90,184,289	21	101,688,159	24
Other equity	7,955,853	2	4,585,717	1	5,824,756	1
Treasury shares	(8,496,974)	(2)	(8,582,297)	(2)	(8,290,245)	(2)
Total equity	289,687,054	63	275,871,151	64	286,252,039	67
TOTAL	$ 457,280,518	100	$ 429,722,923	100	$ 424,496,296	100

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

CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 8, 22 and 28)	$ 200,726,268	100	$ 207,193,105	100
OPERATING COSTS (Notes 10, 20, 23 and 28)	184,156,015	91	198,229,265	96
GROSS PROFIT	16,570,253	9	8,963,840	4
REALIZED (UNREALIZED) GAIN ON THE TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	394,126	-	(36,337)	-
REALIZED GROSS PROFIT	16,964,379	9	8,927,503	4
OPERATING EXPENSES (Notes 20, 23 and 28)				
Selling and marketing expenses	2,797,942	1	2,412,224	1
General and administrative expenses	2,893,215	2	2,393,970	1
Research and development expenses	1,654,713	1	1,378,211	1
Total operating expenses	7,345,870	4	6,184,405	3
PROFIT FROM OPERATIONS	9,618,509	5	2,743,098	1
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 11, 23 and 28)	1,028,541	1	1,446,932	1
Other gains and losses (Notes 23 and 28)	(97,816)	-	1,003,737	1
Finance costs (Notes 23 and 28)	(1,486,696)	(1)	(1,358,092)	(1)
Share of the profit of subsidiaries and associates	8,444,846	4	2,385,614	1
Total non-operating income and expenses	7,888,875	4	3,478,191	2
PROFIT BEFORE INCOME TAX	17,507,384	9	6,221,289	3
INCOME TAX EXPENSE (Notes 4, 5 and 24)	1,525,844	1	326,483	-
NET PROFIT FOR THE YEAR	15,981,540	8	5,894,806	3
OTHER COMPREHENSIVE INCOME (Notes 4, 8, 13, 20, 21, 24 and 27)				
Exchange differences on translating foreign operations	(484,584)	-	(123,208)	-
Unrealized gain (loss) on available-for-sale financial assets	2,706,636	1	(629,571)	(1)
Cash flow hedges	4,123	-	(333,409)	-

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CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Actuarial gain from defined benefit plans	$ 168,894	-	$ 164,782	-
Share of the other comprehensive income of subsidiaries and associates	1,158,933	1	(237,798)	-
Income tax benefit (expense) relating to the components of other comprehensive income	(29,413)	-	28,667	-
Total other comprehensive income, net of income tax	3,524,589	2	(1,130,537)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 19,506,129	10	$ 4,764,269	2
EARNINGS PER SHARE (Note 25)				
Basic	$ 1.05		$ 0.39	
Diluted	$ 1.05		$ 0.39	

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

CHINA STEEL CORPORATION

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

	Share Capital			Retained Earnings			Other Equity					
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Cash Flow Hedges	Total	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2012	$ 150,462,093	$ 382,680	$ 36,184,596	$ 52,829,209	$ 29,251,979	$ 19,606,971	$ -	$ 5,507,672	$ 317,084	$ 5,824,756	$ (8,290,245)	$ 286,252,039
Reversal of special reserve	-	-	-	-	(2,988)	2,988	-	-	-	-	-	-
Appropriation of 2011 earnings (Note 21)												
Legal reserve	-	-	-	1,949,368	-	(1,949,368)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$1.01 per share	-	-	-	-	-	(15,196,671)	-	-	-	-	-	(15,196,671)
Cash dividends to preference shareholders - NT$1.25 per share	-	-	-	-	-	(47,835)	-	-	-	-	-	(47,835)
Share dividends to ordinary shareholders - NT$0.15 per share	2,256,932	-	-	-	-	(2,256,932)	-	-	-	-	-	-
Share dividends to preference shareholders - NT$0.15 per share	5,740	-	-	-	-	(5,740)	-	-	-	-	-	-
Net profit for the year ended December 31, 2012	-	-	-	-	-	5,894,806	-	-	-	-	-	5,894,806
Other comprehensive income for the year ended December 31, 2012, net of income tax	-	-	-	-	-	108,502	(417,820)	(223,869)	(597,350)	(1,239,039)	-	(1,130,537)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	6,003,308	(417,820)	(223,869)	(597,350)	(1,239,039)	-	4,764,269
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	(303,918)	(303,918)
Disposal of the Corporation's shares held by subsidiaries	-	-	2,363	-	-	-	-	-	-	-	19,331	21,694
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	308,554	-	-	-	-	-	-	-	-	308,554
Adjustment from changes in equity of subsidiaries and associates	-	-	80,484	-	-	-	-	-	-	-	(7,465)	73,019
BALANCE AT DECEMBER 31, 2012	152,724,765	382,680	36,575,997	54,778,577	29,248,991	6,156,721	(417,820)	5,283,803	(280,266)	4,585,717	(8,582,297)	275,871,151
Reversal of special reserve	-	-	-	-	(2,326,617)	2,326,617	-	-	-	-	-	-
Appropriation of 2012 earnings (Note 21)												
Legal reserve	-	-	-	581,149	-	(581,149)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.4 per share	-	-	-	-	-	(6,108,990)	-	-	-	-	-	(6,108,990)
Cash dividends to preference shareholders - NT$1.3 per share	-	-	-	-	-	(49,748)	-	-	-	-	-	(49,748)
Share dividends to ordinary shareholders - NT$0.1 per share	1,527,248	-	-	-	-	(1,527,248)	-	-	-	-	-	-
Share dividends to preference shareholders - NT$0.1 per share	3,827	-	-	-	-	(3,827)	-	-	-	-	-	-
Net profit for the year ended December 31, 2013	-	-	-	-	-	15,981,540	-	-	-	-	-	15,981,540
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	154,453	(241,869)	3,319,364	292,641	3,370,136	-	3,524,589
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	16,135,993	(241,869)	3,319,364	292,641	3,370,136	-	19,506,129
Disposal of the Corporation's shares held by subsidiaries	-	-	31,212	-	-	-	-	-	-	-	82,997	114,209
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	123,966	-	-	-	-	-	-	-	-	123,966
Adjustment from changes in equity of subsidiaries and associates	-	-	229,643	-	(1,503)	(129)	-	-	-	-	2,326	230,337
BALANCE AT DECEMBER 31, 2013	$ 154,255,840	$ 382,680	$ 36,960,818	$ 55,359,726	$ 26,920,871	$ 16,348,240	$ (659,689)	$ 8,603,167	$ 12,375	$ 7,955,853	$ (8,496,974)	$ 289,687,054

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

CHINA STEEL CORPORATION

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

	For the Year Ended December 31	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 17,507,384	$ 6,221,289
Adjustments for:		
Depreciation expense	18,856,796	17,708,945
Amortization expense	42,167	42,193
Finance costs	1,486,696	1,358,092
Interest income	(98,446)	(109,872)
Dividend income	(229,517)	(236,446)
Share of the profit of subsidiaries and associates	(8,444,846)	(2,385,614)
Loss on disposal of property, plant and equipment	44,984	112,197
Gain on disposal of investments	(147,514)	(1,156,092)
Increase (decrease) in provision for loss on inventories	9,775	(973,946)
Unrealized (realized) gain on the transactions with subsidiaries and associates	(394,126)	36,337
Recognition of provisions	3,367,318	2,407,222
Others	(204,746)	(325,034)
Changes in operating assets and liabilities		
Notes receivable	68,252	390,076
Notes receivable - related parties	(81,410)	(51,054)
Accounts receivable	596,451	51,974
Accounts receivable - related parties	(487,764)	(277,679)
Other receivables	(215,229)	35,539
Inventories	974,968	20,805,065
Other current assets	(807,992)	63,644
Accounts payable	1,340,108	(1,149,437)
Accounts payable - related parties	1,094,711	(354,346)
Other payables	166,795	(493,769)
Provisions	(3,304,988)	(2,319,726)
Other current liabilities	691,854	(294,710)
Accrued pension liabilities	57,626	(40,497)
Cash generated from operations	31,889,307	39,064,351
Income taxes paid	(66,778)	(2,525,650)
Net cash generated from operating activities	31,822,529	36,538,701
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(4,191,913)	(811,558)
Proceeds from disposal of available-for-sale financial assets	151,736	1,344,850
Proceeds from the capital reduction on available-for-sale financial assets	17,579	10,176
Acquisition of investments accounted for using equity method	(13,816,428)	(25,012,997)
Increase in prepaid investments	(142,500)	-
Acquisition of property, plant and equipment	(21,636,910)	(19,789,480)
Decrease in refundable deposits	92,281	78,408

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CHINA STEEL CORPORATION

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

	For the Year Ended December 31	
	2013	**2012**
Increase in other receivables - loans to related parties	$ (2,320,000)	$ -
Net cash inflow from merger	180,605	-
Decrease in other financial assets	1,917,045	1,518,252
Interest received	96,922	129,360
Dividends received from subsidiaries and associates	4,930,668	5,120,219
Other dividends received	234,187	231,776
Net cash used in investing activities	(34,486,728)	(37,180,994)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	27,788,870	75,235,819
Repayments of short-term borrowings	(31,211,282)	(70,652,795)
Increase (decrease) in short-term bills payable	(4,325,590)	9,698,557
Issuance of bonds payable	19,600,000	20,000,000
Repayments of bonds payable	(11,300,000)	(11,300,000)
Proceeds from long-term bank borrowings	17,187,349	1,757,611
Repayments of long-term bank borrowings	(8,048,632)	(2,666,667)
Decrease in long-term bills payable	(1,500,000)	(1,500,000)
Dividends paid	(6,176,496)	(15,236,472)
Interest paid	(1,607,656)	(1,546,515)
Net cash generated from financing activities	406,563	3,789,538
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,257,636)	3,147,245
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	965,856	(2,181,389)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ (1,291,780)	$ 965,856
Reconciliation of the amounts in the standalone statements of cash flows with the equivalent items reported in the standalone balance sheets as of December 31, 2013 and 2012:		
Cash and cash equivalents in the standalone balance sheets	$ 1,331,421	$ 1,633,583
Bank overdraft	(2,623,201)	(667,727)
Cash and cash equivalents in the standalone statements of cash flows	$ (1,291,780)	$ 965,856

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

(Concluded)

(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 have been listed on the Taiwan Stock Exchange since December 1974. As of December 31, 2013, the Ministry of Economic Affairs ("MOEA"), Republic of China owned 20.05% of the Corporation's issued ordinary shares.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the board of directors and authorized for issue on March 21, 2014.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. New, amended or revised standards and interpretations in issue but not yet effective

The Corporation has not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations (IFRIC), and Interpretations of IAS (SIC) that have been issued by the International Accounting Standards Board (IASB). On January 28, 2014, the Financial Supervisory Commission ("FSC") announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the standalone financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

The New IFRSs Included in 2013 IFRSs version not yet endorsed by the FSC	**Effective Date Announced by IASB (Note 1)**
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 or January 1, 2010
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ending on or after June 30, 2009

(Continued)

	Effective Date Announced by IASB (Note 1)
Improvements to IFRSs (2010)	July 1, 2010 or January 1, 2011
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013
The New IFRSs not included in the 2013 IFRSs version	
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 “Financial Instruments”	Effective date not determined
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date and Transition Disclosures”	Effective date not determined
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

b. Significant impending changes in accounting policy that would result from New IFRSs in issue but not yet effective

Except for the following, whenever applied, the initial application of the above New IFRSs would not have any material impact on the Corporation's accounting policies:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards 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. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other financial assets are measured at their fair values at the balance sheet date. However, the Corporation may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the 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 risk eligible for hedge accounting of non-financial items; (2) changing the way hedging 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.

Effective date

The mandatory effective date of IFRS 9, which was previously set at January 1, 2015, was removed and will be reconsidered once the standard is completed with a new impairment model and finalization of any limited amendments to classification and measurement.

2) IFRS 12 "Disclosure of Interests in Other Entities"

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries and associates. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments measured at fair value only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

4) Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

   The amendments to IAS 1 require items of other comprehensive income to be grouped into those that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

5) Revision to IAS 19 "Employee Benefits"

   <u>Revision in 2011</u>

   The interest cost and expected return on plan assets used in current IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

6) Annual Improvements to IFRSs: 2010-2012 Cycle

   IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

   IAS 24 was amended to clarify that a management entity providing key management personnel services to the Corporation is a related party of the Corporation. Consequently, the Corporation is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

7) Annual Improvements to IFRSs: 2011-2013 Cycle

   Several standards including IFRS 13 and IAS 40 "Investment Property" were amended in this annual improvement.

   The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

   IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is the acquisition of an asset or a business combination.

c. Material impact on financial statements that would result from the adoption of New IFRSs and the Regulations Governing the Preparation of Financial Reports by Securities Issuers in issue but not yet effective.

   As of the date that the standalone financial statements were authorized for issue by the board of directors, the Corporation is in the process of estimating the impact of the impending initial application of the Standards and Interpretations on its 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

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

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

Statement of Compliance

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

Basis of Preparation

The standalone financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the balance sheet date; and

c. 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 balance sheet date.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities to be settled within twelve months after the balance sheet date; and

c. Liabilities without an unconditional right to defer settlement for at least twelve months after the balance sheet date.

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

Foreign Currencies

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

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

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

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

For the purposes of presenting standalone financial statements, the investments of the Corporation's foreign operations (including subsidiaries and associates operating in other countries or using currencies different from the Corporation's) are recognized based on the equity in the investees' retranslated financial statements. Exchange differences arising are recognized in other comprehensive income.

Inventories

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

Investments Accounted for Using Equity Method

Investments in subsidiaries and associates are recognized under the equity method.

a. Investments in Subsidiaries

   A subsidiary is an entity over which the Corporation has control.

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

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

   When the Corporation's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Corporation's net investment in the subsidiary), the Corporation continues recognizing the share of further losses.

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

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

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

b. Investment in Associates

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

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

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

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

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

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 forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment has subsequently increased.

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

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

Property, Plant, and Equipment

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

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.

Freehold land is not depreciated.

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

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss in the current year.

Investment Properties

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

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

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the year in which the property is derecognized.

Impairment of Tangible and Intangible Assets

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

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

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 had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Corporation becomes 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.

<u>Financial assets</u>

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

a. Measurement category

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

   1) 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.

      Dividends on available-for-sale equity instruments are recognized in profit or loss. Other changes in carrying amount of available-for-sale equity instruments 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 instruments are recognized when the Corporation's right to receive the dividends is established.

   2) Loans and receivables

      Loans and receivables (including cash and cash equivalents, notes and accounts receivable, net (including related parties), other receivables (including related parties), bond 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 with original maturity within three months from the date of acquisition, high liquidity, readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b. Impairment of financial assets

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

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

For financial assets measured at amortized cost, if, in a 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 is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

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

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

c. Derecognition of financial assets

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

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

<u>Equity instruments</u>

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

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

Financial liabilities

a. Subsequent measurement

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

b. Derecognition of financial liabilities

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

Derivative financial instruments

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

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

Hedge Accounting

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

Fair value hedges

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

Hedge accounting is discontinued prospectively when the Corporation revokes the designated hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised (the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if it formed part of the Corporation's documented hedging strategy from inception), or when the hedging instrument no longer meets the criteria for hedge accounting. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date the hedge accounting is discontinued. The adjustment which is based on a recalculated effective interest rate at the date amortization begins is amortized fully by maturity of the financial instrument.

Cash flow hedges

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

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, 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 same period or periods during which the hedged forecast cash flows affect 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 and are included in the initial cost of the non-financial asset or non-financial liability.

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

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 exchange differences on translating foreign operations. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the other gains and losses line item.

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.

Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Treasury Shares

Reacquired issued shares of the Corporation are recognized as treasury shares at cost and shown as a deduction in equity.

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

Revenue Recognition

Sale of goods

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

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

Rendering of services

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

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 year in which they are incurred.

Retirement Benefit Costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income.

The retirement benefit obligation recognized in the standalone balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

Taxation

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

Current tax

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

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

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at 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 expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

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.

Reclassification

In the standalone balance sheets as of December 31, 2012 and January 1, 2012, certain accounts which have been reclassified to conform to the presentation of the standalone financial statements as of December 31, 2013 were as follows:

	Before Reclassification	After Reclassification
December 31, 2012		
Standalone balance sheets		
Investments accounted for using equity method	$ 149,154,922	$ 146,956,682
Other current liabilities	1,581,050	1,433,596
Deferred credits - gains from affiliates	2,050,786	-
January 1, 2012		
Standalone balance sheets		
Investments accounted for using equity method	127,402,093	125,240,189
Other current liabilities	1,785,281	1,728,306
Deferred credits - gains from affiliates	2,104,929	-

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Corporation takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Valuation of inventory

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

Fair value of private-placement shares of listed companies, emerging market shares, unlisted shares and certificates of entitlement

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

Useful lives of property, plant and equipment and investment properties

The useful lives of property, plant and equipment and investment properties are determined on the basis of the expected usage of the asset, the expected physical wear and tear, technical or commercial obsolescence, and legal or similar limits on the use of the asset, which may result in significant adjustments.

Realizability of deferred tax assets

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized as income tax expense for the period in which such reversal takes place.

Estimate of provisions

Provisions are measured using the cash flows estimated to settle the present obligation. If the future cash flows are more than the expectation, the amount of the provisions may be adjusted significantly.

Recognition and measurement of defined benefit plan

The resulting pension expense and accrued pension liabilities under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, employee turnover rate and long-term average future salary rate. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 11,193	$ 7,193	$ 15,459
Checking accounts and demand deposits	1,022,178	1,161,750	568,148
Cash equivalents			
Time deposits with original maturities less than three months	298,050	464,640	-
	$ 1,331,421	$ 1,633,583	$ 583,607

Cash and cash equivalents shown in the standalone statements of cash flows can be reconciled to the related items in the standalone balance sheets. The reconciliation information as of December 31, 2013 and 2012 was shown in the standalone statements of cash flows; the reconciliation information as of January 1, 2012 was as follows:

	January 1, 2012
Cash and cash equivalents	$ 583,607
Bank overdraft	(2,764,996)
	$ (2,181,389)

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Domestic investments			
Listed shares	$ 2,589,723	$ 1,645,451	$ 2,207,870
Noncurrent			
Domestic investments			
Listed shares	$ 1,903,170	$ 1,281,257	$ 1,280,736
Emerging market shares and unlisted shares	5,401,385	4,318,501	4,320,447
Private-placement shares of listed companies	-	447,292	377,429
	7,304,555	6,047,050	5,978,612
Foreign investments			
Listed shares	1,765,290	1,530,620	1,602,241
Unlisted shares	4,938,314	4,189,036	4,612,441
Certificate of entitlement	5,005,401	1,530,914	790,815
	11,709,005	7,250,570	7,005,497
	$ 19,013,560	$ 13,297,620	$ 12,984,109

In September 2010, the Corporation invested in Rechi Precision Co., Ltd. through its private placement; the securities were transferred freely in public market in December 2013.

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31, 2013	December 31, 2012	January 1, 2012
Derivative financial assets for hedging - current			
Foreign exchange forward contracts	$ 13,550	$ 33,120	$ 22,630
Derivative financial assets for hedging - noncurrent			
Foreign exchange forward contracts	$ 4,357	$ 4,042	$ 89,387
Derivative financial liabilities for hedging - current			
Foreign exchange forward contracts	$ 7,952	$ 11,752	$ 7,620
Derivative financial liabilities for hedging - noncurrent			
Foreign exchange forward contracts	$ 2,984	$ 451	$ 421

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

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
December 31, 2013			
Buy	NTD/USD	2014.01-2016.12	NTD1,120,989/USD38,344
Buy	NTD/EUR	2014.01-2015.09	NTD216,888/EUR5,552
Buy	NTD/JPY	2014.01-2015.04	NTD77,001/JPY251,700
December 31, 2012			
Buy	NTD/USD	2013.01-2015.09	NTD2,031,467/USD70,729
Buy	NTD/EUR	2013.07-2014.01	NTD67,767/EUR1,728
Sell	JPY/NTD	2013.01	JPY1,000,000/NTD339,200
January 1, 2012			
Buy	NTD/USD	2012.01-2015.09	NTD2,421,149/USD84,579
Buy	NTD/EUR	2012.03-2013.10	NTD133,699/EUR3,216

Movements of derivative financial instruments for hedging were as follows:

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 24,959	$ 103,976
Recognized in other comprehensive income	56,761	(73,379)
Transferred to construction in progress and equipment to be inspected	(41,417)	(5,638)
Transferred to investments accounted for using equity method and available-for-sale financial assets	(976)	-
Transferred to operating revenues	(32,356)	-
Balance, end of year	$ 6,971	$ 24,959

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

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable - operating	$ 1,007,109	$ 994,916	$ 1,335,171
Notes receivable - nonoperating	2,198	1,233	-
Less: Allowance for doubtful accounts	-	-	-
	$ 1,009,307	$ 996,149	$ 1,335,171
Accounts receivable	$ 3,434,533	$ 3,543,220	$ 3,317,515
Less: Allowance for doubtful accounts	-	-	-
	$ 3,434,533	$ 3,543,220	$ 3,317,515

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. If not collected after demanding, the past due notes and accounts receivable would be fully recognized with allowance for doubtful accounts.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Less than 31 days	$ 286,763	$ 16	$ 1,268,230
31-60 days	-	-	23,653
61-365 days	11	21,060	71,887
More than 365 days	19	19	-
	$ 286,793	$ 21,095	$ 1,363,770

Above analysis was based on the past due date.

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

The related information for the Corporation's sale of accounts receivable was as follows:

Counterparty	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Year - End	Interest Rate on Advances Received (%)	Credit Line (In Billions of NT$)
For the Year Ended December 31, 2013						
Mega International Commercial Bank	$ 3,091,745	$ 10,021,891	$ 9,701,294	$ 3,412,342	1.24-1.51	$ 9
Bank of Taiwan	1,242,954	3,687,929	3,498,519	1,432,364	1.24-1.51	3
	$ 4,334,699	$ 13,709,820	$ 13,199,813	$ 4,844,706		
For the Year Ended December 31, 2012						
Mega International Commercial Bank	$ 3,565,502	$ 9,202,121	$ 9,675,878	$ 3,091,745	1.24-1.52	9
Bank of Taiwan	1,509,756	3,428,554	3,695,356	1,242,954	1.24-1.52	3
	$ 5,075,258	$ 12,630,675	$ 13,371,234	$ 4,334,699		

10. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Finished goods	$ 10,427,152	$ 9,864,295	$ 11,556,342
Work in progress	16,933,613	19,106,948	29,285,142

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Raw materials	$ 8,762,286	$ 10,659,455	$ 18,617,096
Supplies	4,094,172	5,008,508	4,796,272
Raw materials and supplies in transit	6,109,850	2,450,026	2,479,581
By-products	189,660	220,417	68,635
	$ 46,516,733	$ 47,309,649	$ 66,803,068

(Concluded)

The cost of inventories recognized as operating costs for the years ended December 31, 2013 and 2012 was NT$180,133,904 thousand and NT$194,223,145 thousand, respectively.

Movements of provision for loss on inventories were as follows:

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 3,060,178	$ 4,034,124
Add: Recognized	5,149,826	7,749,240
Less: Sold	(5,140,051)	(8,723,186)
Balance, end of year	$ 3,069,953	$ 3,060,178

11. BOND INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
Unlisted preference shares - overseas			
East Asia United Steel Corporation (EAUS) - Preference A	$ 2,839,000	$ 3,364,000	$ 3,906,000

In May 2003, the Corporation signed a slab production joint-venture contract with Sumitomo Metal Industries, Ltd. and Sumitomo Corporation. In July 2003, the joint venture company EAUS was established. The Corporation invested in EAUS JPY10 billion. The Corporation thus has a stable supply of slab from this joint venture. The Corporation also signed a contract with the subsidiary Chung Hung Steel Corporation Ltd. (CHSC) to transfer the purchasing right of slabs from EAUS, and the Corporation receives royalty on this contract based on the volume purchased by CHSC. The amount of royalty income for the years ended December 31, 2013 and 2012 was NT$206,913 thousand and NT$315,590 thousand, respectively (recognized as other income). As of December 31, 2013, December 31, 2012, and January 1, 2012, the amount of royalty receivables was NT$42,222 thousand, NT$82,328 thousand and NT$85,692 (recognized as other receivables).

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2013	December 31, 2012	January 1, 2012
Investments in subsidiaries	$ 163,689,679	$ 145,819,517	$ 124,102,304
Investments in associates	1,660,505	1,137,165	1,137,885
	$ 165,350,184	$ 146,956,682	$ 125,240,189

a. Investments in subsidiaries

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	% of Owner - ship	Amount	% of Owner - ship	Amount	% of Owner - ship
Listed companies						
Chung Hung Steel Corporation Ltd. (CHSC)	$ 3,642,785	41	$ 2,457,678	29	$ 3,515,649	29
China Steel Chemical Corporation (CSCC)	2,093,830	29	1,904,378	29	1,855,249	29
China Steel Structure Co., Ltd. (CSSC)	1,414,213	33	1,393,631	33	1,395,366	33
China Ecotek Corporation (CEC)	1,156,530	45	1,008,571	48	868,784	49
CHC Resources Corporation (CHC)	764,395	20	710,892	20	711,704	20
	9,071,753		7,475,150		8,346,752	
Less: Shares held by subsidiaries accounted for as treasury shares	1,997,052		1,598,630		1,592,285	
	7,074,701		5,876,520		6,754,467	
Unlisted companies						
Dragon Steel Corporation (DSC)	96,316,781	100	93,618,527	100	80,065,323	100
CSC Steel Australia Holdings Pty Ltd. （CSCAU）	13,206,024	100	2,059,395	100	708,535	100
China Steel Express Corporation (CSE)	11,152,779	100	10,803,129	100	10,353,127	100
C. S. Aluminum Corporation (CSAC)	9,495,383	100	8,963,323	100	8,438,193	100
China Steel Sumikin Vietnam Joint Stock Company (CSVC)	8,405,567	51	8,397,725	51	3,054,014	51
Gains Investment Corporation (GIC)	7,134,610	100	6,531,896	100	6,058,877	100
China Steel Asia Pacific Holdings Pte Ltd. (CSAPH)	4,615,016	100	4,598,037	100	4,472,440	100
China Prosperity Development Corporation (CPDC)	4,128,430	100	3,943,315	100	3,771,008	100
China Steel Global Trading Corporation (CSGT)	2,893,570	100	2,765,748	100	2,891,214	100
China Steel Corporation India Pvt. Ltd. (CSCI)	1,704,596	100	1,446,174	100	-	-
China Steel Machinery Corporation (CSMC)	1,370,877	74	1,224,871	74	1,311,860	74
Kaohsiung Rapid Transit Corporation (KRTC)	1,274,504	43	-	-	-	-
Info-Champ Systems Corporation (ICSC)	836,314	100	759,823	100	700,531	100
China Steel Security Corporation (CSS)	433,072	100	396,529	100	380,910	100
Himag Magnetic Corporation (HMC)	123,985	50	114,576	50	117,374	50
China Steel Management Consulting Corporation (CSMCC)	23,392	100	24,223	100	25,850	100
Horng Yih Investment Corporation (HYI)	-	-	431,329	100	571,677	100
Long Yuan Fa Investment Corporation (LYFI)	-	-	425,868	100	565,871	100
Goang Yaw Investment Corporation (GYI)	-	-	422,176	100	558,993	100
	163,114,900		146,926,664		124,045,797	
Less: Shares held by subsidiaries accounted for as treasury shares	6,499,922		6,983,667		6,697,960	
	156,614,978		139,942,997		117,347,837	
	$ 163,689,679		$ 145,819,517		$ 124,102,304	

b. Investments in associates

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	% of Owner - ship	Amount	% of Owner - ship	Amount	% of Owner - ship
Unlisted companies						
Eminent II Venture Capital Corporation (EVCC II)	$ 557,366	46	$ 247,611	46	$ -	-
Kaohsiung Arena Development Corporation (KADC)	477,108	18	479,622	18	478,310	18

(Continued)

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	% of Owner - ship	Amount	% of Owner - ship	Amount	% of Owner - ship
Hsin Hsin Cement Enterprise Corp. (HHCEC)	$ 357,024	31	$ 336,983	31	$ 297,673	31
Dyna Rechi Co., Ltd. (DRC)	231,839	29	-	-	-	-
White Biotech Corporation (WBC)	26,385	18	26,952	50	-	-
TaiAn Technologies Corporation (TTC)	10,783	17	9,089	17	8,444	17
Kaohsiung Rapid Transit Corporation (KRTC)	-	-	36,908	31	353,458	31
	$ 1,660,505		$ 1,137,165		$ 1,137,885	

(Concluded)

The Corporation merged with the 100% owned subsidiaries HYI, GYI and LYFI on January 1, 2013. The acquisition of assets on the merger date was as follows:

	HYI	GYI	LYFI	Total
Current asset				
Cash and cash equivalents	$ 61,644	$ 61,892	$ 57,069	$ 180,605
Noncurrent asset				
Investments accounted for using equity method - CHSC	369,685	360,284	368,799	1,098,768
	$ 431,329	$ 422,176	$ 425,868	$ 1,279,373

Due to the merger mentioned above, the Corporation's total equity in CHSC changed from 41% (including 29% directly owned and 12% indirectly owned through HYI, GYI and LYFI) to direct ownership of 41%.

Since the second half of 2013, the Corporation's total equity in KRTC is 50%, including 43% directly owned and 7% indirectly owned through United Steel Construction Corporation, CPDC, ISCS and CSS.

The Corporation's total equity in KADC is 29%, including 18% directly owned and 11% indirectly owned through United Steel Construction Corporation and CPDC. The Corporation's total equity in TTC is 22%, including 17% directly owned and 5% indirectly owned through CSCC. Since the Corporation has significant influence over WBC, the investment is accounted for using the equity method.

In April and August 2010, the Corporation participated in DSC's and CSSC's private subscription, respectively. In January 2012, the Corporation invested additional NT$16,000,000 thousand in DSC through its private subscription, with the ownership percentage unchanged. Under the Securities Exchange Act, the securities which the Corporation acquired by private subscription could be transferred freely in public market only after holding for three years, starting from the delivery date and completing supplementary procedures for public offering.

In 2012, the Corporation invested additional NT$5,667,959 thousand (USD190,281 thousand) in CSVC without changing the percentage of ownership.

In 2013 and 2012, the Corporation continually invested additional NT$12,039,117 thousand (USD270,000 thousand and AUD141,737 thousand) and NT$1,422,376 thousand (AUD45,858 thousand) in CSCAU without changing the percentage of ownership, in order to invest in Roy Hill Holdings Pty Ltd. and ArcelorMittal Mines Canada Inc.

In 2013 and 2012, the Corporation invested additional NT$481,875 thousand (USD16,272 thousand) and NT$1,488,722 (USD50,307 thousand), respectively, to acquire 100% shareholding in CSCI. CSCI mainly engages in sale of steel products.

In July 2013, the Corporation invested additional NT$805,436 thousand in KRTC, acquiring 80,544 thousand shares, which increased the Corporation's total equity in KRTC to 43%.

The summarized financial information in respect of the Corporation's associates was set out below:

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 10,792,583	$ 43,548,454	$ 44,291,376
Total liabilities	$ 4,667,737	$ 37,588,921	$ 37,857,536

	For the Year Ended December 31	
	2013	2012
Revenues	$ 2,637,078	$ 2,966,193
Net profit (loss)	$ 565,776	$ (910,584)
Other comprehensive income	$ 201,690	$ 13,569

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

13. OTHER FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Pledged time deposits	$ 5,650,000	$ 5,650,000	$ 5,650,000
Hedging foreign-currency deposits	857,381	2,721,077	2,399,287
Time deposits with original maturities more than three months	100,000	100,000	100,000
Deposits for projects	14,159	19,636	28,750
	$ 6,621,540	$ 8,490,713	$ 8,178,037
Noncurrent			
Deposits for projects	$ 42,424	$ 25,423	$ 24,998
Hedging foreign-currency deposits	-	33,943	2,119,688
Pledged time deposits	-	8,819	8,819
	$ 42,424	$ 68,185	$ 2,153,505

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation purchased foreign-currency deposits and entered into foreign exchange forward contracts (Note 8). As of December 31, 2013, December 31, 2012 and January 1, 2012, the balance of the foreign-currency deposits, which were designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT$857,381 thousand (USD28,218 thousand and EUR398 thousand), NT$2,755,020 thousand (JPY0.8 billion, USD79,766 thousand and

EUR4,404 thousand), and NT$4,518,975 thousand (JPY1.6 billion, USD125,941 thousand and EUR2,039 thousand), respectively. The unrealized gain of NT$41,362 thousand and the unrealized loss of NT$188,525 thousand, on the above deposits designated as hedging instruments were recognized as cash flow hedges in other comprehensive income for the years ended December 31, 2013 and 2012, respectively. For the years ended December 31, 2013 and 2012, the cash flow hedges in other equity transferred to construction in progress and equipment to be inspected were gains of NT$19,251 thousand, and NT$65,867 thousand, respectively. As of December 31, 2013, December 31, 2012 and January 1, 2012, cash outflows would be expected from aforementioned contracts during the periods from 2014 to 2015, from 2013 to 2015 and from 2012 to 2015, respectively.

Refer to Note 29 for information relating to other financial assets pledged as security.

14. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2013

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost									
Balance at January 1, 2013	$ 48,206,862	$ 4,714,200	$ 55,441,117	$ 317,409,197	$ 1,888,800	$ 5,387,853	$ 7,326,242	$ 23,256,873	$ 463,631,144
Additions	849,205	2,000	6,046,360	14,348,706	87,818	307,551	745,157	(128,574)	22,258,223
Disposals	-	-	-	(3,121,467)	(26,277)	(211,390)	(885,316)	-	(4,244,450)
Reclassification	(20,119)	-	(832,806)	54,822	-	(30,888)	(34,780)	10,846	(852,925)
Balance at December 31, 2013	$ 49,035,948	$ 4,716,200	$ 60,654,671	$ 328,691,258	$ 1,950,341	$ 5,453,126	$ 7,151,303	$ 23,139,145	$ 480,791,992
Accumulated depreciation									
Balance at January 1, 2013	$ -	$ 4,213,308	$ 25,719,043	$ 235,939,666	$ 1,446,338	$ 4,381,730	$ 2,421,939	$ -	$ 274,122,024
Depreciation expense	-	61,929	1,861,092	15,350,975	106,615	396,192	1,067,923	-	18,844,726
Disposals	-	-	-	(3,074,803)	(26,077)	(207,769)	(885,316)	-	(4,193,965)
Reclassification	-	-	(3,447)	30,888	-	(30,888)	-	-	(3,447)
Balance at December 31, 2013	$ -	$ 4,275,237	$ 27,576,688	$ 248,246,726	$ 1,526,876	$ 4,539,265	$ 2,604,546	$ -	$ 288,769,338
Carrying amount at December 31,2013	$ 49,035,948	$ 440,963	$ 33,077,983	$ 80,444,532	$ 423,465	$ 913,861	$ 4,546,757	$ 23,139,145	$ 192,022,654

For the Year Ended December 31, 2012

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost									
Balance at January 1, 2012	$ 49,866,461	$ 4,716,636	$ 47,342,093	$ 285,403,576	$ 1,813,673	$ 5,149,751	$ 6,918,272	$ 46,045,195	$ 447,255,657
Additions	-	-	8,349,714	34,616,801	96,948	289,935	1,300,966	(22,788,322)	21,866,042
Disposals	-	(2,436)	(132,523)	(2,528,195)	(21,821)	(134,818)	(892,996)	-	(3,712,789)
Reclassification	(1,659,599)	-	(118,167)	(82,985)	-	82,985	-	-	(1,777,766)
Balance at December 31, 2012	$ 48,206,862	$ 4,714,200	$ 55,441,117	$ 317,409,197	$ 1,888,800	$ 5,387,853	$ 7,326,242	$ 23,256,873	$ 463,631,144
Accumulated depreciation									
Balance at January 1, 2012	$ -	$ 4,151,424	$ 24,218,069	$ 224,083,724	$ 1,368,043	$ 4,004,767	$ 2,288,484	$ -	$ 260,114,511
Depreciation expense	-	64,316	1,641,742	14,436,868	99,997	429,347	1,026,451	-	17,698,721
Disposals	-	(2,432)	(50,143)	(2,502,537)	(21,702)	(130,773)	(892,996)	-	(3,600,583)
Reclassification	-	-	(90,625)	(78,389)	-	78,389	-	-	(90,625)
Balance at December 31, 2012	$ -	$ 4,213,308	$ 25,719,043	$ 235,939,666	$ 1,446,338	$ 4,381,730	$ 2,421,939	$ -	$ 274,122,024
Carrying amount at December 31, 2012	$ 48,206,862	$ 500,892	$ 29,722,074	$ 81,469,531	$ 442,462	$ 1,006,123	$ 4,904,303	$ 23,256,873	$ 189,509,120
Carrying amount at January 1, 2012	$ 49,866,461	$ 565,212	$ 23,124,024	$ 61,319,852	$ 445,630	$ 1,144,984	$ 4,629,788	$ 46,045,195	$ 187,141,146

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

Land improvements	
Drainage system	40 years
Wharf	20-40 years
Canal	15 years

(Continued)

Buildings	
Main structure	30-60 years
Facility	20-30 years
Mechanical and electrical facilities	8-20 years
Trellis and corrugated iron building	5-10 years
Machinery and equipment	
Power equipment	15-25 years
Process equipment	8-15 years
Lifting equipment	8-10 years
Electrical equipment	5-15 years
High-temperature equipment	5-10 years
Examination equipment	3-10 years
Transportation	
Railway equipment	10-20 years
Telecommunication equipment	4-8 years
Transportation equipment	3-5 years
Other equipment	
Tank	16 years
Office, air condition and extinguishment equipment	5-8 years
Computer equipment	3-8 years

(Concluded)

Refer to Note 29 for the carrying amount of property, plant and equipment that had been pledged by the Corporation to secure borrowings.

15. INVESTMENT PROPERTIES

For the Year Ended December 31, 2013

	Land	Buildings	Total
Cost			
Balance at January 1, 2013	$ 4,592,544	$ 279,983	$ 4,872,527
Transferred from property, plant and equipment	20,119	832,806	852,925
Balance at December 31, 2013	$ 4,612,663	$ 1,112,789	$ 5,725,452
Accumulated depreciation			
Balance at January 1, 2013	$ -	$ 132,250	$ 132,250
Depreciation expense	-	12,070	12,070
Transferred from property, plant and equipment	-	3,447	3,447
Balance at December 31, 2013	$ -	$ 147,767	$ 147,767
Carrying amount at December 31, 2013	$ 4,612,663	$ 965,022	$ 5,577,685

For the Year Ended December 31, 2012

	Land	Buildings	Total
Cost			
Balance at January 1, 2012	$ 2,932,945	$ 161,816	$ 3,094,761
Transferred from property, plant and equipment	1,659,599	118,167	1,777,766
Balance at December 31, 2012	$ 4,592,544	$ 279,983	$ 4,872,527

(Continued)

	Land	Buildings	Total
Accumulated depreciation			
Balance at January 1, 2012	$ -	$ 31,401	$ 31,401
Depreciation expense	-	10,224	10,224
Transferred from property, plant and equipment	-	90,625	90,625
Balance at December 31, 2012	$ -	$ 132,250	$ 132,250
Carrying amount at December 31, 2012	$ 4,592,544	$ 147,733	$ 4,740,277
Carrying amount at January 1, 2012	$ 2,932,945	$ 130,415	$ 3,063,360

(Concluded)

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

Buildings	
Main structure	30-60 years
Mechanical and electrical facilities	8-20 years

The fair value of the Corporation's investment properties was arrived at on the basis of valuation carried out on January 1, 2013 by independent appraisers, who are not related parties. Lands were valued under market approach and income approach, while buildings were valued under cost approach. The important assumptions and fair value were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Fair value	$ 14,616,162	$ 13,615,223	$ 12,035,139
Depreciation rate	1.80%-3.60%	1.80%-3.60%	1.80%-3.60%

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

16. BORROWINGS

a. Short-term borrowings and bank overdraft

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured loans - interest at 0.64%-3.27% p.a., 0.73%-0.87% p.a. and 0.93%-0.95% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	$ 4,424,832	$ 8,125,526	$ 3,700,000
Bank overdraft - interest at 0.43%-0.66% p.a., 0.5%-0.66% p.a. and 0.5%-0.66% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	2,623,201	667,727	2,764,996

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Letters of credit - interest at 0.57%-1.17% p.a., 0.53%-0.75% p.a. and 0.74%-1.42% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	$ 25,828	$ 75,307	$ 2,630
Loans from related parties – interest at 0.57% (Note 28)	360,000	-	-
	$ 7,433,861	$ 8,868,560	$ 6,467,626

(Concluded)

The amount of AUD53,595 thousand (NT$1,424,832 thousand), which is included in the above unsecured loans as of December 31, 2013 and the amount of USD131,733 thousand (NT$3,825,526 thousand), which is included in the above unsecured loans as of December 31, 2012, were used to hedge the exchange rate fluctuations on investment in CSCAU and CSVC.

b. Short-term bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper - interest at 0.45%-0.47% p.a., 0.73%-0.79% p.a. and 0.45%-0.89% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	$ 8,970,000	$ 13,300,000	$ 3,600,000
Less: Unamortized discounts	1,156	5,566	4,123
	$ 8,968,844	$ 13,294,434	$ 3,595,877

The above commercial paper NT$1,200,000 thousand as of January 1, 2012 was secured by Mega Bills Finance Corporation and the rest was unsecured.

c. Long-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
Mortgage loans (Note 29)			
Bank of Taiwan			
Repayable in 6 equal semiannual installment from July 2012 (NT$16 billion), interest at 1.38% p.a., 1.47% p.a. and 1.43% p.a. as of December 31, 2013, December 31,2012 and January 1, 2012, respectively.	$ 8,000,000	$ 13,333,333	$ 16,000,000
Syndicated bank loans			
Bank of Taiwan and other banks			
Repayable in full in July 2018 (CAD 230,000 thousand), interest at 2.56% p.a.	6,442,300	-	-

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Bank of Taiwan and other banks			
Repayable in full in July 2016 (CAD 48,345 thousand), interest at 2.52% p.a.	$ 1,354,138	$ -	$ -
Bank loans			
Due on various dates through December 2016, interest at 0.44%-3.90% p.a., 0.50%-4.79% p.a. and 0.54%-5.65% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	15,401,491	9,787,962	8,966,992
	31,197,929	23,121,295	24,966,992
Less: Syndicated loan fee	14,596	-	-
Current portion	6,642,101	7,940,886	3,682,227
	$ 24,541,232	$ 15,180,409	$ 21,284,765

(Concluded)

In July 2013, the Corporation entered into a syndicated credit facility agreement with the Bank of Taiwan and 11 other banks for CAD278,000 thousand unsecured non-revolving credit line. Under the agreement, the Corporation should meet some financial ratios and criteria which are based on reviewed consolidated financial statements as of June 30 and audited annual consolidated financial statements. If the Corporation breaches the financial ratios or the agreements, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare the Corporation's outstanding principal and interest to maturity as due, and request the Corporation to settle immediately. As of December 31, 2013, the Corporation was in compliance with the syndicated credit facility agreement.

The amount of USD292,740 thousand, JPY13.714 billion and AUD104,682 thousand (NT$15,401,491 thousand), which is included in the above bank loans as of December 31, 2013, the amount of USD161,007 thousand, JPY13.714 billion and AUD16,540 thousand (NT$9,787,962 thousand), which is included in the above bank loans as of December 31, 2012 and the amount of USD102,459 thousand, JPY13.714 billion and AUD16,540 thousand (NT$8,966,992 thousand) , which is included in the above bank loans as of January 1, 2012 were used to hedge the exchange rate fluctuations on investments in EAUS, CSCAU and CSVC 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, 2013	December 31, 2012	January 1, 2012
Commercial paper - interest at 0.65%-1.09% p.a., 0.90%-1.13% p.a. and 0.90%-1.12% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	$ 9,000,000	$ 10,500,000	$ 12,000,000
Less: Unamortized discounts	3,435	5,837	10,992
	$ 8,996,565	$ 10,494,163	$ 11,989,008

The Corporation entered into fixed rate commercial paper contracts with Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Grand Bills Finance Corporation and Taiwan Cooperative Bills Finance Corporation in September 2011. The duration of the contracts is four years. In the fourth year, the contracts can only be issued after negotiating with counterparties. The cycle of issuance is less than sixty days, during which the Corporation only has to pay service fees and interests. Therefore, the Corporation recorded those commercial papers issued as long-term bills payable.

17. BONDS PAYABLE

	December 31, 2013	December 31, 2012	January 1, 2012
5-year unsecured bonds - issued at par in:			
December 2008; repaid in December 2012 and December 2013; interest at 2.08% p.a.	$ -	$ 6,500,000	$ 13,000,000
December 2008; repaid in December 2012 and December 2013; interest at 2.42% p.a.	-	4,800,000	9,600,000
October 2011; repayable in October 2015 and October 2016; interest at 1.36% p.a., payable annually	9,300,000	9,300,000	9,300,000
7-year unsecured bonds - issued at par in:			
December 2008; repayable in December 2014 and December 2015; interest at 2.30% p.a., payable annually	7,000,000	7,000,000	7,000,000
October 2011; repayable in October 2017 and October 2018; interest at 1.57% p.a., payable annually	10,400,000	10,400,000	10,400,000
August 2012, repayable in August 2018 and August 2019; interest at 1.37% p.a., payable annually	5,000,000	5,000,000	-
July 2013, repayable in July 2019 and July 2020; interest at 1.44% p.a., payable annually	6,300,000	-	-
10-year unsecured bonds - issued at par in:			
August 2012, repayable in August 2021 and August 2022; interest at 1.50% p.a., payable annually	15,000,000	15,000,000	-
July 2013, repayable in July 2022 and July 2023; interest at 1.60% p.a., payable annually	9,700,000	-	-
15-year unsecured bonds - issued at par in:			
July 2013, repayable 30% in July 2026 and July 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	3,600,000	-	-
	66,300,000	58,000,000	49,300,000
Less: Issuance cost of bonds payable	55,879	44,475	35,574
Current portion	3,499,318	11,297,543	11,295,086
	$ 62,744,803	$ 46,657,982	$ 37,969,340

18. OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Purchase of equipment	$ 3,894,632	$ 3,576,573	$ 1,804,571
Salaries and incentive bonus	3,302,366	3,141,568	3,683,711
Outsourced repair and construction	2,130,561	1,884,203	1,291,059
Bonus to employees, and remuneration to directors and supervisors	1,152,309	419,886	1,425,875
Consignment payable	972,409	816,401	345,327
Sales returns and discounts	661,970	1,325,846	963,355
Others	3,608,065	3,504,603	3,752,778
	$ 15,722,312	$ 14,669,080	$ 13,266,676

19. PROVISIONS - CURRENT

	December 31, 2013	December 31, 2012	January 1, 2012
Onerous contracts (a)	$ 1,466,265	$ 1,378,181	$ 1,316,439
Sales discounts (b)	-	25,754	-
	$ 1,466,265	$ 1,403,935	$ 1,316,439

	Onerous Contracts	Sales Discounts	Total
Balance at January 1, 2013	$ 1,378,181	$ 25,754	$ 1,403,935
Recognized	2,956,147	411,171	3,367,318
Paid	(2,868,063)	(436,925)	(3,304,988)
Balance at December 31, 2013	$ 1,466,265	$ -	$ 1,466,265
Balance at January 1, 2012	$ 1,316,439	$ -	$ 1,316,439
Recognized	1,155,468	1,251,754	2,407,222
Paid	(1,093,726)	(1,226,000)	(2,319,726)
Balance at December 31, 2012	$ 1,378,181	$ 25,754	$ 1,403,935

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

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

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Corporation adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation makes contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Measures for the Regulation of the Income and Expenditure, Investment, and Management of the Workers' Retirement Fund, the minimum return of yearly final appropriation generated through the use of Labor Pension Fund should not be below the return calculated on the interest rate for a 2-year time deposit with local banks. Since August 1999, the Corporation has also made contributions, equal to a certain percentage of salaries of management personnel (vice president above), to another pension fund, which are deposited and administered by the officers' pension fund management committee. The Corporation has also set up rules of consolation payment and holiday benefits, which are defined benefit plans.

The most recent present values of plan assets and defined benefit obligations were calculated by licensed actuary. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	1.50%	1.25%	1.75%
Expected rate of return on plan assets	1.75%	1.75%	2.00%
Expected rate of salary increase	2.00%	2.00%	2.00%

The overall expected rate of return on plan assets was based on historical return trends and actuaries' predictions of the market for the asset over the life of the related obligation, with the consideration of the plan assets' performance and the effect of the minimum return.

The gains (losses) related to defined benefit plans were recognized as follows:

	For the Year Ended December 31	
	2013	2012
Current service cost	$ 768,481	$ 775,664
Interest cost	307,141	426,105
Expected return on plan assets	(337,799)	(379,133)
Gain arising from curtailment or settlement	(1,982)	(31,802)
	$ 735,841	$ 790,834

(Continued)

	For the Year Ended December 31	
	2013	2012
Analysis by function		
Operating costs	$ 516,736	$ 636,109
Operating expenses	213,919	148,285
Others	5,186	6,440
	$ 735,841	$ 790,834

(Concluded)

For the years ended December 31, 2013 and 2012, the Corporation recognized actuarial gains NT$140,182 thousand and NT$136,769 thousand as other comprehensive income, respectively. As of December 31, 2013 and 2012, the accumulated actuarial gains recognized as other comprehensive income were NT$276,951 thousand and NT$136,769 thousand, respectively.

The amount included in the standalone balance sheets arising from the Corporation's obligations in respect of its defined benefit plans was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligations	$ 25,162,766	$ 25,362,259	$ 25,099,635
Fair value of plan assets	(19,600,874)	(19,561,193)	(19,094,675)
Accrued pension liabilities	$ 5,561,892	$ 5,801,066	$ 6,004,960
Current (recognized as other payables)	$ 1,319	$ 129,225	$ 127,840
Noncurrent	5,560,573	5,671,841	5,877,120
	$ 5,561,892	$ 5,801,066	$ 6,004,960

Movements of present value of defined benefit obligation were as follows:

	For the Year Ended December 31	
	2013	2012
Defined benefit obligation, beginning of year	$ 25,362,259	$ 25,099,635
Current service costs	768,481	775,664
Interest costs	307,141	426,105
Benefits paid	(906,327)	(254,210)
Contributions of employee returning to the Corporation	11,552	12,543
Actuarial gains	(256,663)	(357,302)
Effects of curtailment and settlement	(123,677)	(340,176)
Defined benefit obligation, end of year	$ 25,162,766	$ 25,362,259

Movements in the fair value of plan assets were listed as follows:

	For the Year Ended December 31	
	2013	2012
Fair value of plan assets, beginning of year	$ 19,561,193	$ 19,094,675
Expected return on plan assets	337,799	379,133

(Continued)

	For the Year Ended December 31	
	2013	2012
Contribution from the employer	$ 746,447	$ 757,997
Contributions of employee returning to the Corporation	11,552	12,543
Payments of benefits	(846,653)	(182,261)
Actuarial losses	(87,769)	(192,520)
Payments of settlements	(121,695)	(308,374)
Fair value of plan assets, end of year	$ 19,600,874	$ 19,561,193

(Concluded)

The percentages of the major categories of plan assets at the balance sheet date were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor Website:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash equivalents	23	25	24
Equity securities	45	38	41
Debt securities	32	37	35
	100	100	100

The Corporation chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to the Regulations (Refer to Note 34):

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 25,162,766	$ 25,362,259	$ 25,099,635
Fair value of plan assets	$ 19,600,874	$ 19,561,193	$ 19,094,675
Deficit	$ 5,561,892	$ 5,801,066	$ 6,004,960
Experience adjustments on plan liabilities	$ (256,663)	$ (357,302)	$ -
Experience adjustments on plan assets	$ (87,769)	$ (192,520)	$ -

The Corporation expects to make a contribution of NT$776,063 thousand to the defined benefit plans during the annual period beginning after 2013.

21. EQUITY

a. Share capital

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of shares authorized (in thousands)	17,000,000	17,000,000	17,000,000
Shares authorized	$ 170,000,000	$ 170,000,000	$ 170,000,000

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of shares issued and fully paid (in thousands)			
Ordinary shares (in thousands)	15,425,584	15,272,477	15,046,209
Preference shares (in thousands)	38,268	38,268	38,268
	15,463,852	15,310,745	15,084,477
Shares issued			
Ordinary shares	$ 154,255,840	$ 152,724,765	$ 150,462,093
Preference shares	382,680	382,680	382,680
	$ 154,638,520	$ 153,107,445	$ 150,844,773

(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.

In August, 2013 and 2012, the Corporation issued 153,107 thousand and 226,268 thousand ordinary shares through capitalization of retained earnings of NT$1,531,075 thousand and NT$2,262,672 thousand; the capital increase has been registered with the government.

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 6,875,837 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 2,667,768,015 shares (including 275 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, 2013, December 31, 2012 and January 1, 2012, the outstanding depositary receipts were 3,511,961 units, 2,930,471 units and

3,396,550 units, equivalent to 70,239,515 ordinary shares (including 295 fractional shares), 58,609,704 ordinary shares (including 284 fractional shares) and 67,931,271 ordinary shares (including 271 fractional shares), which represented 0.46 %, 0.38 % and 0.45 % of the outstanding ordinary shares, respectively.

b. Capital surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Additional paid-in capital	$ 31,154,766	$ 31,154,766	$ 31,154,766
Treasury share transactions	5,487,610	5,332,432	5,021,515
Share of change in capital surplus of subsidiaries and associates	310,343	80,700	216
Others	8,099	8,099	8,099
	$ 36,960,818	$ 36,575,997	$ 36,184,596

The capital surplus from premium on shares issued in excess of par and treasury share transactions, when the Corporation has no deficit, may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's capital surplus and once a year). The capital surplus from investments accounted for using equity method may not be used for any purpose.

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) Of the remainder, 0.15% as remuneration to directors and supervisors and 8% as bonus to employees;

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

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

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

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

For the year ended December 31, 2013, the bonus to employees and remuneration to directors and supervisors were NT$1,133,084 thousand and NT$21,245 thousand, respectively, and for the year ended December 31, 2012 the related amounts were NT$414,141 thousand and NT$7,765 thousand, respectively. The bonus to employees and remuneration to directors and supervisors were calculated based on the percentages provided in the Corporation's Articles of Incorporation and accrued based on the past experiences. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and share dividends) of the shares at the date preceding the shareholders' meeting.

Under Rule 89 No. 100116 issued by the Securities and Futures Bureau of the FSC and Rule No. 0950000507 issued by the FSC, certain amount of unappropriated earnings shall be transferred to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance. Under Rule 89 No. 05044 and Rule 91 No. 170010 issued by Securities and Futures Bureau of the FSC, 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. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Corporation had fully reversed the special reserve for the net debit balance for the adjustments to equity, and the remaining unreversed special reserve was held for the capital demand of certain expansion projects.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of the Regulations, the Corporation should appropriate to a special reserve an amount equal to the total of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Corporation's use of exemptions under the Regulations. However, at the transition date, if the amount of the increase in retained earnings that resulted from the Regulations adjustments is smaller than the amount of unrealized revaluation increment and cumulative translation differences (gain) reclassified to retained earnings, only the amount of the increase in retained earnings that resulted from the Regulations adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of the Regulations may be used to offset deficit in subsequent years. No appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated in subsequent years if the Corporation has earnings and the original need to appropriate for special reserve is not eliminated (Refer to d. Special reserves appropriated following first-time adoption of the Regulations).

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.

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

The appropriations of earnings for 2012 and 2011 had been approved in the shareholders' meeting on June 19, 2013 and June 15, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	2012	**2011**	**2012**	**2011**
Legal reserve	$ 581,149	$ 1,949,368		
Preference shares				
Cash dividends	49,748	47,835	$ 1.30	$ 1.25
Share dividends	3,827	5,740	0.10	0.15
			$ 1.40	$ 1.40

(Continued)

	Appropriation of Earnings		Dividend Per Share (NT$)	
	2012	2011	2012	2011
Ordinary shares				
Cash dividends	$ 6,108,990	$ 15,196,671	$ 0.40	$ 1.01
Share dividends	1,527,248	2,256,932	0.10	0.15
	$ 8,270,962	$ 19,456,546	$ 0.50	$ 1.16

(Concluded)

The reversal of the special reserve NT$2,325,000 thousand had been approved in the shareholders' meeting in 2013.

The bonus to employees and remuneration to directors and supervisors (distributed in cash) for 2012 and 2011 approved in the above shareholders' meetings, respectively, were as follows:

	For the Year Ended December 31			
	2012		2011	
	Bonus to Employees	Remuneration to Directors and Supervisors	Bonus to Employees	Remuneration to Directors and Supervisors
Amounts approved in shareholders' meetings	$ 414,141	$ 7,765	$ 1,399,259	$ 26,236
Amounts recognized in respective financial statements	414,141	7,765	1,399,259	26,236
Difference	$ -	$ -	$ -	$ -

The appropriations of earnings for 2012 were proposed according to the Corporation's financial statements for the year ended December 31, 2012, which were prepared in accordance with the former Regulations Governing the Preparation of Financial Reports by Securities Issuers and ROC GAAP, and by reference to the balance sheet for the year ended December 31, 2012, which were prepared in accordance with the Regulations.

The appropriations of earnings for 2013 had been proposed in the board of directors' meeting on March 21, 2014. The appropriations and dividends per share were as follows:

	Appropriations of Earnings	Dividends Per Share (NT Dollars)
Legal reserve	$ 1,598,154	
Special reserve	166,266	
Preference shares		
Cash dividends	45,922	$ 1.2
Share dividends	7,653	0.2
		$ 1.4

(Continued)

	Appropriations of Earnings	Dividends Per Share (NT Dollars)
Ordinary shares		
Cash dividends	$ 10,797,909	$ 0.7
Share dividends	3,085,117	0.2
		$ 0.9

(Concluded)

The 2013 appropriations of earnings, bonus to employees and remuneration to directors and supervisors will be resolved by the shareholders in their meeting scheduled for June 2014.

Information about the appropriations of earnings, bonus to employees and remuneration to directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves appropriated under Rule No. 1010012865 issued by the FSC

The Corporation's special reserves appropriated under Rule No. 1010012865 issued by the FSC were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Special reserve	$ 21,630,170	$ 21,633,290	$ 21,636,278

As of January 1, 2012, the Corporation and its subsidiaries transferred unrealized revaluation increment of NT$26,757,590 thousand and cumulative translation differences of NT$17,192 thousand to retained earnings. However, the increase in retained earnings from the Regulations adjustments was smaller than the amounts of unrealized revaluation increment and cumulative translation differences; therefore, the Corporation and its subsidiaries appropriated NT$21,636,278 thousand, the increase in retained earnings from the Regulations adjustments at the first-time adoption of the Regulations, to special reserve. The aforementioned special reserve was recognized on January 1, 2013. However, for the consistency of financial statements, the special reserve was disclosed at the beginning of the comparative financial statements.

Information regarding the above special reserve appropriated or reversed on elimination of the original need to appropriate a special reserve was as follows:

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 21,633,290	$ 21,636,278
Reversed on elimination of the original need to appropriate for special reserve:		
Disposal of property, plant and equipment	(3,120)	(2,988)
Balance, end of year	$ 21,630,170	$ 21,633,290

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ (417,820)	$ -
Exchange differences arising on translating foreign operations	(794,443)	(401,371)
Gain on hedging instruments designated in hedges of the net assets of foreign operations	309,859	278,163
Share of exchange difference of subsidiaries and associates	242,715	(294,612)
Balance, end of year	$ (659,689)	$ (417,820)

2) Unrealized gain on available-for-sale financial assets

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 5,283,803	$ 5,507,672
Unrealized gain on available-for-sale financial assets	2,837,777	512,264
Reclassified to profit or loss on disposal of available-for-sale financial assets	(131,141)	(1,141,835)
Share of unrealized gain on available-for-sale financial assets of subsidiaries and associates	629,101	419,959
Realized gain on disposal of investments	(16,373)	(14,257)
Balance, end of year	$ 8,603,167	$ 5,283,803

3) Cash flow hedge

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ (280,266)	$ 317,084
Fair value changes of hedging instrument	98,123	(261,904)
Income tax relating to fair value changes	(16,681)	44,524
Fair value changes of hedging instruments transferred to profit or loss	(32,356)	-
Income tax relating to amounts transferred to profit or loss	5,501	-
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	(61,644)	(71,505)
Income tax relating to amounts transferred to adjust carrying amount of hedged items	10,479	12,156
Share of cash flow hedge of subsidiaries and associates	289,219	(320,621)
Balance, end of year	$ 12,375	$ (280,266)

f. Treasury shares

Purpose of Treasury Shares	Thousand Shares: Beginning of Year	Addition	Reduction	December 31: Thousand Shares	Book Value
For the year ended December 31, 2013					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	309,816	3,097	4,368	308,545	$ 8,496,974
For the year ended December 31, 2012					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	295,065	15,552	801	309,816	$ 8,582,297

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

For the years ended December 31, 2013 and 2012, the subsidiaries sold 10,442 thousand shares and 1,769 thousand shares of the Corporation for proceeds of NT$281,372 thousand and NT$48,416 thousand, respectively. For the years ended December 31, 2013 and 2012, the proceeds of treasury shares sold, calculated by shareholding percentage, amounted to NT$114,209 thousand and NT$21,694 thousand, and after deducting book values, resulted in the amounts of NT$31,212 thousand and NT$2,363 thousand, respectively, recognized as capital surplus. As of December 31, 2013, December 31, 2012 and January 1, 2012, the market values of the treasury shares calculated by combined holding percentage were NT$8,330,708 thousand, NT$8,473,457 thousand and NT$8,497,875 thousand, respectively.

22. OPERATING REVENUES

	For the Year Ended December 31: 2013	2012
Revenue from the sale of goods	$ 194,564,974	$ 201,072,107
Revenue from the rendering of services	2,028,876	2,101,047
Other revenues	4,132,418	4,019,951
	$ 200,726,268	$ 207,193,105

23. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

a. Other income

	For the Year Ended December 31	
	2013	2012
Dividend income	$ 229,517	$ 236,446
Royalty income	207,175	317,883
Rental income	205,736	176,146
Interest income	98,446	109,872
Others	287,667	606,585
	$ 1,028,541	$ 1,446,932

b. Other gains and losses

	For the Year Ended December 31	
	2013	2012
Net foreign exchange gain	$ 298,939	$ 329,097
Gain on disposal of investments	147,514	1,156,092
Loss on disposal of property, plant and equipment	(44,984)	(112,197)
Impairment loss on available-for-sale financial assets	-	(11,057)
Other losses	(499,285)	(358,198)
	$ (97,816)	$ 1,003,737

The components of net foreign exchange gain were as follows:

	For the Year Ended December 31	
	2013	2012
Foreign exchange gain	$ 1,527,940	$ 1,573,579
Foreign exchange loss	(1,229,001)	(1,244,482)
Net exchange gain	$ 298,939	$ 329,097

c. Finance costs

	For the Year Ended December 31	
	2013	2012
Interest of bonds payable	$ 841,442	$ 773,166
Interest of short-term borrowings and bank overdraft	490,935	393,607
Interest of bills payable	154,319	191,319
Total interest expense for financial liabilities measured at amortized cost	$ 1,486,696	$ 1,358,092

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2013	2012
Capitalized amounts	$ 303,254	$ 304,560
Capitalized annual rates (%)	1.34-1.58	1.33-1.6

d. Depreciation and amortization

	For the Year Ended December 31	
	2013	2012
Property, plant and equipment	$ 18,844,726	$ 17,698,721
Investment properties	12,070	10,224
Intangible assets	42,167	42,193
	$ 18,898,963	$ 17,751,138
Analysis of depreciation by function		
Operating costs	$ 18,205,209	$ 17,321,688
Operating expenses	638,076	375,339
Others	13,511	11,918
	$ 18,856,796	$ 17,708,945
Analysis of amortization by function		
Operating costs	$ 42,007	$ 42,006
Operating expenses	160	187
	$ 42,167	$ 42,193

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2013	2012
Direct operating expenses of investment properties that generated rental income	$ 28,082	$ 26,038

f. Employee benefits

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits		
Salaries	$ 15,893,285	$ 13,588,764
Labor and health insurance	798,896	796,475
Others	620,862	588,463
	$ 17,313,043	$ 14,973,702
Post-employment benefits (Note 20)		
Defined contribution plans	$ 136,286	$ 123,070
Defined benefit plans	735,841	790,834
	872,127	913,904
Termination benefits	255,012	20,698
	$ 18,440,182	$ 15,908,304

(Continued)

	For the Year Ended December 31	
	2013	2012
Analysis by function		
Operating cost	$ 14,908,598	$ 13,153,402
Operating expense	2,989,271	2,504,369
Others	542,313	250,533
	$ 18,440,182	$ 15,908,304

(Concluded)

24. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax		
In respect of the current year	$ 1,081,982	$ 393,682
In respect of prior years	67,402	1,211,829
Deferred tax		
In respect of the current year	(105,596)	(105,285)
In respect of prior years	(30,172)	(1,173,743)
Write-down in the current year	512,228	-
	$ 1,525,844	$ 326,483

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

	For the Year Ended December 31	
	2013	2012
Profit before income tax	$ 17,507,384	$ 6,221,289
Income tax expense at the statutory rate	$ 2,976,255	$ 1,057,619
Non-deductible expenses in determining taxable income	22,369	22,820
Tax-exempt income	(1,542,724)	(636,356)
Loss on capital reduction	(463,696)	-
Additional income tax on unappropriated earnings	-	3,713
Investment credits in respect of the current year	(15,818)	(159,399)
Adjustments for prior years' tax in respect of the current year	37,230	38,086
Write-down of deferred tax assets	512,228	-
Income tax expense recognized in profit or loss	$ 1,525,844	$ 326,483

The applicable tax rate used above is the corporate tax rate of 17% payable by the Corporation.

As the status of 2014 appropriations of earnings is uncertain, the potential income tax of 2013 unappropriated earnings is not reliably determinable.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2013	2012
Current tax		
Reversal of special reserve due to disposal of property, plant and equipment	$ 410	$ 757
Deferred tax		
Reversal of special reserve due to disposal of property, plant and equipment	(410)	(757)
	$ -	$ -

c. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2013	2012
Recognized in other comprehensive income:		
Fair value changes of cash flow hedges	$ 16,681	$ (44,524)
Actuarial gains or losses on defined benefit pension plan	28,712	28,013
Fair value changes of hedging instrument in cash flow hedges transferred to profit or loss	(5,501)	-
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	(10,479)	(12,156)
	$ 29,413	$ (28,667)

d. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax assets			
Tax refund receivable	$ 8,663	$ 8,663	$ 173,364
Current tax liabilities			
Tax refund payable	$ 2,047,487	$ 1,368,313	$ 2,520,677

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2013

Deferred tax assets	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Balance, end of year
Temporary differences					
Defined benefit pension plan	$ 961,183	$ 13,050	$ (28,712)	$ -	$ 945,521
Impairment loss on financial assets	938,658	(535,849)	-	-	402,809

(Continued)

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Balance, end of year
Unrealized loss on inventories	$ 518,610	$ 3,282	$ -	$ -	$ 521,892
Provision	234,290	14,975	-	-	249,265
Unrealized gain on the transactions with subsidiaries and associates	180,553	(67,001)	-	-	113,552
Unrealized settlement gain on hedging of forward exchange	103,375	1,638	-	-	105,013
Estimated preferential severance pay	55,681	10,719	-	-	66,400
Others	89,388	(8,320)	-	-	81,068
	3,081,738	(567,506)	(28,712)	-	2,485,520
Investment credits	1,697,216	30,826	-	-	1,728,042
	$ 4,778,954	$ (536,680)	$ (28,712)	$ -	$ 4,213,562
Deferred tax liabilities					
Temporary differences					
Land value increment tax	$ 10,011,916	$ -	$ -	$ -	$ 10,011,916
Difference between tax reporting and financial reporting - depreciation methods	1,094,613	(100,896)	-	-	993,717
Foreign investment income	336,010	(52,086)	-	-	283,924
Unrealized exchange gains, net	51,146	(5,624)	-	-	45,522
Unrealized gain on revaluation increment	33,647	-	-	(410)	33,237
Unrealized gain on cash flow hedge	1,297	-	701	-	1,998
Others	17,065	(1,614)	-	-	15,451
	$ 11,545,694	$ (160,220)	$ 701	$ (410)	$ 11,385,765

(Concluded)

For the Year Ended December 31, 2012

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Balance, end of year
Deferred tax assets					
Temporary differences					
Defined benefit pension plan	$ 990,357	$ (1,161)	$ (28,013)	$ -	$ 961,183
Impairment loss on financial assets	944,472	(5,814)	-	-	938,658
Unrealized loss on inventories	684,180	(165,570)	-	-	518,610
Provision	223,794	10,496	-	-	234,290
Unrealized gain on the transactions with subsidiaries and associates	174,376	6,177	-	-	180,553
Unrealized settlement gain on hedging of forward exchange	91,220	12,155	-	-	103,375
Estimated preferential severance pay	84,905	(29,224)	-	-	55,681
Others	87,265	2,123	-	-	89,388
	3,280,569	(170,818)	(28,013)	-	3,081,738
Investment credits	370,392	1,326,824	-	-	1,697,216
	$ 3,650,961	$ 1,156,006	$ (28,013)	$ -	$ 4,778,954
Deferred tax liabilities					
Temporary differences					
Land value increment tax	$ 10,011,916	$ -	$ -	$ -	$ 10,011,916
Difference between tax reporting and financial reporting - depreciation methods	1,206,068	(111,455)	-	-	1,094,613
Foreign investment income	347,744	(11,734)	-	-	336,010
Unrealized exchange gains, net	46,808	4,338	-	-	51,146

(Continued)

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Balance, end of year
Unrealized gain on revaluation increment	$ 34,404	$ -	$ -	$ (757)	$ 33,647
Unrealized gain on cash flow hedge	21,236	(4,171)	-	-	17,065
Others	57,977	-	(56,680)	-	1,297
	$ 11,726,153	$ (123,022)	$ (56,680)	$ (757)	$ 11,545,694

(Concluded)

f. The related information about unused investment credits

As of December 31, 2013, investment credits comprised of:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 1,728,042	2016

g. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	$ 15,954	$ 15,440	$ 15,440
Unappropriated earnings generated on and after January 1, 1998	16,332,286	6,141,281	19,591,531
	$ 16,348,240	$ 6,156,721	$ 19,606,971
Imputation credit accounts ("ICA")	$ 27,022	$ 24,717	$ 211,179

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution.

The creditable ratio of the Corporation for the distribution of 2013 and 2012 earnings was 6.87% (estimated) and 13.84%, respectively. The actual imputation credits allocated to shareholders of the Corporation was based on the balance of the ICA as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of the Regulations, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of the Regulations.

h. Income tax assessments

The Corporation's income tax returns through 2008 have been assessed by the tax authorities. The Petitions and Appeals Committee of Ministry of Finance rejected the Corporation's request for corrections of 2008 income tax return. Therefore, the Corporation filed for administrative litigation.

25. EARNINGS PER SHARE

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

Net profit for the year

	For the Year Ended December 31	
	2013	2012
Net profit for the year	$ 15,981,540	$ 5,894,806
Less: Dividends on preference shares	(53,575)	(53,575)
Earnings used in computation of basic and diluted earnings per share	$ 15,927,965	$ 5,841,231

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

	For the Year Ended December 31	
	2013	2012
Weighted average number of ordinary shares in computation of basic earnings per share	15,117,039	15,112,670
Effect of dilutive potential ordinary shares:		
Bonus to employees	52,242	39,089
Weighted average number of ordinary shares used in the computation of diluted earnings per share	15,169,281	15,151,759

Preference shares were not included in the calculation of diluted earnings per share for the years ended December 31, 2013 and 2012 because of their anti-dilutive effect.

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of share dividends distributed out of earnings for the year ended December 31, 2013. The adjusted basic and diluted after-tax earnings per share for the year ended December 31, 2012 were both NT$0.39.

If the Corporation is allowed to settle the bonus paid to employees by cash or shares, the Corporation presumes that the entire amount of the bonus 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, if the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

26. CAPITAL MANAGEMENT

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

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

27. FINANCIAL INSTRUMENTS

a. Fair value of Financial Instruments

1) Fair value measurements recognized in the standalone balance sheets

The financial assets and financial liabilities measured at fair value were grouped into Level 1 to 3 based on the degree to which the fair value is observable.

a) Level 1 fair value measurements are those derived from listed prices (unadjusted) in active markets for identical assets or liabilities;

b) Level 2 fair value measurements are those derived from inputs other than listed 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

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
December 31, 2013				
Available-for-sale financial assets				
Domestic listed shares	$ 4,492,893	$ -	$ -	$ 4,492,893
Foreign listed shares	1,765,290	-	-	1,765,290
Domestic emerging market shares and unlisted shares	-	-	5,401,385	5,401,385
Foreign unlisted shares	-	-	4,938,314	4,938,314
Certificate of entitlement	-	-	5,005,401	5,005,401
	$ 6,258,183	$ -	$ 15,345,100	$ 21,603,283
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 17,907	$ -	$ 17,907
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 10,936	$ -	$ 10,936
December 31, 2012				
Available-for-sale financial assets				
Domestic listed shares	$ 2,926,708	$ -	$ -	$ 2,926,708
Foreign listed shares	1,530,620	-	-	1,530,620
Domestic emerging market shares and unlisted shares	-	-	4,318,501	4,318,501
Foreign unlisted shares	-	-	4,189,036	4,189,036
Certificate of entitlement	-	-	1,530,914	1,530,914
Private-placement shares of listed companies	-	447,292	-	447,292
	$ 4,457,328	$ 447,292	$ 10,038,451	$ 14,943,071

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 37,162	$ -	$ 37,162
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 12,203	$ -	$ 12,203
January 1, 2012				
Available-for-sale financial assets				
Domestic listed shares	$ 3,488,606	$ -	$ -	$ 3,488,606
Foreign listed shares	1,602,241	-	-	1,602,241
Domestic emerging market shares and unlisted shares	-	-	4,320,447	4,320,447
Foreign unlisted shares	-	-	4,612,441	4,612,441
Certificate of entitlement	-	-	790,815	790,815
Private-placement shares of listed companies	-	377,429	-	377,429
	$ 5,090,847	$ 377,429	$ 9,723,703	$ 15,191,979
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 112,017	$ -	$ 112,017
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 8,041	$ -	$ 8,041

(Concluded)

The private-placement shares of Rechi Precision Co., Ltd. held by the Corporation which were able to be transferred freely in the public market since December 2013 had been transferred from Level 2 to Level 1.

There was no transfer between Level 1 and Level 2 for the year ended December 31, 2012.

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

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 10,038,451	$ 9,723,703
Recognized in profit or loss - other gains and losses	-	38,963
Recognized in other comprehensive income - unrealized gain (loss) on available-for-sale financial assets	1,752,962	(284,604)
Purchases	4,191,913	811,558
Disposal	-	(52,500)
Capital reduction	(17,579)	(10,176)
Transfers out of Level 3	(620,647)	(188,493)
Balance, end of year	$ 15,345,100	$ 10,038,451

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets were determined with reference to listed market prices (includes domestic and foreign listed shares). Where such prices were not available, valuation techniques were applied. For shares acquired through private placement and not transferred freely in public market, fair values were determined by using valuation techniques based on information from the Market Observation Post System, the Taiwan Stock Exchange, etc. and calculated by using the Black-Scholes Model. For emerging market shares, fair values were estimated on the basis of the closing price and liquidity. For unlisted shares and certificate of entitlement, fair values were estimated by using a discounted cash flow model, which included some assumptions that were not supportable by observable market prices or rates, by using a market approach, which was determined based on industry types, valuations of similar companies and operations, or by using the net worth of companies.

b) The fair values of derivative instruments were calculated using listed prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for derivatives. The estimates and assumptions used by the Corporation were consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets			
Derivative instruments in designated hedge accounting relationships	$ 17,907	$ 37,162	$ 112,017
Loans and receivables 1)	18,733,263	19,111,086	20,686,116
Available-for-sale financial assets	21,603,283	14,943,071	15,191,979
Financial liabilities			
Derivative instruments in designated hedge accounting relationships	10,936	12,203	8,041
Measured at amortized cost 2)	144,996,988	132,416,190	115,067,521

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables (including loans to related parties), bond 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 and long-term bills payable.

c. Financial risk management objectives and policies

The finance department of the Corporation proposes financial strategies according to the operation at different stages, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Corporation through internal risk analysis of degree of exposures by using domestic and international professional risk monitoring system. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The significant financial activities of the Corporation are reviewed by the board of directors in accordance with relevant regulations and internal controls. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Corporation did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

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

The carrying amounts of the significant non-functional currency monetary assets and liabilities at the balance sheet date were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Assets			
USD	$ 3,424,643	$ 5,247,974	$ 5,380,863
JPY	3,047,830	3,761,470	4,885,761
Liabilities			
USD	13,472,482	11,348,733	7,823,574
CAD	7,796,438	-	-
JPY	3,953,647	4,712,591	5,429,029
AUD	4,207,803	498,929	508,357

The Corporation was mainly exposed to the currencies USD, JPY, CAD and AUD. The following table details the sensitivity to a 1% increase in NTD against the relevant foreign currencies.

	USD Impact			JPY Impact		
	For the Year Ended December 31			For the Year Ended December 31		
	2013	2012		2013	2012	
Profit or loss	$ 21,638	$ (840)	i	$ 9,058	$ (33,931)	ii
Equity	78,841	61,848	iii	-	43,443	iii

	CAD Impact			AUD Impact		
	For the Year Ended December 31			For the Year Ended December 31		
	2013	2012		2013	2012	
Profit or loss	$ -	$ -		$ -	$ -	
Equity	77,964	-	iii	42,078	4,989	iii

i. This was mainly attributable to the exposure of outstanding receivables and payables, which were not hedged at the balance sheet date.

ii. This was mainly attributable to the exposure of outstanding receivables and payables, which were not hedged at the balance sheet date, and bond investments with no active market and borrowings, which were designated as hedged items in fair value hedges .

iii. This was attributable to other financial assets, which were designated as hedging items in cash flow hedges, and borrowings, which were designated as hedging instruments in net investments in foreign operations hedges.

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

b) Interest rate risk

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

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Fair value interest rate risk			
Financial liabilities	$ 75,212,965	$ 71,249,959	$ 52,860,303
Cash flow interest rate risk			
Financial liabilities	47,613,759	42,484,018	43,423,626

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2013 and 2012 would have been lower/higher by NT$476,138 thousand and NT$424,840 thousand, respectively.

c) Other price risk

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

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2013 and 2012 would have been higher/lower by NT$62,582 thousand and NT$49,046 thousand, respectively, as a result of the fair value changes of available-for-sale financial assets.

2) Credit risk

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

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

As of December 31, 2013, the maximum credit risk of off-balance-sheet guarantees provided to subsidiaries and investees of co-investment for procurement and investment compliance was NT$18,228,225 thousand (USD468,916 thousand, AUD120,943 thousand and MYR97,130 thousand).

3) Liquidity risk

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

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

	Less Than 1 Year	**2-5 Years**	**Over 5 Years**	**Total**
December 31, 2013				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 21,740,293	$ -	$ -	$ 21,740,293
Variable interest rate liabilities	14,563,111	34,498,783	-	49,061,894
Fixed interest rate liabilities	13,527,419	28,899,003	39,114,886	81,541,308
Financial guarantee liabilities	8,613,576	9,614,649	-	18,228,225
	$ 58,444,399	$ 73,012,435	$ 39,114,886	$ 170,571,720
December 31, 2012				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 18,434,536	$ -	$ -	$ 18,434,536
Variable interest rate liabilities	17,171,646	25,805,899	-	42,977,545
Fixed interest rate liabilities	25,773,757	23,841,699	26,260,848	75,876,304
Financial guarantee liabilities	4,294,412	18,208,953	-	22,503,365
	$ 65,674,351	$ 67,856,551	$ 26,260,848	$ 159,791,750
January 1, 2012				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 18,652,052	$ -	$ -	$ 18,652,052
Variable interest rate liabilities	10,500,757	33,564,844	-	44,065,601
Fixed interest rate liabilities	15,923,235	29,312,893	10,611,817	55,847,945
Financial guarantee liabilities	2,760,772	11,043,088	-	13,803,860
	$ 47,836,816	$ 73,920,825	$ 10,611,817	$ 132,369,458

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

28. TRANSACTIONS WITH RELATED PARTIES

a. Operating transactions

	For the Year Ended December 31	
	2013	2012
Sales of Goods		
Subsidiaries	$ 17,871,413	$ 13,569,059
The Corporation and its subsidiaries as key management personnel of other related parties	4,290,685	4,070,590
Associates of the Corporation and its subsidiaries	125,826	38,751
	$ 22,287,924	$ 17,678,400
Purchases of Goods		
Subsidiaries	$ 32,418,470	$ 18,945,207
Associates of the Corporation and its subsidiaries	175,425	162,148
Others	359,381	8
	$ 32,953,276	$ 19,107,363

Sales to and purchases from related parties were made under normal terms applied to similar transactions in the market except for terms of sales to CSVC which were telegraphic transfer in 60 days after shipment date and for terms of sales to and purchases from some subsidiaries without similar transactions with other unrelated parties.

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts Receivable from Related Parties			
Subsidiaries	$ 1,261,299	$ 737,205	$ 494,113
The Corporation and its subsidiaries as key management personnel of other related parties	654,696	609,820	527,502
Associates of the Corporation and its subsidiaries	3,527	3,323	-
	$ 1,919,522	$ 1,350,348	$ 1,021,615
Accounts Payable to Related Parties			
Subsidiaries	$ 1,573,045	$ 458,078	$ 813,439
Associates of the Corporation and its subsidiaries	18,634	38,890	37,875
	$ 1,591,679	$ 496,968	$ 851,314

The outstanding accounts payable to related parties are unsecured. No guarantee had been received for accounts receivable from related parties. No expense had been recognized for the years ended December 31, 2013 and 2012 for allowance for impairment of accounts receivable in respect of the amounts owed by related parties.

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

The Corporation provided short-term loans to its subsidiaries, with the interest rate calculated at the latest 30-day average rate of the Corporation's short-term loans in the same currencies from ordinary financial institutions.

Loans to its subsidiaries were unsecured loans with interest income of NT$15,811 thousand for the year ended December 31, 2013.

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ 2,320,000	$ -	$ -

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

The rate of loans from subsidiaries is calculated at the current repurchase rate in secondary market and adjusted based on the circumstances.

Loans from its subsidiaries were unsecured loans and with interest expense of NT$851 thousand for the year ended December 31, 2013.

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ 360,000	$ -	$ -

d. Other transactions

1) The Corporation signed brokerage contract with its subsidiaries. For the years ended December 31, 2013 and 2012, the commission revenue was NT$401,491 thousand and NT$351,656 thousand, respectively.

   The balances of consignment payable - related parties, which are recognized as other payables, were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ 972,409	$ 816,401	$ 345,327

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

	For the Year Ended December 31	
	2013	2012
Subsidiaries	$ 2,436,168	$ 2,273,050
The Corporation and its subsidiaries as key management personnel of other related parties	625,093	664,249
Others	84,089	37,707
	$ 3,145,350	$ 2,975,006

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

	For the Year Ended December 31	
	2013	2012
Subsidiaries	$ 5,376,019	$ 4,760,163
Others	150,051	208,605
	$ 5,526,070	$ 4,968,768

4) Capital expenditures

	For the Year Ended December 31	
	2013	2012
Subsidiaries	$ 6,968,750	$ 6,275,954
Associates of the Corporation and its subsidiaries	546	395
	$ 6,969,296	$ 6,276,349

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

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiaries	$ 2,066,583	$ 1,721,717	$ 990,519

5) As of December 31, 2013, December 31, 2012 and January 1, 2012, guarantees provided to the subsidiaries for procurement and investment compliance were NT$15,765,286 thousand (USD418,566 thousand and AUD120,943 thousand), NT$22,503,365 thousand (USD399,565 thousand and AUD359,314 thousand) and NT$13,803,860 thousand (USD455,197 thousand).

e. Compensation of key management personnel

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

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits	$ 88,553	$ 59,703
Post-employment benefits	1,933	1,795
	$ 90,486	$ 61,498

29. ASSETS PLEDGED AS COLLATERAL OR SECURITY

As of December 31, 2013, December 31, 2012 and January 1, 2012, time deposits pledged as collateral for bank overdraft and performance guarantees, etc. were NT$5,650,000 thousand, NT$5,658,819 thousand and NT$5,658,819 thousand, respectively, and land pledged as collateral for long-term bank borrowings were all NT$18,875,450 thousand.

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2013 were as follows:

a. The Corporation provided letters of credits for NT$594,347 thousand guaranteed by Mega International Commercial Bank, the Shanghai Commercial and Saving Bank and the Land Bank of Taiwan for several construction and lease contracts.

b. Unused letters of credit for importation of materials and machinery amounted to NT$2.7 billion.

c. Property purchase and construction contracts for NT$2.4 billion were signed but not yet recorded.

d. The Corporation entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, Japan and domestic companies with contract terms of 1 to 10 years. Contracted annual purchases of 7,400,000 metric tons of coal, 16,760,000 metric tons of iron ore, and 1,900,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of December 31, 2013 were USD7.4 billion (including 5,400,000 metric tons of coal, 54,760,000 metric tons of iron ore, and 530,000 metric tons of limestone).

e. In December 2011, the subsidiary CHSC entered into a syndicated credit facility agreement with Bank of Taiwan and 11 other banks for NT$16 billion credit line. Under the agreement, the Corporation and its related parties should collectively hold at least 30% of CHSC's issued shares and control CHSC's operation. As of December 31, 2013, the Corporation held 41% equity of CHSC and held over half of the seats in the board of directors and controlled its operations.

f. In July 2012, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 17 other banks for a NT$35 billion credit line; in December 2009, DSC entered into another syndicated credit facility agreement with Bank of Taiwan and 12 other banks for a NT$20 billion credit line; in February 2008, DSC entered into the other syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT$51.7 billion credit line. Under the agreements, the Corporation should hold at least 80%, 80% and 40% of DSC's issued shares and hold half or more of the seats in the board of directors. As of December 31, 2013, the Corporation held 100% equity of DSC and held all of the seats in the board of directors.

g. In October 2012, the subsidiary CSVC entered into a syndicated credit facility agreement with Mega International Commercial Bank and 11 other banks for a USD246,000 thousand credit line. Under the agreement, the Corporation and its related parties should collectively hold at least 50% of CSVC's issued shares and most of the seats in the board of directors. As of December 31, 2013, the Corporation held 51% equity of CSVC and over half of the seats in the board of directors.

h. In January 2013, the subsidiary CSCI entered into a syndicated credit facility agreement with Chinatrust Commercial Bank and 9 other banks for a USD110,000 thousand credit line. Under the agreement, the Corporation and its related parties 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 and its related parties should collectively hold at least 60% of CSCI's issued shares and hold half or more of the seats in the board of directors. As of December 31, 2013, the Corporation held 100% equity of CSCI and held all of the seats in the board of directors.

i. Starting January 2013, the subsidiary China Steel Precision Materials Corporation (CCSPMC) entered into several credit facility agreements with Taipei Fubon Bank and several banks. Under the agreements, the Corporation and its subsidiaries should collectively hold over 70% of the CCSPMC's equity and 75% of the seats in the board of directors and supervisors. As of December 31, 2013, the Corporation held 70% equity of CCSPMC and three quarters of the seats in the board of directors and supervisors.

j. Guarantees provided to related parties and investees under common investment relationships for procurement and investment compliances were NT$18,228,225 thousand (USD468,916 thousand, AUD120,943 thousand and MYR97,130 thousand) (Note 28).

31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In January 2014, the Corporation issued NT$6.9 billion of 7-year unsecured bonds, NT$7 billion of 10-year unsecured bonds and NT$9 billion of 15-year unsecured bonds totaling of NT$22.9 billion to repay bank borrowings and expand working capital.

32. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial 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, 2013			
Monetary financial assets			
USD	$ 114,902	29.8050	$ 3,424,643
JPY	10,735,575	0.2839	3,047,830
Non-monetary financial assets			
VND	3,653,577,680	0.0014	5,005,401
USD	105,480	29.8050	3,143,837
JPY	6,218,000	0.2839	1,765,290
KRW	40,558,250	0.0284	1,151,854
Monetary financial liabilities			
USD	452,050	29.8050	13,472,482
CAD	278,345	28.0100	7,796,438
JPY	13,926,154	0.2839	3,953,647
AUD	158,277	26.5850	4,207,803
December 31, 2012			
Monetary financial assets			
USD	180,715	29.0400	5,247,974
JPY	11,181,621	0.3364	3,761,470
Non-monetary financial assets			
USD	102,384	29.0400	2,973,233
VND	1,138,226,167	0.0013	1,530,914
JPY	4,550,000	0.3364	1,530,620
KRW	44,534,930	0.0273	1,215,803
Monetary financial liabilities			
USD	390,794	29.0400	11,348,733
JPY	14,008,891	0.3364	4,712,591
AUD	16,540	30.1650	498,929

(Continued)

January 1, 2012	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary financial assets			
USD	$ 177,733	30.2750	$ 5,380,863
JPY	12,508,348	0.3906	4,885,761
Non-monetary financial assets			
USD	110,485	30.2750	3,344,932
JPY	4,102,000	0.3906	1,602,241
KRW	48,194,249	0.0263	1,267,509
VND	568,931,267	0.0014	790,815
Monetary financial liabilities			
USD	258,417	30.2750	7,823,574
JPY	13,899,203	0.3906	5,429,029
AUD	16,540	30.7350	508,357

(Concluded)

33. SEGMENT INFORMATION

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

34. FIRST-TIME ADOPTION OF THE REGULATIONS

Effects of transition to the Regulations

The date of transition to the Regulations is January 1, 2012. The effects of transition to the Regulations, on the Corporation's standalone balance sheet, and standalone statements of comprehensive income were shown on the following:

a. Reconciliation of standalone balance sheet as of January 1, 2012 (Table 1).

b. Reconciliation of standalone balance sheet as of December 31, 2012 (Table 2).

c. Reconciliation of standalone statement of comprehensive income for the year ended December 31, 2012 (Table 3).

d. Exemptions

   Except for optional exemptions and mandatory exceptions, the standalone balance sheet at the transition date (January 1, 2012) was prepared under the Regulations which was applied retrospectively.

   Investments in subsidiaries and associates

   In the standalone balance sheet as of January 1, 2012, the Corporation recognized the investments in subsidiaries and associates acquired before the transition date at the amount under ROC GAAP as of December 31, 2011.

Share-based payment transactions

The Corporation elected the exemption from retrospectively application of relevant standards for the share-based payment transactions granted and vested before the date of transition.

Deemed cost

The Corporation elected to use ROC GAAP revaluation value of the designated property, plant and equipment and investment property at the date of transition as deemed cost at the date of revaluation.

Employee benefits

The Corporation elected to recognize all cumulative actuarial gains and losses relating to employee benefits in retained earnings at the date of transition.

Cumulative translation differences

The Corporation elected to deem the cumulative translation differences on all foreign operations as zero and recognized the amount in retained earnings at the date of transition.

Designation of previously recognized financial assets and financial liabilities

The Corporation elected to designate previously recognized financial assets carried at cost as available-for-sale financial assets at the date of transition.

The effects arising from the above exemptions are stated in e. Notes to the significant reconciliation items.

e. Notes to the significant reconciliation items

The material differences between the accounting policies under ROC GAAP and the accounting policies under the Regulations were as follows:

Presentation difference

1) Time deposits with deposit terms of over three months

   Under ROC GAAP, time deposits that can be withdrawn at any moment without detriment to the principal are classified as cash.

   Under the Regulations, cash equivalents are defined as investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Therefore, only short-term investments, such as those with maturity of three months or less from the date of acquisition, normally qualify for classification as cash equivalents. Under the Regulations, time deposits with deposit terms of over three months are reclassified as other financial assets.

   As of December 31, 2012 and January 1, 2012, the amounts reclassified from cash to other financial assets were both NT$100,000 thousand.

2) Deferred income tax assets/liabilities

   Under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under the Regulations, deferred income tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits, and valuation allowance account is not used.

In addition, under ROC GAAP, deferred tax assets or liabilities are classified as current or noncurrent in accordance with the classification of their related assets or liabilities. However, if deferred income tax assets or liabilities do not relate to assets or liabilities in the financial statements, they are classified as either current or noncurrent based on the expected length of time before they are realized or settled. Under the Regulations, deferred tax assets or liabilities are classified as noncurrent assets or liabilities.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from current deferred income tax assets to noncurrent assets were NT$857,148 thousand and NT$1,379,334 thousand, respectively.

3) Classification of property, plant and equipment and assets leased to others

Under ROC GAAP, assets leased to others are classified under other assets. Under the Regulations, the aforementioned items are classified as property, plant and equipment or investment property according to their nature.

As of December 31, 2012 and January 1, 2012 the amounts reclassified from assets leased to others under other assets to property, plant and equipment were NT$2,902 thousand and zero, respectively; the amounts reclassified from assets leased to others under other assets to investment property were NT$4,740,277 thousand and NT$3,063,360 thousand, respectively.

4) Unrealized revaluation increment/reserve for land value increment tax

Under current Regulations Governing the Preparation of Financial Reports by Securities Issuers, reserve for land value increment tax recognized due to revaluation of land is classified as long-term liabilities.

Under the Regulations, ROC GAAP revaluation values are selected as deemed cost for the designated land at the date of transition to the Regulations; thus, the related reserve for land value increment tax is reclassified to deferred income tax liabilities - land value increment tax.

As of January 1, 2012, the amount reclassified from unrealized revaluation increment to retained earnings was NT$26,757,590 thousand. As of December 31, 2012 and January 1, 2012, the amounts reclassified from reserve for land value increment tax to deferred income tax liabilities - land value increment tax were both NT$10,011,916 thousand.

<u>Recognition and measurement difference</u>

A. Financial assets carried at cost

Under current Regulations Governing the Preparation of Financial Reports by Securities Issuers, shares that are not listed on the Taiwan Stock Exchange Corporation or Taiwan GreTai Securities Market and of which the holder has no significant influence over the investee should be classified as financial assets carried at cost.

Under the Regulations, equity instruments that are designated as available-for-sale financial assets or are not designated as at fair value through profit or loss financial assets should be classified as available-for-sale financial assets and measured at fair value.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from financial assets carried at cost to available-for-sale financial assets were NT$8,068,823 thousand and NT$7,421,220 thousand; available-for-sale financial assets were adjusted for an increase of NT$10,038,451 thousand and NT$9,723,703 thousand; unrealized gain on available-for-sale financial assets was adjusted for an increase of NT$2,043,452 thousand and NT$2,380,651 thousand.

B. Defined benefit pension plans

Under ROC GAAP, actuarial gains and losses should be accounted for under the corridor approach which results in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized in profit or loss over the average remaining service period of those employees who are still in service and expect to receive pension benefits. Under the Regulations, the Corporation should carry out actuarial valuation on defined benefit plans in accordance with the Regulations and recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings in the statement of changes in equity. Subsequent reclassification to profit or loss is not permitted.

Under ROC GAAP, there is no requirement for other long-term employee benefits (other than pensions). Under the Regulations, actuarial gains and losses should all be recognized immediately in profit or loss.

Under ROC GAAP, unrecognized net transition obligation, resulting from first-time adoption of SFAS No. 18, "Accounting for Pensions," should be amortized in pension cost by the straight-line method over the average remaining service period of those employees who are still in service and expect to receive pension benefits. Due to no transition application under the Regulations, unrecognized net transition obligation and related amounts should be all recognized in retained earnings at the date of transition to the Regulations.

At the date of transition to the Regulations, the Corporation performed the actuarial valuation on defined benefit plans under the Regulations and recognized the valuation difference under the requirement of the Regulations. As of December 31, 2012 and January 1, 2012, accrued pension cost was adjusted for an increase of NT$5,602,528 thousand and NT$5,825,629 thousand, respectively; deferred income tax assets were adjusted for an increase of NT$952,430 thousand and NT$990,357 thousand, respectively; retained earnings were adjusted for a decrease of NT$4,650,098 thousand and NT$4,835,272 thousand. Pension cost for the year ended December 31, 2012 was also adjusted for a decrease of NT$58,318 thousand (decrease of general and administrative expenses NT$53,524 thousand and non-operating expenses and losses NT$4,794 thousand).

C. Treasury shares

Under ROC GAAP, shares of the parent company held by its subsidiaries are accounted for as its own treasury shares. The Corporation first adopted ROC SFAS No. 30, "Accounting for Treasury Stock," which required that the recorded cost of the shares should be based on its carrying amount as of January 1, 2002 and reclassified to treasury shares. The carrying amount of the shares may not be the same as its original acquisition cost.

Under the Regulations, treasury shares should be recorded initially at acquisition cost and shown as a deduction in shareholders' equity. There is no transition application; thus, the treasury shares and related accounts in the statement of changes in equity should be adjusted retrospectively.

As of January 1, 2012, the Corporation adjusted the treasury shares retrospectively, and the major effects were as follows: Capital surplus increased by NT$385,962 thousand, retained earnings decreased by NT$141,373 thousand, unrealized gain on available-for-sale financial assets increased by NT$112,926 thousand and treasury shares increased by NT$167,784 thousand.

D. Offset of deferred income tax

Under ROC GAAP, the current deferred income tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount; the same for the noncurrent deferred income tax liabilities and assets.

Under the Regulations, an entity should offset deferred income tax assets and deferred income tax liabilities only if:

a) The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and,

b) The deferred income tax assets and the deferred income tax liabilities related to income taxes levied by the same taxation authority on either:

   i. The same taxable entity; or

   ii. Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

f. Notes to the significant adjustments of the standalone statements of cash flows

According to ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using indirect method. However, under IAS 7 "Statement of Cash Flows", cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities. Therefore, interests received and paid and dividends paid by the Corporation of NT$129,360 thousand, NT$1,546,515 thousand and NT$5,351,995 thousand, respectively, for the year ended 2012 were presented separately at the date of transition.

Except for the above differences, there are no other significant differences between ROC GAAP and the Regulations in the statements of cash flows.

CHINA STEEL CORPORATION

RECONCILIATION OF STANDALONE BALANCE SHEET
AS OF JANUARY 1, 2012
(In Thousands of New Taiwan Dollars)

Assets

ROC GAAP Item	ROC GAAP Amount	Effects of Transition: Presentation Difference	Effects of Transition: Recognition and Measurement Difference	The Regulations Amount	The Regulations Item	Reference (Note 1)
CURRENT ASSETS					CURRENT ASSETS	
Cash and cash equivalents	$ 683,607	$ (100,000)	$ -	$ 583,607	Cash and cash equivalents	1)
Available-for-sale financial assets - current	2,207,870	-	-	2,207,870	Available-for-sale financial assets - current	
Hedging derivative assets - current	22,630	-	-	22,630	Derivative financial assets for hedging - current	
Notes receivable	866,772	-	-	866,772	Notes receivable, net	
Notes receivable - related parties	468,399	-	-	468,399	Notes receivable - related parties	
Accounts receivable	2,764,299	-	-	2,764,299	Accounts receivable, net	
Accounts receivable - related parties	553,216	-	-	553,216	Accounts receivable - related parties	
Other receivables	1,162,430	(173,364)	-	989,066	Other receivables	
-	-	173,364	-	173,364	Current tax assets	
Other financial assets - current	2,399,287	5,778,750	-	8,178,037	Other financial assets - current	1)
Inventories	67,340,540	(537,472)	-	66,803,068	Inventories	
Deferred income tax assets - current	1,379,334	(1,379,334)	-	-	-	2)
Restricted assets - current	5,678,750	(5,678,750)	-	-	-	
Others	1,712,543	537,472	-	2,250,015	Other current assets	
Total current assets	87,239,677	(1,379,334)	-	85,860,343	Total current assets	
INVESTMENTS					INVESTMENTS	
Available-for-sale financial assets - noncurrent	3,260,406	-	9,723,703	12,984,109	Available-for-sale financial assets - noncurrent	A
Hedging derivative assets - noncurrent	89,387	-	-	89,387	Derivative financial assets for hedging - noncurrent	
Financial assets carried at cost - noncurrent	7,421,220	-	(7,421,220)	-	-	A
Bond investments with no active market - noncurrent	3,906,000	-	-	3,906,000	Bond investments with no active market - noncurrent	
Investments accounted for by the equity method	127,252,843	(2,161,904)	149,250	125,240,189	Investments accounted for using equity method	Note 2
Other financial assets - noncurrent	2,119,688	33,817	-	2,153,505	Other financial assets - noncurrent	
Total investments	144,049,544	(2,128,087)	2,451,733	144,373,190	Total investments	
PROPERTY, PLANT AND EQUIPMENT					PROPERTY, PLANT AND EQUIPMENT	
Cost and revaluation increment	401,210,462	-	-	401,210,462	Cost	
Less: Accumulated depreciation	260,114,511	-	-	260,114,511	Less: Accumulated depreciation	
	141,095,951	-	-	141,095,951		
Construction in progress and prepayments for equipment	46,045,195	-	-	46,045,195	Construction in progress and equipment to be inspected	
Net property, plant and equipment	187,141,146	-	-	187,141,146	Net property, plant and equipment	
INTANGIBLE ASSETS	184,081	-	-	184,081	INTANGIBLE ASSETS	
-	-	3,063,360	-	3,063,360	INVESTMENT PROPERTIES	3)
OTHER ASSETS					OTHER ASSETS	
Assets leased to others, net	3,063,360	(3,063,360)	-	-	-	3)
Refundable deposits	223,215	-	-	223,215	Refundable deposits	
Deferred income tax assets - noncurrent	-	1,379,334	2,271,627	3,650,961	Deferred tax assets	2)、B、D
Restricted assets - noncurrent	33,817	(33,817)	-	-	-	
Total other assets	3,320,392	(1,717,843)	2,271,627	3,874,176	Total other assets	
TOTAL	$ 421,934,840	$ (2,161,904)	$ 4,723,360	$ 424,496,296	TOTAL	

Liabilities and Shareholders' Equity

ROC GAAP Item	ROC GAAP Amount	Effects of Transition: Presentation Difference	Effects of Transition: Recognition and Measurement Difference	The Regulations Amount	The Regulations Item	Reference (Note 1)
CURRENT LIABILITIES					CURRENT LIABILITIES	
Short-term loans and overdraft	$ 6,467,626	$ -	$ -	$ 6,467,626	Short-term borrowings and bank overdraft	
Commercial paper payable	3,595,877	-	-	3,595,877	Short-term bills payable	
Hedging derivative liabilities - current	7,620	-	-	7,620	Derivative financial liabilities for hedging - current	
Accounts payable	4,665,602	-	-	4,665,602	Accounts payable	
Accounts payable - related parties	851,314	-	-	851,314	Accounts payable - related parties	
Income tax payable	2,520,677	-	-	2,520,677	Current tax liabilities	
Accrued expenses	8,306,109	(8,306,109)	-	-	-	
Other payables	4,976,046	8,290,630	-	13,266,676	Other payables	
-	-	1,316,439	-	1,316,439	Provisions - current	
Bonds payable - current portion	11,295,086	-	-	11,295,086	Current portion of bonds payable	
Long-term debt - current portion	3,682,227	-	-	3,682,227	Current portion of long-term borrowings	
Others	3,086,241	(1,357,935)	-	1,728,306	Other current liabilities	
Total current liabilities	49,454,425	(56,975)	-	49,397,450	Total current liabilities	
LONG-TERM LIABILITIES					LONG-TERM LIABILITIES	
Hedging derivative liabilities - noncurrent	421	-	-	421	Derivative financial liabilities for hedging - noncurrent	
Bonds payable	37,969,340	-	-	37,969,340	Bonds payable	
Long-term debt	21,284,765	-	-	21,284,765	Long-term borrowings	
Long-term notes payable	11,989,008	-	-	11,989,008	Long-term bills payable	
Total long-term liabilities	71,243,534	-	-	71,243,534	Total long-term liabilities	
RESERVE FOR LAND VALUE INCREMENT TAX	10,011,916	(10,011,916)	-	-		4)
OTHER LIABILITIES					OTHER LIABILITIES	
Accrued pension cost	51,491	-	5,825,629	5,877,120	Accrued pension liabilities	B
Deferred income tax liabilities - noncurrent	446,254	10,011,916	1,267,983	11,726,153	Deferred tax liabilities	4)、D
Deferred credits accounts - gains from affiliates	2,140,211	(2,104,929)	(35,282)	-	-	Note 2
Total other liabilities	2,637,956	7,906,987	7,058,330	17,603,273	Total other liabilities	
Total liabilities	133,347,831	(2,161,904)	7,058,330	138,244,257	Total liabilities	
STOCKHOLDERS' EQUITY					EQUITY	
Capital stock	150,844,773	-	-	150,844,773	Share capital	
Capital surplus	36,247,705	-	(63,109)	36,184,596	Capital surplus	C
Retained earnings					Retained earnings	
Legal reserve	52,829,209	-	-	52,829,209	Legal reserve	
Special reserve	7,615,701	-	21,636,278	29,251,979	Special reserve	
Unappropriated earnings	19,606,971	-	-	19,606,971	Unappropriated earnings	4)、B、C
Total retained earnings	80,051,881	-	21,636,278	101,688,159	Total retained earnings	
Other equity adjustments					Other equity	
Unrealized revaluation increment	26,757,590	-	(26,757,590)	-	-	4)
Unrealized gain on financial instruments	3,020,919	(317,084)	2,803,837	5,507,672	Unrealized gain on available-for-sale financial assets	A、C
-	-	317,084	-	317,084	Cash flow hedges	
Cumulative translation adjustments	17,192	-	(17,192)	-	Exchange differences on translating foreign operations	
Net loss not recognized as pension cost	(230,590)	-	230,590	-		
Treasury stock	(8,122,461)	-	(167,784)	(8,290,245)	Treasury shares	C
Total other equity adjustments	21,442,650	-	(23,908,139)	(2,465,489)	Total other equity	
Total stockholders' equity	288,587,009	-	(2,334,970)	286,252,039	Total equity	
TOTAL	$ 421,934,840	$ (2,161,904)	$ 4,723,360	$ 424,496,296	TOTAL	

Note 1: The reference refers to Note 34.

Note 2: According to IAS 28, reclassify to investment reduction accounted for using equity method.

CHINA STEEL CORPORATION

RECONCILIATION OF STANDALONE BALANCE SHEET
AS OF DECEMBER 31, 2012
(In Thousands of New Taiwan Dollars)

Assets

ROC GAAP Item	ROC GAAP Amount	Effects of Transition: Presentation Difference	Effects of Transition: Recognition and Measurement Difference	The Regulations Amount	The Regulations Item	Reference (Note 1)
CURRENT ASSETS					CURRENT ASSETS	
Cash and cash equivalents	$ 1,733,583	$ (100,000)	$ -	$ 1,633,583	Cash and cash equivalents	1)
Available-for-sale financial assets - current	1,645,451	-	-	1,645,451	Available-for-sale financial assets - current	
Hedging derivative assets - current	33,120	-	-	33,120	Derivative financial assets for hedging - current	
Notes receivable	476,696	-	-	476,696	Notes receivable, net	
Notes receivable - related parties	519,453	-	-	519,453	Notes receivable - related parties	
Accounts receivable	2,712,325	-	-	2,712,325	Accounts receivable, net	
Accounts receivable - related parties	830,895	-	-	830,895	Accounts receivable - related parties	
Other receivables	879,092	(8,663)	-	870,429	Other receivables	
-	-	8,663	-	8,663	Current tax assets	
Other financial assets - current	2,721,077	5,769,636	-	8,490,713	Other financial assets - current	1)
Inventories	47,510,017	(200,368)	-	47,309,649	Inventories	
Deferred income tax assets - current	857,148	(857,148)	-	-	-	2)
Restricted assets - current	5,669,636	(5,669,636)	-	-	-	
Others	1,986,003	200,368	-	2,186,371	Other current assets	
Total current assets	67,574,496	(857,148)	-	66,717,348	Total current assets	
INVESTMENTS					INVESTMENTS	
Available-for-sale financial assets - noncurrent	3,259,169	-	10,038,451	13,297,620	Available-for-sale financial assets - noncurrent	A
Hedging derivative assets - noncurrent	4,042	-	-	4,042	Derivative financial assets for hedging - noncurrent	
Financial assets carried at cost - noncurrent	8,068,823	-	(8,068,823)	-	-	A
Bond investments with no active market - noncurrent	3,364,000	-	-	3,364,000	Bond investments with no active market - noncurrent	
Investments accounted for by the equity method	148,970,411	(2,198,240)	184,511	146,956,682	Investments accounted for using equity method	Note 2
Other financial assets - noncurrent	33,943	34,242	-	68,185	Other financial assets - noncurrent	
Total investments	163,700,388	(2,163,998)	2,154,139	163,690,529	Total investments	
PROPERTY, PLANT AND EQUIPMENT					PROPERTY, PLANT AND EQUIPMENT	
Cost and revaluation increment	440,291,286	82,985	-	440,374,271	Cost	
Less: Accumulated depreciation	274,041,941	80,083	-	274,122,024	Less: Accumulated depreciation	
	166,249,345	2,902	-	166,252,247		
Construction in progress and prepayments for equipment	23,256,873	-	-	23,256,873	Construction in progress and equipment to be inspected	
Net property, plant and equipment	189,506,218	2,902	-	189,509,120	Net property, plant and equipment	
INTANGIBLE ASSETS	141,888	-	-	141,888	INTANGIBLE ASSETS	
-	-	4,740,277	-	4,740,277	INVESTMENT PROPERTIES	3)
OTHER ASSETS					OTHER ASSETS	
Assets leased to others, net	4,743,179	(4,743,179)	-	-	-	3)
Refundable deposits	144,807	-	-	144,807	Refundable deposits	
Deferred income tax assets - noncurrent	1,420,555	857,148	2,501,251	4,778,954	Deferred tax assets	2)、B、D
Restricted assets - noncurrent	34,242	(34,242)	-	-	-	
Total other assets	6,342,783	(3,920,273)	2,501,251	4,923,761	Total other assets	
TOTAL	$ 427,265,773	$ (2,198,240)	$ 4,655,390	$ 429,722,923	TOTAL	

Liabilities and Shareholders' Equity

ROC GAAP Item	ROC GAAP Amount	Effects of Transition: Presentation Difference	Effects of Transition: Recognition and Measurement Difference	The Regulations Amount	The Regulations Item	Reference (Note 1)
CURRENT LIABILITIES					CURRENT LIABILITIES	
Short-term loans and overdraft	$ 8,868,560	$ -	$ -	$ 8,868,560	Short-term borrowings and bank overdraft	
Commercial paper payable	13,294,434	-	-	13,294,434	Short-term bills payable	
Hedging derivative liabilities - current	11,752	-	-	11,752	Derivative financial liabilities for hedging - current	
Accounts payable	3,516,165	-	-	3,516,165	Accounts payable	
Accounts payable - related parties	496,968	-	-	496,968	Accounts payable - related parties	
Income tax payable	1,368,313	-	-	1,368,313	Current tax liabilities	
Accrued expenses	6,505,403	(6,505,403)	-	-	-	
Other payables	8,552,322	6,116,758	-	14,669,080	Other payables	
-	-	1,403,935	-	1,403,935	Provisions - current	
Bonds payable - current portion	11,297,543	-	-	11,297,543	Current portion of bonds payable	
Long-term debt - current portion	7,940,886	-	-	7,940,886	Current portion of long-term borrowings	
Others	2,596,340	(1,162,744)	-	1,433,596	Other current liabilities	
Total current liabilities	64,448,686	(147,454)	-	64,301,232	Total current liabilities	
LONG-TERM LIABILITIES					LONG-TERM LIABILITIES	
Hedging derivative liabilities - noncurrent	451	-	-	451	Derivative financial liabilities for hedging - noncurrent	
Bonds payable	46,657,982	-	-	46,657,982	Bonds payable	
Long-term debt	15,180,409	-	-	15,180,409	Long-term borrowings	
Long-term notes payable	10,494,163	-	-	10,494,163	Long-term bills payable	
Total long-term liabilities	72,333,005	-	-	72,333,005	Total long-term liabilities	
RESERVE FOR LAND VALUE INCREMENT TAX	10,011,916	(10,011,916)	-	-	-	4)
OTHER LIABILITIES					OTHER LIABILITIES	
Accrued pension cost	69,313	-	5,602,528	5,671,841	Accrued pension liabilities	B
Deferred income tax liabilities - noncurrent	-	10,011,916	1,533,778	11,545,694	Deferred tax liabilities	4)、D
Deferred credits accounts - gains from affiliates	2,050,786	(2,050,786)	-	-	-	Note 2
Total other liabilities	2,120,099	7,961,130	7,136,306	17,217,535	Total other liabilities	
Total liabilities	148,913,706	(2,198,240)	7,136,306	153,851,772	Total liabilities	
STOCKHOLDERS' EQUITY					EQUITY	
Capital stock	153,107,445	-	-	153,107,445	Share capital	
Capital surplus	36,673,528	-	(97,531)	36,575,997	Capital surplus	C
Retained earnings					Retained earnings	
Legal reserve	54,778,577	-	-	54,778,577	Legal reserve	
Special reserve	7,615,701	-	21,633,290	29,248,991	Special reserve	
Unappropriated earnings	5,961,915	-	194,806	6,156,721	Unappropriated earnings	4)、B
Total retained earnings	68,356,193	-	21,828,096	90,184,289	Total retained earnings	
Other equity adjustments					Other equity	
Unrealized revaluation increment	26,750,124	-	(26,750,124)	-	-	4)
Unrealized gain on financial instruments	2,458,247	280,266	2,545,290	5,283,803	Unrealized gain on available-for-sale financial assets	A、C
-	-	(280,266)	-	(280,266)	Cash flow hedges	
Cumulative translation adjustments	(393,229)	-	(24,591)	(417,820)	Exchange differences on translating foreign operations	
Net loss not recognized as pension cost	(184,893)	-	184,893	-	-	
Treasury stock	(8,415,348)	-	(166,949)	(8,582,297)	Treasury shares	C
Total other equity adjustments	20,214,901	-	(24,211,481)	(3,996,580)	Total other equity	
Total stockholders' equity	278,352,067	-	(2,480,916)	275,871,151	Total equity	
TOTAL	$ 427,265,773	$ (2,198,240)	$ 4,655,390	$ 429,722,923	TOTAL	

Note 1: The reference refers to Note 34.

Note 2: Under IAS 28, reclassify to investment reduction accounted for using equity method.

TABLE 3

CHINA STEEL CORPORATION

RECONCILIATION OF STANDALONE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012 (In Thousands of New Taiwan Dollars)

ROC GAAP Item	ROC GAAP Amount	Effects of Transition: Presentation Difference	Effects of Transition: Recognition and Measurement Difference	The Regulations Amount	The Regulations Item	Reference (Note)
Operating revenues	$ 207,193,105	$ -	$ -	$ 207,193,105	Operating revenues	
Operating costs	198,229,265	-	-	198,229,265	Operating costs	
Gross profit	8,963,840	-	-	8,963,840	Gross profit	
Unrealized gain from affiliates, net	(36,337)	-	-	(36,337)	Unrealized gain on the transactions with subsidiaries and associates	
Realized gross profit	8,927,503	-	-	8,927,503	Realized gross profit	
Operating expenses					Operating expenses	
Research and development	1,378,211	-	-	1,378,211	Research and development expenses	
Selling	2,412,224	-	-	2,412,224	Selling and marketing expenses	
General and administrative	2,447,494	-	(53,524)	2,393,970	General and administrative expenses	B
Total operating expenses	6,237,929	-	(53,524)	6,184,405	Total operating expenses	
Operating income	2,689,574	-	53,524	2,743,098	Profit from operations	
Nonoperating income and gains					Non-operating income and gains	
Interest income	109,872	-	-	109,872	Interest income	
Investment income recognized under equity method, net	2,353,103	-	32,511	2,385,614	Share of the profit of subsidiaries and associates	
Gain on sale of investments, net	1,140,690	-	15,402	1,156,092	Gain on disposal of investments, net	
Exchange gain, net	329,097	-	-	329,097	Net foreign exchange gains	
Others	1,341,516	-	(4,456)	1,337,060	Others	
Total nonoperating income and gains	5,274,278	-	43,457	5,317,735	Total non-operating income and gains	
Nonoperating expenses and losses					Non-operating expenses and losses	
Interest expense	1,358,092		-	1,358,092	Interest expense	
Others	475,189	-	6,263	481,452	Others	B
Total nonoperating expenses and losses	1,833,281	-	6,263	1,839,544	Total non-operating expenses and losses	
Income before income tax	6,130,571	-	90,718	6,221,289	Income before income tax	
Income tax expense	319,081	-	7,402	326,483	Income tax expense	
Net income	$ 5,811,490	$ -	$ 83,316	5,894,806	Net profit for the year	
					Other comprehensive income	
				(123,208)	Exchange differences on translating foreign operations	
				(629,571)	Unrealized gain loss on available-for-sale financial assets	
				(333,409)	Cash flow hedges	
				164,782	Actuarial gain from defined benefit plans	
				(237,798)	Share of the other comprehensive income of subsidiaries and associates	
				28,667	Income tax benefit relating to the components of other comprehensive income	
				(1,130,537)	Total other comprehensive income, net of income tax	
				$ 4,764,269	Total comprehensive income for the year	

Note: The reference refers to Note 34.