China Steel Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014 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 consolidated balance sheets of China Steel Corporation (the "Corporation") and its subsidiaries as of December 31, 2015 and 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS and Interpretations of IAS endorsed by the Financial Supervisory Commission ("FSC") of the Republic of China.

As discussed in Note 3 to the accompanying consolidated financial statements, starting from January 1, 2015, the Corporation and its subsidiaries applied the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the IFRS, IAS, Interpretations of IFRS, and Interpretations of IAS endorsed by the FSC. Therefore, some items in the consolidated financial statements of prior reporting periods were adjusted to reflect the effects of retrospective application of the above regulations, standards and interpretations.

We have also audited the standalone financial statements of China Steel Corporation as of and for the years ended December 31, 2015 and 2014 on which we have issued a modified unqualified report.

Deloitte & Touche

March 25, 2016

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

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

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2015 Amount	%	December 31, 2014 (Restated) Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 20,334,823	3	$ 13,632,013	2
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,441,885	-	5,418,751	1
Available-for-sale financial assets - current (Notes 4, 5 and 8)	3,839,902	1	6,651,624	1
Derivative financial assets for hedging - current (Notes 4 and 10)	123,828	-	62,992	-
Notes receivable (Notes 4 and 11)	1,206,786	-	1,243,767	-
Notes receivable - related parties (Notes 4, 11 and 33)	258,005	-	162,202	-
Accounts receivable, net (Notes 4, 5 and 11)	10,578,187	2	10,818,647	2
Accounts receivable - related parties (Notes 4, 5, 11 and 33)	448,197	-	734,991	-
Amounts due from customers for construction contracts (Notes 4, 5 and 12)	8,767,343	1	7,313,482	1
Other receivables (Note 4)	1,453,760	-	1,484,045	-
Current tax assets (Note 28)	95,004	-	169,509	-
Inventories (Notes 4, 5 and 13)	68,906,548	10	81,203,168	12
Other financial assets - current (Notes 4, 16 and 34)	12,191,202	2	13,714,418	2
Other current assets	3,496,706	1	5,757,202	1
Total current assets	135,142,176	20	148,366,811	22
NONCURRENT ASSETS				
Financial assets at fair value through profit or loss - noncurrent (Notes 4 and 7)	-	-	31,842	-
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 8)	50,284,593	8	31,102,392	5
Held-to-maturity financial assets - noncurrent (Notes 4, 5 and 9)	285,963	-	222,989	-
Derivative financial assets for hedging - noncurrent (Notes 4 and 10)	41,713	-	87,969	-
Debt investments with no active market - noncurrent (Notes 4, 14 and 19)	2,014,061	-	2,806,597	1
Investments accounted for using equity method (Notes 4, 15 and 30)	15,207,682	2	13,419,402	2
Property, plant and equipment (Notes 4, 5, 17 and 34)	448,688,581	66	459,313,969	67
Investment properties (Notes 4, 5, 18 and 34)	10,108,189	2	8,436,098	1
Intangible assets (Notes 4 and 30)	2,404,617	-	2,493,804	-
Deferred tax assets (Notes 4, 5 and 28)	5,558,156	1	6,065,105	1
Refundable deposits (Note 4)	479,287	-	436,833	-
Other financial assets - noncurrent (Notes 4 and 16)	2,663,786	-	2,376,787	-
Other noncurrent assets (Notes 24 and 33)	5,260,212	1	7,579,422	1
Total noncurrent assets	542,996,840	80	534,373,209	78
TOTAL	$ 678,139,016	100	$ 682,740,020	100

LIABILITIES AND EQUITY	December 31, 2015 Amount	%	December 31, 2014 (Restated) Amount	%
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft (Notes 19 and 34)	$ 34,386,947	5	$ 30,801,717	5
Short-term bills payable (Note 19)	31,641,286	5	20,112,096	3
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	1,525	-	7,149	-
Derivative financial liabilities for hedging - current (Notes 4 and 10)	29,428	-	46,327	-
Notes payable	555,486	-	1,384,782	-
Notes payable - related parties (Note 33)	-	-	88	-
Accounts payable (Note 21)	7,898,460	1	8,903,520	1
Accounts payable - related parties (Notes 21 and 33)	256,131	-	689,623	-
Amounts due to customers for construction contracts (Notes 4, 5 and 12)	4,115,170	1	5,403,038	1
Other payables (Note 22)	19,351,699	3	23,131,466	3
Current tax liabilities (Note 28)	1,621,208	-	4,868,683	1
Provisions - current (Notes 4, 5 and 23)	3,158,369	-	3,795,700	1
Current portion of bonds payable (Note 20)	4,696,735	1	8,148,376	1
Current portion of long-term bank borrowings (Notes 19 and 34)	23,561,520	4	20,939,065	3
Other current liabilities	3,092,890	-	3,273,887	-
Total current liabilities	134,366,854	20	131,505,517	19
NONCURRENT LIABILITIES				
Derivative financial liabilities for hedging - noncurrent (Notes 4 and 10)	57,412	-	10,060	-
Bonds payable (Notes 4 and 20)	94,842,610	14	89,695,089	13
Long-term bank borrowings (Notes 19 and 34)	83,128,236	12	86,579,129	13
Long-term bills payable (Note 19)	24,459,879	4	20,019,412	3
Provisions - noncurrent (Notes 4, 5 and 23)	828,923	-	1,031,812	-
Deferred tax liabilities (Notes 4 and 28)	12,417,475	2	12,678,234	2
Net defined benefit liabilities (Notes 4, 5 and 24)	5,967,987	1	5,503,901	1
Other noncurrent liabilities	1,344,807	-	1,072,632	-
Total noncurrent liabilities	223,047,329	33	216,590,269	32
Total liabilities	357,414,183	53	348,095,786	51
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 25)				
Share capital				
Ordinary shares	157,348,610	23	157,348,610	23
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	23	157,731,290	23
Capital surplus	37,612,027	5	37,217,876	5
Retained earnings				
Legal reserve	59,173,907	9	56,957,880	8
Special reserve	27,132,983	4	27,086,283	4
Unappropriated earnings	13,323,848	2	24,106,715	4
Total retained earnings	99,630,738	15	108,150,878	16
Other equity	7,924,408	1	10,162,015	2
Treasury shares	(8,577,644)	(1)	(8,587,461)	(1)
Total equity attributable to owners of the Corporation	294,320,819	43	304,674,598	45
NON-CONTROLLING INTERESTS	26,404,014	4	29,969,636	4
Total equity	320,724,833	47	334,644,234	49
TOTAL	$ 678,139,016	100	$ 682,740,020	100

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

(With Deloitte & Touche audit report date March 25, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2015		2014 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 26, 33 and 38)	$ 285,053,876	100	$ 366,510,697	100
OPERATING COSTS (Notes 13 and 33)	263,652,456	92	322,615,562	88
GROSS PROFIT	21,401,420	8	43,895,135	12
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	89	-	-	-
REALIZED GROSS PROFIT	21,401,331	8	43,895,135	12
OPERATING EXPENSES				
Selling and marketing expenses	4,649,447	2	4,898,797	1
General and administrative expenses	6,676,319	2	7,218,369	2
Research and development expenses	1,960,034	1	2,015,820	1
Total operating expenses	13,285,800	5	14,132,986	4
PROFIT FROM OPERATIONS	8,115,531	3	29,762,149	8
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 27 and 33)	1,759,579	-	2,420,780	1
Other gains and losses (Notes 27 and 33)	3,179,750	1	(454,241)	-
Finance costs (Note 27)	(3,752,097)	(1)	(3,787,776)	(1)
Share of the profit of associates	202,847	-	605,936	-
Total non-operating income and expenses	1,390,079	-	(1,215,301)	-
PROFIT BEFORE INCOME TAX	9,505,610	3	28,546,848	8
INCOME TAX (Notes 4, 5 and 28)	1,886,191	-	4,372,566	1
NET PROFIT FOR THE YEAR	7,619,419	3	24,174,282	7
OTHER COMPREHENSIVE INCOME (Notes 4, 25 and 28)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(490,525)	-	1,596,066	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	76,869	-	(275,190)	-

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CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2015		2014 (Restated)	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	$ (927,721)	-	$ 2,212,405	1
Unrealized gains and losses on available-for-sale financial assets	(2,679,096)	(1)	580,738	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(19,026)	-	178,384	-
Share of the other comprehensive income (loss) of associates	997,447	-	(26,796)	-
Income tax expense relating to items that may be reclassified subsequently to profit or loss	(32,953)	-	(68,982)	-
Other comprehensive income for the period, net of income tax	(3,075,005)	(1)	4,196,625	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 4,544,414	2	$ 28,370,907	8
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 7,604,721	3	$ 22,132,134	6
Non-controlling interests	14,698	-	2,042,148	1
	$ 7,619,419	3	$ 24,174,282	7
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 5,073,036	2	$ 25,693,955	7
Non-controlling interests	(528,622)	-	2,676,952	1
	$ 4,544,414	2	$ 28,370,907	8
EARNINGS PER SHARE (Note 29)				
Basic	$ 0.49		$ 1.43	
Diluted	$ 0.49		$ 1.42	

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

(With Deloitte & Touche audit report date March 25, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation: Share Capital: Ordinary Shares	Share Capital: Preference Shares	Capital Surplus	Retained Earnings: Legal Reserve	Retained Earnings: Special Reserve	Retained Earnings: Unappropriated Earnings	Other Equity: Exchange Differences on Translating Foreign Operations	Other Equity: Unrealized Gains and Losses on Available-for-sale Financial Assets	Other Equity: The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge	Other Equity: Total Other Equity	Treasury Shares	Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2014	$ 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	$ 29,682,661	$ 319,369,715
Effect of retrospective application and retrospective restatement (Note 3)	-	-	-	-	-	(27,533)	-	-	-	-	-	(27,533)	(26,046)	(53,579)
BALANCE AT JANUARY 1, 2014 AS RESTATED	154,255,840	382,680	36,960,818	55,359,726	26,920,871	16,320,707	(659,689)	8,603,167	12,375	7,955,853	(8,496,974)	289,659,521	29,656,615	319,316,136
Appropriation of 2013 earnings (Note 25)														
Legal reserve	-	-	-	1,598,154	-	(1,598,154)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	166,266	(166,266)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.7 per share	-	-	-	-	-	(10,797,909)	-	-	-	-	-	(10,797,909)	-	(10,797,909)
Cash dividends to preference shareholders - NT$1.2 per share	-	-	-	-	-	(45,922)	-	-	-	-	-	(45,922)	-	(45,922)
Share dividends to ordinary shareholders - NT$0.2 per share	3,085,117	-	-	-	-	(3,085,117)	-	-	-	-	-	-	-	-
Share dividends to preference shareholders - NT$0.2 per share	7,653	-	-	-	-	(7,653)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(854)	854	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2014	-	-	-	-	-	22,132,134	-	-	-	-	-	22,132,134	2,042,148	24,174,282
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	1,355,659	1,392,158	680,187	133,817	2,206,162	-	3,561,821	634,804	4,196,625
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	23,487,793	1,392,158	680,187	133,817	2,206,162	-	25,693,955	2,676,952	28,370,907
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	(90,487)	(90,487)	(108,115)	(198,602)
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	218,053	-	-	-	-	-	-	-	-	218,053	132,474	350,527
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,388,290)	(2,388,290)
Adjustment of other equity	-	-	39,005	-	-	(1,618)	-	-	-	-	-	37,387	-	37,387
BALANCE AT DECEMBER 31, 2014 AS RESTATED	157,348,610	382,680	37,217,876	56,957,880	27,086,283	24,106,715	732,469	9,283,354	146,192	10,162,015	(8,587,461)	304,674,598	29,969,636	334,644,234
Appropriation of 2014 earnings (Note 25)														
Legal reserve	-	-	-	2,216,027	-	(2,216,027)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	47,049	(47,049)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$1.0per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	(15,734,861)	-	(15,734,861)
Cash dividends to preference shareholders - NT$1.4per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(349)	349	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2015	-	-	-	-	-	7,604,721	-	-	-	-	-	7,604,721	14,698	7,619,419
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(294,078)	466,327	(2,710,006)	6,072	(2,237,607)	-	(2,531,685)	(543,320)	(3,075,005)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	7,310,643	466,327	(2,710,006)	6,072	(2,237,607)	-	5,073,036	(528,622)	4,544,414
Disposal of the Corporation's shares held by subsidiaries	-	-	(707)	-	-	-	-	-	-	-	9,263	8,556	4,769	13,325
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	318,021	-	-	-	-	-	-	-	-	318,021	193,679	511,700
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(3,235,448)	(3,235,448)
Adjustment of other equity	-	-	76,837	-	-	(42,347)	-	-	-	-	554	35,044	-	35,044
BALANCE AT DECEMBER 31, 2015	$ 157,348,610	$ 382,680	$ 37,612,027	$ 59,173,907	$ 27,132,983	$ 13,323,848	$ 1,198,796	$ 6,573,348	$ 152,264	$ 7,924,408	$ (8,577,644)	$ 294,320,819	$ 26,404,014	$ 320,724,833

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

(With Deloitte & Touche audit report date March 25, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2015	**2014 (Restated)**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 9,505,610	$ 28,546,848
Adjustments for:		
Depreciation expense	35,116,060	35,354,714
Amortization expense	339,665	368,943
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	98,790	(127,501)
Finance costs	3,752,097	3,787,776
Interest income	(426,374)	(511,164)
Dividend income	(403,048)	(379,552)
Share of the profit of associates	(281,595)	(617,995)
Loss on disposal of property, plant and equipment	72,143	214,424
Gain on disposal of intangible assets	(2,318)	(73,327)
Gain on disposal of investments	(2,317,857)	(740,942)
Impairment loss recognized on financial assets	405,022	930,366
Increase in provision for loss on inventories	4,545,424	1,246,293
Impairment loss recognized on non-financial assets	-	856,030
Reversal of impairment loss on non-financial assets	(1,652,414)	-
Recognition of provisions	4,377,661	6,524,255
Others	14,578	180,612
Changes in operating assets and liabilities		
Financial instruments held for trading	881,219	(107,934)
Notes receivable	36,981	(45,546)
Notes receivable - related parties	(95,803)	444,860
Accounts receivable	330,976	(701,378)
Accounts receivable - related parties	286,794	(214,259)
Amounts due from customers for construction contracts	(1,453,861)	(4,012)
Other receivables	46,880	748,434
Inventories	7,927,512	603,865
Other current assets	2,265,716	(83,485)
Notes payable	(829,296)	369,365
Notes payable - related parties	(88)	(668)
Accounts payable	(1,005,060)	(2,639,859)
Accounts payable - related parties	(433,492)	532,251
Amounts due to customers for construction contracts	(1,287,868)	(415,411)
Other payables	(413,757)	559,896
Provisions	(5,224,959)	(5,689,752)
Other current liabilities	(187,549)	(43,294)
Net defined benefit liabilities	464,086	(194,217)
Cash generated from operations	54,451,875	68,678,636
Income taxes paid	(4,776,794)	(4,225,392)
Net cash generated from operating activities	49,675,081	64,453,244

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CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2015	2014 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	$ (5,727,876)	$ (6,714,162)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	6,578,485	6,448,991
Acquisition of available-for-sale financial assets	(23,053,113)	(7,237,912)
Proceeds from disposal of available-for-sale financial assets	5,321,509	2,995,987
Proceeds from the capital reduction on available-for-sale financial assets	567,347	53,438
Purchases of debt investments with no active market	(45,441)	(39,155)
Proceeds from disposal of debt investments with no active market	949,226	24,861
Acquisition of held-to-maturity financial assets	(55,753)	-
Net cash outflow on acquisition of subsidiaries	(105,382)	(771,678)
Acquisition of investments accounted for using equity method	(1,242,940)	(942,591)
Proceeds from the capital reduction on investments accounted for using equity method	-	11,550
Acquisition of property, plant and equipment	(25,119,118)	(30,970,004)
Proceeds from disposal of property, plant and equipment	109,749	99,390
Decrease (increase) in refundable deposits	(42,454)	76,382
Acquisition of intangible assets	(122,687)	(71,234)
Acquisition of investment properties	(390,207)	-
Proceeds from disposal of investment properties	-	89
Decrease (increase) in other financial assets	1,220,484	(292,737)
Decrease in other noncurrent assets	176,918	211,931
Interest received	431,312	508,355
Dividends received from associates	353,829	576,427
Dividends received from others	403,048	379,904
Net cash used in investing activities	(39,793,064)	(35,652,168)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	235,755,883	205,793,710
Repayments of short-term borrowings	(232,763,733)	(203,954,160)
Increase (decrease) in short-term bills payable	11,529,190	(10,674,204)
Issuance of bonds payable	9,996,610	34,900,000
Repayments of bonds payable	(8,313,002)	(3,500,000)
Proceeds from long-term bank borrowings	47,721,329	41,533,502
Repayments of long-term bank borrowings	(49,248,241)	(61,918,263)
Increase (decrease) in long-term bills payable	4,440,467	(14,862,621)
Increase in other noncurrent liabilities	278,482	223,170
Dividends paid to owners of the Corporation	(15,590,415)	(10,709,909)
Purchase of the Corporation's shares by subsidiaries	-	(198,602)
Disposal of the Corporation's shares by subsidiaries	13,325	-

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CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2015	**2014 (Restated)**
Interest paid	$ (4,021,824)	$ (3,808,487)
Decrease in non-controlling interests	(3,235,448)	(2,388,290)
Net cash used in financing activities	(3,437,377)	(29,564,154)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(49,357)	881,293
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,395,283	118,215
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	10,659,657	10,541,442
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 17,054,940	$ 10,659,657
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2015 and 2014:		
Cash and cash equivalents in the consolidated balance sheets	$ 20,334,823	$ 13,632,013
Bank overdraft	(3,279,883)	(2,972,356)
Cash and cash equivalents in the consolidated statements of cash flows	$ 17,054,940	$ 10,659,657

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

(With Deloitte & Touche audit report date March 25, 2016)

1. GENERAL INFORMATION

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

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

As of December 31, 2015, the Ministry of Economic Affairs (“MOEA”), Republic of China owned 20.05 % of the Corporation’s issued ordinary shares.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation’s board of directors and authorized for issue on March 25, 2016.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (“FSC”)

According to Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, the Corporation and its subsidiaries should apply the 2013 version of IFRS, IAS, IFRIC and SIC (the “IFRSs”) announced by the International Accounting Standards Board (IASB) and endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting from January 1, 2015.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of IFRSs did not have any material impact on the Corporation and its subsidiaries’ accounting policies:

1) IFRS 10 “Consolidated Financial Statements”

IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation - Special Purpose Entities”. The Corporation and its subsidiaries consider whether they have control over other entities for consolidation. The Corporation and its subsidiaries have control over an investee if and only if they have i) power over the investee; ii) exposure, or rights, to variable returns from their involvement with the investee and iii) the ability to use their power over the investee to affect the amount of their returns. Additional guidance has been included in IFRS

10 to explain when an investor has control over an investee.

2) IFRS 11 “Joint Arrangements”

IFRS 11 replaces IAS 31 “Interests in Joint Ventures” and SIC 13 “Jointly Controlled Entities - Non-Monetary Contributions by Ventures”. Under IAS 31, joint arrangements are classified as jointly controlled operations, jointly controlled assets and jointly controlled entities. Under IFRS 11, joint arrangements are classified as joint operations and joint ventures.

Under IAS 31, joint arrangements of the Corporation and its subsidiaries are classified as jointly controlled operations depending on the rights and obligations of the parties to the arrangements. Under IFRS 11, the joint arrangements of the Corporation and its subsidiaries are classified as joint operations. The impact is considered immaterial.

3) 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 Corporation and its subsidiaries applied IFRS 12. Refer to Note 15 for related disclosure.

4) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Under revised IAS 28, when an investment in a joint venture becomes an investment in an associate, the Corporation and its subsidiaries continue to apply the equity method and do not remeasure the retained interest. Under previous IAS 28, on the loss of joint control, the Corporation and its subsidiaries measure at fair value any investment the Corporation and its subsidiaries retain in the former jointly controlled entity. The Corporation and its subsidiaries recognize in profit or loss any difference between the aggregate amounts of fair value of retained investment and proceeds from disposing of the part interest in the jointly controlled entity, and the carrying amount of the investment at the date when joint control is lost.

5) 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 in the previous standard. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy for financial instruments measured at fair value only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 are applied prospectively from January 1, 2015. Refer to Note 32 for more details.

6) 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) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under the previous IAS 1, there were no such requirements.

Starting from 2015, the Corporation and its subsidiaries retrospectively applied the above amendments. The items which are not expected to be reclassified to profit or loss are remeasurements of defined benefit plans. The items which are expected to be reclassified subsequently to profit or loss include exchange differences on translating foreign operations, unrealized gains and losses on available-for-sale financial assets, the effective portion of gains and losses on hedging instruments in a cash flow hedge and share of the other comprehensive income of associates (except the share of remeasurements of defined benefit plans) of associates accounted for using the equity method. The application of the above amendments did not have any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

7) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under previous IAS 19 and accelerates the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in previous 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. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

In addition, revised IAS 19 changed the definition of short-term employee benefits as “employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service”. However, this change does not affect unused annual leave to be presented as a current liability in the consolidated balance sheet.

On initial application of the revised IAS 19, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to net defined benefit liabilities and retained earnings, the carrying amounts of inventories and property, plant and equipment are not adjusted. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Corporation and its subsidiaries elected not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The impact on the prior year is set out below:

	As Originally Stated	**Adjustments Arising from Initial Application**	**Restated**
Impact on assets, liabilities and equity			
December 31, 2014			
Deferred tax assets	$ 6,062,321	$ 2,784	$ 6,065,105
Deferred tax liabilities	$ 12,678,217	$ 17	$ 12,678,234
Accrued pension liabilities	$ 5,457,497	$ (5,457,497)	$ -
Net defined benefit liabilities	$ -	$ 5,503,901	$ 5,503,901
Retained earnings	$ 108,169,678	$ (18,800)	$ 108,150,878
Non-controlling interests	$ 29,994,473	$ (24,837)	$ 29,969,636
January 1, 2014			
Deferred tax assets	$ 6,077,668	$ 3,437	$ 6,081,105
Accrued pension liabilities	$ 7,237,168	$ (7,237,168)	$ -

(Continued)

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Net defined benefit liabilities	$ -	$ 7,294,184	$ 7,294,184
Retained earnings	$ 98,628,837	$ (27,533)	$ 98,601,304
Non-controlling interests	$ 29,682,661	$ (26,046)	$ 29,656,615
Impact on total comprehensive income for the year ended December 31, 2014			
Operating cost	$ 322,622,227	$ (6,665)	$ 322,615,562
Operating expense	$ 14,096,939	$ 36,047	$ 14,132,986
Non-operating income and expenses	$ (1,215,297)	$ (4)	$ (1,215,301)
Income tax expense	$ 4,378,958	$ (6,392)	$ 4,372,566
Net profit for the year	$ 24,197,276	$ (22,994)	$ 24,174,282
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain from defined benefit plans	$ 1,564,528	$ (1,564,528)	$ -
Remeasurement of defined benefit plans	$ -	$ 1,596,066	$ 1,596,066
Income tax relating to items that will not be reclassified subsequently to profit or loss	$ (276,588)	$ 1,398	$ (275,190)
Other comprehensive income for the year, net of income tax	$ 4,163,689	$ 32,936	$ 4,196,625
Total comprehensive income for the year	$ 28,360,965	$ 9,942	$ 28,370,907
Net profit attributable to:			
Owners of the Corporation	$ 22,160,266	$ (28,132)	$ 22,132,134
Non-controlling interests	2,037,010	5,138	2,042,148
	$ 24,197,276	$ (22,994)	$ 24,174,282
Total comprehensive income attributable to:			
Owners of the Corporation	$ 25,685,222	$ 8,733	$ 25,693,955
Non-controlling interests	2,675,743	1,209	2,676,952
	$ 28,360,965	$ 9,942	$ 28,370,907
Impact on earnings per share for the year ended December 31, 2014			
Basic	$ 1.43	$ -	$ 1.43
Diluted	$ 1.43	$ (0.01)	$ 1.42

(Concluded)

On initial application of the revised IAS 19, the impact on consolidated assets, liabilities and equity as of December 31, 2015 and the consolidated comprehensive income and earnings per share for the year ended December 31, 2015 is considered immaterial.

8) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 “Income Taxes”.

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Corporation and its subsidiaries and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

9) Recognition and measurement of financial liabilities designated as at fair value through profit or loss

In accordance with the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, for financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch, all gains or losses on that liability are presented in profit or loss.

In sum, the impact of the application of the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of IFRSs is considered immaterial to the Corporation and its subsidiaries.

b. IFRSs announced by the IASB but not yet endorsed by the FSC

The Corporation and its subsidiaries have not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Corporation should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

New, Amended and Revised Standards and Interpretations	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)

(Continued)

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities : Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	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, amended and revised standards and interpretations 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.

Note 3: The amendment to IFRS 5 is applied prospectively for annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, whenever applied, the initial application of the above new, amended and revised standards and interpretations would not have any material impact on the Corporation and its subsidiaries' 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. Under IFRS 9, the requirements for classifying financial assets are as follows.

When the contractual cash flow of the debt instruments invested by the Corporation and its subsidiaries that are solely payments of principal and interest on the principal outstanding, the classification and measurement are as follows:

a) Financial assets that are held within a business model whose objective is to collect the contractual cash flow are generally measured at amortized cost. Related interest revenue is recognized in profit or loss using the effective interest rate; impairment is continually evaluated and recognized in profit or loss.

b) Financial assets that are held within business models whose objectives are to collect the contractual cash flow and to sell are measured at fair value through other comprehensive income. Related interest revenue is recognized in profit or loss using the effective interest rate; impairment is continually evaluated and recognized in profit or loss as well as exchange gain or loss, while other fair value changes are recognized in other comprehensive income. When the financial assets are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

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

<u>Impairment of financial assets</u>

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

Furthermore, for the financial assets with credit impairment on initial recognition, the Corporation and its subsidiaries consider the expected credit losses on initial recognition to calculate effective interest rate after adjusting credit risk. Subsequently, allowance for credit losses is measured at accumulated changes in expected credit losses.

<u>Hedge accounting</u>

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.

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

In issuing IFRS 13 "Fair Value Measurement", the IASB made consequential amendments to the disclosure requirements in IAS 36 "Impairment of Assets", introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amount is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Corporation and its subsidiaries are required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments" were amended in this annual improvement.

The amended IFRS 2 changes the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition". The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Corporation and its subsidiaries or another entity in the same group or on the market price of the equity instruments of the Corporation and its subsidiaries or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Corporation and its subsidiaries as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it reflects not only the performance of the Corporation and its subsidiaries, but also that of other entities outside the Corporation and its subsidiaries.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9. Fair value changes should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. The amendment also clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker.

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 and its subsidiaries is a related party of the Corporation and its subsidiaries. Consequently, the Corporation and its subsidiaries are 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.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 "Investment Property", were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

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 acquisition of an asset or a business combination.

5) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

   The Corporation and its subsidiaries should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the Corporation and its subsidiaries.

   The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

   The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

   a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the Corporation and its subsidiaries’ use of the intangible asset will expire upon achievement of a revenue threshold); or

   b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

   The Corporation and its subsidiaries should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

6) IFRS 15 “Revenue from Contracts with Customers”

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

   When applying IFRS 15, the Corporation and its subsidiaries shall recognize revenue by applying the following steps:

   a) Identify the contract with the customer;

   b) Identify the performance obligations in the contract;

   c) Determine the transaction price;

   d) Allocate the transaction price to the performance obligations in the contracts; and

   e) Recognize revenue when the Corporation and its subsidiaries satisfy a performance obligation.

When IFRS 15 is effective, the Corporation and its subsidiaries may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

7) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

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

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

8) Annual Improvements to IFRSs: 2012-2014 Cycle

   Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations” and IFRS 7 were amended in this annual improvement.

   IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale.

9) IFRS 16 “Leases”

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

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

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

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

10) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

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

As of the date the consolidated financial statements were reported to the board of directors and approved for issue, the Corporation and its subsidiaries are in the process of estimating the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on their financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

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

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

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

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

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

3) Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

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

d. Basis of consolidation

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

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

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

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2015	Percentage of Ownership (%) December 31, 2014	Additional Descriptions
China Steel Corporation	China Steel Express Corporation (CSE)	Ocean freight forwarding and bulk shipping transportation	100	100	
	C. S. Aluminium Corporation (CSAC)	Production and sale of aluminum and other non-ferrous metal	100	100	
	Gains Investment Corporation (GIC)	General investment	100	100	
	China Prosperity Development Corporation (CPDC)	Land and commercial real estate sale, rental and development service	100	100	
	China Steel Asia Pacific Holdings Pte. Ltd. (CSAPH)	Investment holding company	100	100	
	China Steel Global Trading Corporation (CSGT)	Steel product agency and trading service	100	100	
	China Steel Machinery Corporation	Manufacture and sale of machinery and equipment for railroad, transportation and generator	74	74	Direct and indirect ownerships amounted to 100%
	China Steel Security Corporation	Guard security and system security	100	100	
	Info-Champ Systems Corporation (ICSC)	Design and sale of IT hardware and software	100	100	
	CSC Steel Australia Holdings Pty. Ltd. (CSCAU)	Investment holding company	100	100	
	Himag Magnetic Corporation	Manufacture and sale of magnetic material, special usage chemicals and ferric iron oxide	69	50	Direct and indirect ownerships amounted to 88%
	Dragon Steel Corporation (DSC)	Manufacture and sale of steel product	100	100	
	China Steel Management Consulting Corporation	Business management consultant	100	100	
	China Ecotek Corporation (CEC)	Electrical engineering and co-generation	45	45	Refer to 1) below
	China Steel Chemical Corporation (CSCC)	Production and sale of coal chemistry and specialty chemicals	29	29	Refer to 1) below
	Chung Hung Steel Corporation Ltd. (CHSC)	Manufacture and sale of steel product	41	41	Refer to 1) below
	CHC Resources Corporation (CHC)	Manufacture and sale of slag powder and blast furnace cement, and waste disposal	20	20	Direct and indirect ownerships amounted to 36%, and refer to 1) below
	China Steel Structure Co., Ltd. (CSSC)	Design, manufacture and sale of steel structure	33	33	Direct and indirect ownerships amounted to 37%, and refer to 1) below
	China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Manufacture and sale of steel product	56	51	
	China Steel Corporation India Pvt. Ltd. (CSCI)	Manufacture and sale of steel product (electromagnetic steel coil)	100	100	
	Kaohsiung Rapid Transit Corporation (KRTC)	Operation of mass rapid transit	43	43	Direct and indirect ownerships amounted to 50%
	China Steel Resources Corporation	Disposal and process of waste	100	100	
	CSC Precision Metal Industrial Corporation	Metal processing	100	100	
	Eminent Venture Capital Corporation (EVCC)	General investment	-	-	Indirect ownership was 55%
	White Biotech Corporation (WBC)	Biology introduction and development	87	18	Increased investment and included in the consolidated entities in July 2015. Refer to Note 30.

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2015	Percentage of Ownership (%) December 31, 2014	Additional Descriptions
China Steel Express Corporation	CSE Transport Corporation (Panama) (CSEP)	Ocean freight forwarding	100	100	
	CSEI Transport Corporation (Panama) (CSEIP)	Ocean freight forwarding	100	100	
	Transyang Shipping Pte Ltd. (TSP)	Ocean freight forwarding	51	51	
	Transglory Investment Corporation (TIC)	General investment	50	50	Direct and indirect ownerships amounted to 100%
	Kaohsiung Port Cargo Handling Services Corp.	Cargo Stevedoring	66	66	
C.S. Aluminium Corporation	ALU Investment Offshore Corporation	Industry investment	100	100	
ALU Investment Offshore Corporation	United Steel International Development Corp.	Industry investment	65	65	Direct and indirect ownerships amounted to 79%
United Steel International Development Corp.	Ningbo Huayang Aluminium-Tech Co., Ltd.	Manufacture and sale of aluminum alloy material	100	100	
Gains Investment Corporation	Eminence Investment Corporation	General investment	100	100	
	Gainsplus Asset Management Inc.	General investment	100	100	
	Winning Investment Corporation (WIC)	General investment	49	49	Direct and indirect ownership amounted to 58%
	Mentor Consulting Corporation	Management and general investment consulting service	100	100	
	Betacera Inc. (BETA)	Manufacture and trading of electronic ceramics	48	48	Refer to 1) below
	Universal Exchange Inc.	Wholesale of information software and electronic information supply service	64	64	Direct and indirect ownerships amounted to 99%
	Thintech Materials Technology Co., Ltd. (TMTC)	Manufacture and sale of metal sputter targets	32	32	Direct and indirect ownerships amounted to 40%, and refer to 2) below
Eminence Investment Corporation	Shin-Mau Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Gau Ruel Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%
	Ding Da Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Chiun Yu Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%
Shin-Mau Investment Corporation	Horng Chyuan Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
	Chii Yih Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
Gau Ruel Investment Corporation	Lih Ching Loong Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2015	Percentage of Ownership (%) December 31, 2014	Additional Descriptions
	Sheng Lih Dar Investment Corporation	General investment	4	4	Direct and indirect ownerships amounted to 100%
Ding Da Investment Corporation	Jiing Cherng Fa Investment Corporation	General investment	4	4	Direct and indirect ownerships amounted to 100%
Betacera Inc.	Lefkara Ltd.	Electronic ceramics trading	100	100	
Lefkara Ltd.	Shang Hai Xike Ceramic Electronic Co., Ltd.	Electronic ceramics trading	100	100	
	Betacera (Su Zhou) Co., Ltd.	Manufacture and sale of electronic ceramics	100	100	
	Suzhou Betacera Technology Co., Ltd.	Manufacture and sale of life-saving equipment for aviation and shipping	100	100	
Thintech Materials Technology Co., Ltd.	Thintech International Limited	International trading and investment service	100	100	
	Thintech Global Limited	International trading and investment service	100	100	
	Thintech United Limited	International trading and investment service	100	100	
Thintech International Limited	Nantong Zhongxing Materials Technology Co., Ltd. (NZMTCL)	Manufacture and development of new compound metal material and vacuum sputtering targets	47	47	Refer to 1) below
Thintech Global Limited	Taicang Thintech Materials Co., Ltd.	Process and sale of targets and electro conduction slurry	100	100	
Thintech United Limited	Thintech United Metal Resources (Taicang) Co., Ltd.	Refining, sale and process of metal	84	84	
China Prosperity Development Corporation	CK Japan Co., Ltd.	Real estate sale and rental	80	80	Direct and indirect ownerships amounted to 100%
China Steel Asia Pacific Holdings Pte Ltd. (CSAPH)	CSC Steel Holdings Berhad (CSHB)	Investment holding company	46	46	Refer to 1) below
	Changzhou China Steel Precision Materials Corporation (CCSPMC)	Manufacture and sale of titanium-nickel alloy and non-ferrous metal	70	70	
	Qingdao China Steel Precision Metals Co., Ltd. (QCSPMC)	Processing and delivery of metal material	60	60	Direct and indirect ownerships amounted to 70%
	United Steel International Co., Ltd.	General investment	80	80	Investment from United Steel Investment Holding Co., Ltd. in July 2014; direct and indirect ownerships amounted to 100%
	CSC Bio-Coal Sdn. Bhd.	Manufacture bio-coal from bio-mass	100	-	Acquired 100% shareholdings from CSHB in August 2015.
CSC Steel Holdings Berhad	CSC Steel Sdn. Bhd. (CSCSSB)	Manufacture and sale of steel product	100	100	
	Group Steel Corp. (M) Sdn. Bhd.	Manufacture and sale of steel product	100	100	
	CSC Bio-Coal Sdn. Bhd.	Manufacture bio-coal from bio-mass	-	100	Sell 100% shareholdings to CSAPH in August 2015
CSC Steel Sdn. Bhd.	Constant Mode Sdn. Bhd.	General investment	100	100	
United Steel International Co., Ltd.	United Steel Engineering and Construction Co., Ltd.	Steel cutting and processing	100	100	
China Steel Global Trading Corporation	Chung Mao Trading (SAMOA) Co., Ltd.	Investment and trading service	100	100	
	CSGT (Singapore) Pte. Ltd.	Steel product agency and trading service	100	100	
	Chung Mao Trading (BVI) Co., Ltd.	Steel product agency and trading service	53	53	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2015	December 31, 2014	Additional Descriptions
	Wabo Global Trading Corporation	Steel product agency and trading service	44	44	Direct and indirect ownerships amounted to 50%
	CSGT International Corporation	Investment and trading service	100	100	
	China Steel Global Trading Vietnam Co., Ltd.	Steel trading	-	100	End of settlement in September 2015
Chung Mao Trading (SAMOA) Co., Ltd.	CSGT (Shanghai) Co., Ltd.	Steel product agency and trading service	100	100	
Chung Mao Trading (BVI) Co., Ltd.	CSGT Hong Kong Limited	Steel product agency and trading service	100	100	
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company	Steel cutting and processing	54	45	Direct and indirect ownerships amounted to 60%
	CSGT Trading India Pvt. Ltd.	Steel trading	99	99	Direct and indirect ownerships amounted to 100%
Wabo Global Trading Corporation	CSGT Japan Co., Ltd.	Steel product agency and trading service	100	100	
China Steel Machinery Corporation	China Steel Machinery Holding Corporation	General investment	100	100	
	China Steel Machinery Vietnam Co., Ltd.	Installation of machinery and equipment, and technology service	100	100	
	China Steel Machinery Corporation India Pvt. Ltd.	Manufacture of machinery	99	99	Direct and indirect ownerships amounted to 100%
China Steel Machinery Holding Corporation	CSMC (Shanghai) Global Trading Co., Ltd.	Trading business	100	100	
China Steel Security Corporation	Steel Castle Technology Corporation	Firefighting equipment wholesaling	100	100	
	China Steel Management and Maintenance for Building Corporation	Building management	100	100	
Info-Champ Systems Corporation	Info-Champ System (B.V.I.)	Information service	100	100	
Info-Champ System (B.V.I.)	Wuham InfoChamp I.T. Co., Ltd.	Software programming	100	100	
CSC Steel Australia Holdings Pty. Ltd.	CSC Sonoma Pty. Ltd.	Coal investment	100	100	
Himag Magnetic Corporation	Himag Magnetic (Belize) Corporation	Magnetic powder trading	100	100	
	MagnPower Corporation	Permanent magnetic ferrite	55	50	
China Ecotek Corporation	CEC International Corp.	General investment	100	100	
	CEC Development Co.	General investment	100	100	
	CEC Holding Co., Ltd.	General investment and holdings	100	100	
	China Ecotek Construction Corporation	Construction, interior design and decoration, and retail and wholesale of building materials	100	100	
CEC International Corp.	China Ecotek India Private Limited	Planning, maintenance and management of eco-construction and eco-equipment	100	100	
CEC Development Co.	China Ecotek Vietnam Company Ltd. (CEVC)	Engineering design and construction	100	100	
	Xiamen Ecotek PRC Co., Ltd.	Metal materials agency and trading service	100	100	
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	International trading	100	100	
	Ever Wealthy Investment Corporation	General investment	100	100	
Ever Wealthy International Corporation	Ever Earning International Company	General investment	-	51	End of settlement in April 2015
	China Steel Carbon Materials Technology Co., Ltd.	General investment	100	100	
China Steel Carbon Materials Technology Co., Ltd.	Changzhou China Steel New Carbon Technology Co., Ltd.	Processing and trading of asphalt mesocarbon microbeads product sorting	100	100	
Chung Hung Steel Corporation Ltd.	Taiwan Steel Corporation (TSC)	Metal smelting	100	100	
	Hung Kao Investment Corporation	General investment	100	100	
	Hung Li Steel Corporation Ltd. (HLSC)	Steel product processing	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2015	Percentage of Ownership (%) December 31, 2014	Additional Descriptions
CHC Resources Corporation	Union Steel Development Corp.	Manufacture and trading of metal powder, processing and trade of fireproofing material, and gift trading	93	93	
	Pao Good Industrial Co., Ltd.	Slag powder, fly ash and cement dry mixing processing and trading	51	51	
	Yu Cheng Lime Corporation	Manufacture of other non-metal mineral product and land lease	90	90	
China Steel Structure Co., Ltd.	United Steel Constructure Corporation (USCC)	Contract project of civil engineering and construction engineering, and steel structure installation	100	100	
	China Steel Structure Investment Pte. Ltd.	General investment	100	100	
United Steel Constructure Corporation	United Steel Investment Pte. Ltd.	General investment	100	100	
	United Steel Construction Vietnam Co., Ltd.	Civil engineering construction and other business contract and management	100	100	
	United Steel Development Co., Ltd.	House and construction development and real estate rental business	100	100	
China Steel Structure Investment Pte. Ltd.	China Steel Structure Holding Co., Ltd.	General investment	63	63	Direct and indirect ownerships amounted to 100%
China Steel Structure Holding Co., Ltd.	China Steel Structure Investment Co., Ltd.	General investment	100	100	
China Steel Structure Investment Co., Ltd.	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Designing and manufacturing of various type of steel and steel frame	100	100	
China Steel Resources Corporation (CSRC)	Fa Long Storage Corporation	Storage and delivery of waste	-	-	Investment in August 2014; merged with CSRC in November 2014

(Concluded)

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

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

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

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

e. Business combinations

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

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

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

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

f. Foreign currencies

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

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

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

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

For the purpose of presenting consolidated financial statements, the functional currencies of the Corporation and its entities (including subsidiaries and associates in other countries that use currency different from the currency of the Corporation) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

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

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

g. Inventories

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

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

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

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

h. Investment in associates

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

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

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

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

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

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

The Corporation and its subsidiaries discontinue the use of the equity method from the date on which their investment cease to be associates. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation and its subsidiaries account for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Corporation and its subsidiaries transact with their associates, profits and losses on these transactions are recognized in the consolidated financial statements only to the extent of interests in the associate that are not related to the Corporation and its subsidiaries.

i. Joint operations

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

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

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

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

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

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

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

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

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

j. Property, plant, and equipment

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

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

Except that depreciation of the rollers (spare parts) is calculated based on their level of wear and depreciation of the machineries in the recycling plant of the subsidiary CHC is calculated by the working-hour method, other depreciation (including assets held under finance leases) is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

k. Investment properties

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

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

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

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

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

l. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

m. Impairment of tangible and intangible assets

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

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

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined 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.

n. Financial instruments

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

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

Financial assets held by the Corporation and its subsidiaries include financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables.

i Financial assets at fair value through profit or loss

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

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

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

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

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 32.

ii Held-to-maturity investments

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

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

iii Available-for-sale financial assets

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

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

Dividends on available-for-sale equity instruments are recognized when the Corporation and its subsidiaries' right to receive the dividends is established.

iv Loans and receivables

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

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

b) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

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 equity investments, a significant or prolonged decline in the fair value of the securities below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable 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. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 32.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Convertible bonds

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

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

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

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

5) Derivative financial instruments

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

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

o. Hedge accounting

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

1) Fair value hedges

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

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

2) Cash flow hedges

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

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

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

3) Hedges of net investments in foreign operations

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

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

p. Provisions

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

q. Treasury shares

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

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

r. Revenue recognition

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

1) Sale of goods

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

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

2) Rendering of services

Service revenue is recognized according to the contract and the percentage of completion of the services. If a service contract is estimated to bear a loss prior to completion, the Corporation and its subsidiaries recognize the full amount of the loss immediately.

Freight revenues are recognized according to the proportion of voyage days used to contracted voyage of each ship. Revenues from construction contracts are recognized in accordance with the accounting standards for construction contracts which are described below in “Construction

Contracts". Please refer to Note 4 s. for related disclosures.

s. Construction contracts

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

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

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

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

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheets as other current liabilities. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheets as accounts receivable.

t. Leasing

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

1) The Corporation and its subsidiaries as lessor

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

2) The Corporation and its subsidiaries as lessee

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

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

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

u. Borrowing costs

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

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

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

v. Government grants

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

w. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

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

4) Termination benefits

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

x. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Corporation and its subsidiaries' accounting policies, management is required to make judgments, estimates and assumptions 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.

a. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Corporation and its subsidiaries take 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.

b. Valuation of inventory

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

c. Fair value of private-placement shares of listed companies, emerging market shares, unlisted equity securities and impairment loss

As described in Note 32, the Corporation and its subsidiaries applied valuation techniques commonly used by market practitioners to evaluate fair value of the financial instruments that do not have listed market price in an active market. The measurement for the fair value of private-placement shares of listed companies, emerging market shares and unlisted equity securities includes assumptions not based on observable market prices or interest rates; therefore, the fair value may change significantly.

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

d. Held-to-maturity financial assets

Management has reviewed the Corporation and its subsidiaries' held-to-maturity financial assets in light of their capital maintenance and liquidity requirements and has confirmed the Corporation and its subsidiaries' positive intention and ability to hold those assets to maturity.

e. Useful lives and assets impairment evaluation 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.

In the process of evaluating the potential impairment of property, plant and equipment and investment properties, the Corporation and its subsidiaries make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of steel industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years.

f. Estimated stage of completion and construction costs

Revenues and cost are recognized respectively on the basis of the stage of completion of construction contracts which is measured based on the proportion of units produced and installed at the end of the reporting period to total expected units to be produced or on the proportion of contract costs incurred to date to total estimated costs. When there are significant changes in total expected units to be produced or total estimated prices, the stage of completion and construction profit or loss for the period will be significantly influenced; when there are significant changes in total estimated costs due to actual input, conditions of execution or other reasons, the construction profit or loss for the current period will also be significantly influenced.

g. 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.

h. 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. Management estimates provisions for construction warranties based on historical warranty experiences. If the actual cash outflow is higher than expected, significant warranty expenses may occur.

i. Recognition and measurement of defined benefit plan

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover and future salary increase, etc. 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	
	2015	2014
Cash on hand	$ 47,262	$ 60,515
Checking accounts and demand deposits	14,741,944	8,141,918
Cash equivalents		
Commercial papers with repurchase agreements	362,868	1,420,060
Time deposits with original maturities less than three months	5,162,769	3,599,520
Bonds with repurchase agreements	19,980	410,000
	$ 20,334,823	$ 13,632,013

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	2014
Financial assets at FVTPL - current		
Financial assets designated as at FVTPL		
Mutual funds	$ 1,754,204	$ 2,712,871
Structured notes	66,221	72,601
Listed shares	29,575	29,769
Future contracts (a)	-	78
	1,850,000	2,815,319
Financial assets held for trading		
Mutual funds	549,567	1,228,816
Listed shares	531,937	892,664
Convertible bonds	264,480	192,205
Emerging market shares	245,455	276,613
Foreign exchange forward contracts (b)	446	13,134
	1,591,885	2,603,432
	$ 3,441,885	$ 5,418,751
Financial assets at FVTPL - noncurrent		
Financial assets designated as at FVTPL		
Convertible preference shares	$ -	$ 31,842
Financial liabilities at FVTPL - current		
Financial liabilities designated as at FVTPL		
Call and put options (Note 20)	$ 483	$ 1,631
Financial liabilities held for trading		
Foreign exchange forward contracts (b)	613	5,518
Futures contracts (a)	429	-
	$ 1,525	$ 7,149

a. The subsidiary TMTC entered into precious metals futures contracts to manage fair value exposures arising from price fluctuation on precious metals. However, some of those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting. As of December 31, 2015 and December 31, 2014, the outstanding precious metals futures contracts were as follows:

Maturity Date	Weight (Kilograms)	Amount (In thousands)
December 31, 2015		
June 15, 2016	780	$ 12,405 (RMB 2,484 thousand)

(Continued)

Maturity Date	Weight (Kilograms)	Amount (In thousands)
December 31, 2014		
June 10, 2015	150	$ 2,770
		(RMB 544 thousand)

(Concluded)

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

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2015			
Buy	NTD/USD	January 2016	NTD24,353/USD750
Sell	USD/NTD	February 2016	USD2,127/NTD69,692
December 31, 2014			
Buy	NTD/USD	January 2015-November 2015	NTD398,196/USD13,000
Buy	NTD/EUR	March 2015	NTD9,880/EUR246
Sell	USD/NTD	February 2015	USD10,373/NTD323,702

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2015	2014
Current		
Domestic investments		
Listed shares	$ 2,752,213	$ 5,607,391
Mutual funds	1,076,845	996,300
Unlisted shares	5,683	5,600
	3,834,741	6,609,291
Foreign investments		
Listed shares	5,161	42,333
	$ 3,839,902	$ 6,651,624
Noncurrent		
Domestic investments		
Emerging market shares and unlisted shares	$ 5,629,981	$ 6,315,609
Listed shares	2,652,081	2,771,076
Private-placement shares of listed companies	261,958	84,133
	8,544,020	9,170,818

(Continued)

	December 31	
	2015	2014
Foreign investments		
Unlisted shares	$ 38,475,777	$ 13,837,749
Listed shares	2,246,269	1,623,569
Certificate of entitlement	1,018,527	6,470,256
	41,740,573	21,931,574
	$ 50,284,593	$ 31,102,392

(Concluded)

In April 2015, due to the equity structure adjustment made by Formosa Ha Tinh Steel Corporation, the Corporation transferred its 5% certificate of entitlement of Formosa Ha Tinh Steel Corporation to the shares of Formosa Ha Tinh (Cayman) Limited, with the percentage of ownership remained the same. In June 2015, the Corporation transferred the aforementioned shares to its subsidiary CSAPH.

On February 13, 2015, the Corporation's board of directors approved investing USD939,135 thousand to acquire 20% shareholding of Formosa Ha Tinh (Cayman) Limited through its subsidiary CSAPH, which will increase the total shareholding from 5% to 25%. In August 2015, the subsidiary CSAPH then invested USD610,000 thousand in Formosa Ha Tinh (Cayman) Limited and increased the total shareholding from 5% to 19%.

In May 2011, the subsidiary EVCC invested in Taiwan Liposome Company, Ltd. through its private placement, and the subsidiary GIC and Eminence Investment Corporation invested in Brogent Technologies Inc. through its private placement in June 2015. According to the Securities Exchange Act, the securities acquired by private placement could be transferred freely in public market only after held for three years starting from the delivery date. Those securities of Taiwan Liposome Company Ltd. held by the subsidiary EVCC have been released from the 3-year lock-up period since May 2014. However, Taipei Exchange has not approved the listing of those securities; thus, the securities cannot be transferred freely in public market yet.

In November 2015, due to the merge of Nacional Minerios S.A. into Congonhas Minerios S.A., a newly incorporated company, and acquired 0.41% shareholding, the Corporation transferred its certificates of entitlement of Nacional Minerios S.A. to the shares of Congonhas Minerios S.A..

9. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	December 31	
	2015	2014
Structured notes	$ 176,937	$ 171,720
Guarantee debt certificates	118,376	115,314
Corporate bonds	54,695	-
	350,008	287,034
Less: Accumulated impairment	64,045	64,045
	$ 285,963	$ 222,989

10. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2015	2014
Derivative financial assets for hedging - current		
Foreign exchange forward contracts (a)	$ 123,828	$ 62,992
Derivative financial assets for hedging - noncurrent		
Foreign exchange forward contracts (a)	$ 41,713	$ 85,940
Interest rate swap contracts (b)	-	2,029
	$ 41,713	$ 87,969
Derivative financial liabilities for hedging - current		
Foreign exchange forward contracts (a)	$ 29,428	$ 46,327
Derivative financial liabilities for hedging - noncurrent		
Foreign exchange forward contracts (a)	$ 512	$ 748
Interest rate swap contracts (b)	56,900	9,312
	$ 57,412	$ 10,060

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

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
December 31, 2015			
Buy	NTD/USD	January 2016-December 2018	NTD1,621,235/USD55,564
Buy	NTD/EUR	January 2016-December 2017	NTD1,019,751/EUR27,814
Buy	NTD/JPY	February 2016-December 2019	NTD233,456/JPY863,110
Sell	USD/NTD	April 2016	USD93/NTD3,025
Sell	JPY/NTD	March 2016	JPY300,000/NTD81,675
December 31, 2014			
Buy	NTD/USD	January 2015-May 2018	NTD2,094,852/USD71,250
Buy	NTD/EUR	March 2015-December 2017	NTD997,986/EUR25,724
Buy	NTD/JPY	January 2015-June 2015	NTD200,733/JPY623,158
Buy	NTD/GBP	January 2015	NTD10,335/GBP226
Sell	USD/NTD	March 2015	USD424/NTD13,433

b. The subsidiary DSC entered into interest rate swap contracts to manage cash flow exposures arising from interest rate fluctuations on bank loans. The outstanding interest rate swap contracts as of December 31, 2015 and 2014 were all as follows:

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid (%)	Range of Interest Rates Received
December 31, 2015			
NT$9,277,000	February 2017-July 2018	0.988-1.14	90 days fixing TAIBOR rate provided by Thomson Reuters
December 31, 2014			
NT$9,277,000	February 2017-July 2018	0.988-1.14	90 days TWD CPBA

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

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 94,574	$ 10,379
Recognized in other comprehensive income	(43,926)	116,827
Recognized in other gains and losses	18,886	(1,420)
Transferred to construction in progress and equipment to be inspected	12,495	(29,837)
Transferred to operating revenues	(6,103)	(1,375)
Transferred to construction contract	2,775	-
Balance, end of year	$ 78,701	$ 94,574

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

	December 31	
	2015	2014
Notes receivable		
Operating	$ 1,464,791	$ 1,404,884
Non-operating	-	1,085
	1,464,791	1,405,969
Less: Allowance for doubtful accounts	-	-
	$ 1,464,791	$ 1,405,969
Accounts receivable	$ 11,060,591	$ 11,693,587
Less: Allowance for doubtful accounts	34,207	139,949
	$ 11,026,384	$ 11,553,638

The allowance for doubtful accounts was recognized based on estimated irrecoverable amounts determined by reference to the account aging analysis, past default experience of the customers and analysis of customers' current financial position. In determining the recoverability of an account receivable, the Corporation and its subsidiaries considered any change in the credit quality of the account receivable since the credit was initially granted to the end of the reporting period. For the past due notes and accounts receivable not collected after executing legal procedures, the Corporation and its subsidiaries will recognize 100% allowance for doubtful accounts.

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

The aging of notes and accounts receivable was as follows:

	December 31	
	2015	**2014**
Not past due	$ 11,731,716	$ 12,078,658
1 to 30 days	401,367	305,460
31-60 days	84,037	172,686
61-365 days	218,239	365,229
More than 365 days	55,816	37,574
	$ 12,491,175	$ 12,959,607

Above analysis was based on the past due date.

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

	December 31	
	2015	**2014**
Less than 31 days	$ 401,367	$ 304,549
31-60 days	80,014	172,557
61-365 days	217,358	358,494
More than 365 days	54,467	37,574
	$ 753,206	$ 873,174

Above analysis was based on the past due date.

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

	For the Year Ended December 31	
	2015	**2014**
Balance, beginning of year	$ 139,949	$ 17,492
Recognition (reversal)	(79,460)	133,386
Write off	(9,386)	(9,204)
Reclassified to other receivables	(5,840)	-
Effect of foreign currency exchange difference	(11,056)	(1,725)
Balance, end of year	$ 34,207	$ 139,949

Aging analysis of individually impaired accounts receivable was as follows:

	December 31	
	2015	**2014**
Less than 31 days	$ -	$ 911
31-60 days	4,023	129

(Continued)

	December 31	
	2015	2014
61-365 days	$ 881	$ 6,735
More than 365 days	1,349	-
	$ 6,253	$ 7,775

(Concluded)

Above analysis of accounts receivable after deducting the allowance for doubtful accounts was based on the past due date.

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

The Corporation and the subsidiary CHSC and CSAC entered into accounts receivable factoring agreements (without recourse) with Mega International Commercial Bank, Bank of Taiwan, HSBC Bank, Taipei Fubon Bank, Taishin International Bank and CTBC Bank. Under the agreements, the Corporation and its subsidiaries are empowered to sell accounts receivable to the banks upon the delivery of products to customers and are required to complete related formalities at the next banking day.

For the years ended December 31, 2015 and 2014, the related information for the Corporation, CHSC and CSAC's sale of accounts receivable was as follows. Advances received at year-end dominated in US Dollars were converted to NT Dollars at the closing rate.

Counterparty	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Year - End	Interest Rate on Advances Received (%)	Credit Line
For the Year Ended December 31, 2015						
Mega International Commercial Bank	$ 5,095,755	$ 12,095,366	$ 13,463,547	$ 3,727,574	1.14-1.51	NT$12 billion
Mega International Commercial Bank	25,855	16,745	42,600	-	-	USD1,200 thousand
Bank of Taiwan	1,736,174	3,855,241	4,334,619	1,256,796	1.15-1.51	NT$3 billion
Bank of Taiwan	357,521	3,044,488	2,616,614	785,395	1.46-1.56	USD0.1 billion
HSBC Bank	10,906	19,591	30,497	-	-	USD2,000 thousand
Taipei Fubon Bank	-	45,280	45,280	-	0.87-0.90	USD3,000 thousand
Taishin International Bank	-	2,008,681	830,597	1,178,084	1.28-1.35	USD60,000 thousand
CTBC Bank	-	118,633	-	118,633	1.34	USD30,000 thousand
	$ 7,226,211	$ 21,204,025	$ 21,363,754	$ 7,066,482		
For the Year Ended December 31, 2014						
Mega International Commercial Bank	$ 4,773,367	$ 13,852,977	$ 13,530,589	$ 5,095,755	1.25-1.51	NT$12 billion
Mega International Commercial Bank	-	45,923	21,087	25,855	1.00-1.75	USD1,200 thousand
Bank of Taiwan	1,432,364	4,152,520	3,848,710	1,736,174	1.26-1.51	NT$3 billion
Bank of Taiwan	-	690,151	332,630	357,521	1.49-1.93	USD0.1 billion

(Continued)

Counterparty	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Year - End	Interest Rate on Advances Received (%)	Credit Line
Shanghai Commercial and Savings Bank	$ -	$ 13,293	$ -	$ -	-	USD420 thousand
HSBC Bank	-	28,133	14,917	10,906	1.50-1.70	USD10,000 thousand
	$ 6,205,731	$ 18,782,997	$ 17,747,933	$ 7,226,211		

(Concluded)

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

	December 31 2015	December 31 2014
Amounts due from customers for construction contracts		
Construction costs incurred plus recognized profits less recognized losses to date	$ 50,028,682	$ 45,010,292
Less: Progress billings	41,261,339	37,696,810
Amounts due from customers for construction contracts	$ 8,767,343	$ 7,313,482
Amounts due to customers for construction contracts		
Progress billings	$ 27,035,621	$ 30,654,853
Less: Construction costs incurred plus recognized profits less recognized losses to date	22,920,451	25,251,815
Amounts due to customers for construction contracts	$ 4,115,170	$ 5,403,038
Retentions receivable	$ 1,109,694	$ 918,608
Retentions payable	$ 2,452,654	$ 2,169,421

13. INVENTORIES

	December 31 2015	December 31 2014
Raw materials	$ 18,721,826	$ 22,326,115
Work in progress	17,927,894	21,383,356
Finished goods	16,266,596	22,562,383
Supplies	11,007,947	8,983,173
Raw materials and supplies in transit	3,787,021	4,965,094
Lands held for construction	142,688	142,688
Buildings and lands under construction		
Construction in progress	451,403	25,758
Land under construction	410,767	411,907
Payment for floor area	29,492	26,041
Others	160,914	376,653
	$ 68,906,548	$ 81,203,168

The subsidiary CPDC planned a housing development project on a portion of land located in Shijia Section of the Qianzhen District in Kaohsiung City which was initially for the purpose of rental. The project has been approved by the Urban Development Bureau, Kaohsiung City government and is in the process of designing; therefore, the related balances are recorded as lands under construction.

The cost of inventories recognized as operating costs for the years ended December 31, 2015 and 2014 was NT$220,257,360 thousand and NT$272,877,782 thousand, respectively.

Movements of provision for loss on inventories were as follows:

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 5,923,626	$ 4,677,333
Add: Recognized	14,223,018	8,363,702
Less: Sold	9,677,594	7,117,409
Balance, end of year	$ 10,469,050	$ 5,923,626

14. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
Noncurrent	2015	2014
Unlisted preference shares - overseas		
East Asia United Steel Corporation (EAUS) - Preference A	$ 1,818,091	$ 2,646,000
Subordinated financial bonds	124,428	124,270
Bonds	71,542	36,327
	$ 2,014,061	$ 2,806,597

In May 2003, the Corporation signed a slab production joint-venture contract with Sumitomo Metal Industries, Ltd. (renamed as Nippon Steel & Sumitomo Metal Corp. in October 2012) and Sumitomo Corporation. In July 2003, the joint venture company EAUS was established. The Corporation invested JPY10 billion in EAUS to acquire 10,000 shares of preference A. The Corporation thus has a stable supply of slab from this joint venture. The Corporation also signed a contract with the subsidiary 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.

In April 2015, the Corporation sold 3,333 shares of preference A of EAUS to Nippon Steel & Sumitomo Metal Corp. amounted to JPY 3.333 billion. Loss on disposal of the above transaction is considered immaterial.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2015	2014
Material associates		
7623704 Canada Inc.	$ 8,823,606	$ 8,564,690
Associates that are not individually material	6,384,076	4,854,712
	$ 15,207,682	$ 13,419,402

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Percentage of Ownership and Voting Rights (%) December 31, 2015	December 31, 2014
7623704 Canada Inc.	Mineral Investment	Canada	25	25

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

	December 31 2015	2014
Current assets	$ 329,119	$ 85,261
Noncurrent assets	36,108,458	34,815,802
Current liabilities	(481,561)	(127)
Equity	$ 35,956,016	$ 34,900,936
Percentage of the Corporation and its subsidiaries' ownership (%)	25	25
Equity attributable to the Corporation and its subsidiaries (carrying amount of the investment)	$ 8,823,606	$ 8,564,690

	For the Year Ended December 31 2015	2014
Net profit for the year	$ 709,856	$ 1,911,937
Total comprehensive income for the year	$ 1,665,288	$ 1,711,529
Dividends received from 7623704 Canada Inc.	$ 236,866	$ 487,244
Comprehensive income attributable to the Corporation and its subsidiaries	$ 1,120,535	$ 294,721

b. Associates that are not individually material

	December 31 2015 Amount	% of Owner - ship	2014 Amount	% of Owner - ship
Listed company				
Chateau International Development Co., Ltd. (Chateau)	$ 321,598	20	$ 299,517	20
Unlisted companies				
Eminent Venture Capital Corporation	823,683	46	704,647	46
Kaohsiung Arena Development Corporation	782,015	29	776,932	29
Honley Auto. Part Co., Ltd. (HAPC)	778,318	49	284,726	30
Taiwan Rolling Stock Co., Ltd. (TRSL)	609,393	36	-	-

(Continued)

	December 31			
	2015		2014	
	Amount	% of Owner - ship	Amount	% of Owner - ship
Hsin Hsin Cement Enterprise Corp.	$ 467,921	41	$ 483,927	41
Fukuta Elec. A Mach. Co., Ltd.	417,041	25	360,257	25
Dyna Rechi Co., Ltd.	350,588	25	378,885	28
Wuhan Wisco Yutek Environment Technology Co., Ltd.	332,020	49	252,372	49
Senergy Wind Power Co., Ltd. (SWPL)	249,524	50	-	-
Ascentek Venture Capital Corp.	219,672	38	239,375	38
IPASS Corporation (Note 33)	140,038	23	140,899	23
White Biotech Corporation (WBC)	-	-	18,346	18
Others	892,265		914,829	
	$ 6,384,076		$ 4,854,712	

(Concluded)

In June 2015, the Corporation increased NT$260,866 thousand investment in TRSL and acquired 24,610 thousand common shares, which increased the total shareholding from 19% to 36%. As the result, the investment in Taiwan Rolling Stock Co., Ltd. was reclassified from available-for-sale financial assets to investments accounted for using equity method.

The Corporation continually invested NT$285,000 thousand in 2014 to acquire 30% shareholding in HAPC and invested additional NT$540,000 thousand in 2015, which increased the total shareholding from 30% to 49%. HAPC mainly engages in the manufacture and sale of auto parts.

In July 2015, the Corporation increased its investment in White Biotech Corporation by NT$800,000 thousand and acquired 80,000 thousand common shares, which increased the total shareholding from 18% to 87%. As the result, the investment in White Biotech Corporation was reclassified from investments in associates to investments in subsidiary. Refer to Note 30 for detail.

In June 2015, the subsidiary CSAPH increased NT$61,720 thousand (USD2,000 thousand) investment in Sino Vietnam Hi-tech Material Co. Ltd. and acquired 20% of shareholding.

In July 2015, the subsidiary China Steel Machinery Corporation invested NT$249,990 thousand in SWPL and acquired 50% of shareholding. The main business of the company is air-driven generator manufacturing and selling. Under the shareholders' agreement, the subsidiary China Steel Machinery Corporation and the other shareholder of the company each hold half of the seats in the board of directors, respectively. The chairman of the board of directors and chief executive officer are served in turns and actual operations should be approved by more than half of the seats in the board of directors. Thus, the Corporation and its subsidiaries have no control over the company. The management of the Corporation and its subsidiaries, however, believe that they are able to exercise significant influence over the company and therefore classified the company as an associate of the Corporation and its subsidiaries.

In August 2015, according to the investment agreement, the subsidiary China Ecotek Corporation continually invested NT$101,116 thousand (USD3,166 thousand) to Wuhan Wisco Yutek Environment Technology Co., Ltd., with the total shareholding remained at 49%.

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

	For the Year Ended December 31	
	2015	2014
The Corporation and its subsidiaries' share of		
Net profit for the year	$ 116,492	$ 122,866
Other comprehensive income	42,015	173,612
Total comprehensive income	$ 158,507	$ 296,478

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

	December 31	
	2015	2014
Chateau	$ 894,129	$ 827,539

Investments accounted for using equity method as of December 31, 2015 and 2014, and the share of profit and other comprehensive income of those investments for the years ended December 31, 2015 and 2014, were based on the associates' audited financial statements for the same period.

16. OTHER FINANCIAL ASSETS

	December 31	
	2015	2014
Current		
Pledged time deposits	$ 6,564,721	$ 7,066,159
Time deposits with original maturities more than three months	3,197,755	4,723,815
Hedging foreign-currency deposits	2,428,316	1,918,252
Deposits for projects	410	6,192
	$ 12,191,202	$ 13,714,418
Noncurrent		
Pledged receivables	$ 2,000,000	$ 2,000,000
Pledged time deposits	422,214	289,537
Deposits for projects	203,312	65,580
Time deposits with original maturities more than three months	38,260	21,670
	$ 2,663,786	$ 2,376,787

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation and its subsidiaries purchased foreign-currency deposits and entered into foreign exchange forward contracts (Note 10). As of December 31, 2015 and 2014, the balance of the foreign-currency deposits, which consist of those designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT$2,428,316 thousand (JPY0.55 billion, RMB43,214 thousand, USD48,755 thousand, EUR11,777 thousand and GBP786 thousand), NT$1,918,252 thousand (JPY0.4 billion, RMB65,000 thousand, USD40,181 thousand, EUR4,211 thousand and GBP783 thousand), respectively. As of December 31, 2015 and 2014 cash outflows would be expected from aforementioned contracts for the periods from 2016 to 2019 and 2015, respectively.

Movements of hedging foreign-currency deposits were as follows:

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 1,918,252	$ 2,169,062
Increase (Decrease)	494,331	(343,579)
Recognized in other comprehensive income	17,602	88,889
Transferred to construction in progress and equipment to be inspected	(1,869)	3,880
Balance, end of year	$ 2,428,316	$ 1,918,252

Refer to Note 34 for information relating to other financial assets pledged as security.

17. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31 , 2015

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2015	$ 61,194,127	$ 4,877,697	$ 112,387,766	$ 587,056,811	$ 28,944,254	$ 15,946,643	$ 10,398,069	$ 322,270	$ 34,452,787	$ 855,580,424
Additions	2,194,786	147,194	8,451,253	19,428,647	4,425,950	1,005,048	1,156,261	-	(13,000,032)	23,809,107
Disposals	(17,035)	-	(69,791)	(1,885,107)	(91,531)	(334,811)	(821,030)	-	-	(3,219,305)
Reclassification	183,311	-	(40,553)	(98,573)	12,532	238,983	-	-	(266,599)	29,101
Effect of foreign currency exchange difference	(4,703)	148	(37,064)	(110,615)	269,900	(34,376)	-	-	(114,543)	(31,253)
Acquired from business combinations	-	-	-	96,616	-	988	-	-	-	97,604
Other	-	-	-	-	-	(872)	(2,209)	-	-	(3,081)
Balance at December 31, 2015	$ 63,550,486	$ 5,025,039	$ 120,691,611	$ 604,487,779	$ 33,561,105	$ 16,821,603	$ 10,731,091	$ 322,270	$ 21,071,613	$ 876,262,597
Accumulated depreciation and impairment										
Balance at January 1, 2015	$ 25,546	$ 4,420,094	$ 37,332,787	$ 325,618,887	$ 13,979,627	$ 10,697,752	$ 4,190,881	$ 881	$ -	$ 396,266,455
Depreciation	-	73,019	3,580,518	27,171,867	1,633,113	1,268,227	1,298,428	10,566	-	35,035,738
Disposals	-	-	(58,327)	(1,726,918)	(90,228)	(329,440)	(832,500)	-	-	(3,037,413)
Impairment loss	-	-	-	16,560	-	-	-	-	-	16,560
Reclassification	-	-	(33,387)	(16,066)	1,405	(15,819)	-	-	-	(63,867)
Effect of foreign currency exchange difference	-	10	(65,290)	(415,565)	(163,868)	(29,273)	-	-	-	(673,986)
Acquired from business combinations	-	-	-	30,595	-	332	-	-	-	30,927
Other	-	-	-	-	-	(398)	-	-	-	(398)
Balance at December 31, 2015	$ 25,546	$ 4,493,123	$ 40,756,301	$ 350,679,360	$ 15,360,049	$ 11,591,381	$ 4,656,809	$ 11,447	$ -	$ 427,574,016
Carrying amount at December 31, 2015	$ 63,524,940	$ 531,916	$ 79,935,310	$ 253,808,419	$ 18,201,056	$ 5,230,222	$ 6,074,282	$ 310,823	$ 21,071,613	$ 448,688,581

For the year ended December 31, 2014

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2014	$ 60,395,056	$ 4,876,444	$107,286,428	$560,158,429	$ 25,096,303	$ 15,306,847	$ 10,285,676	$ -	$ 46,150,896	$829,556,079
Additions	17,991	1,253	4,986,708	31,002,312	4,012,719	886,153	1,235,068	322,270	(11,551,360)	30,913,114
Disposals	(26,328)	-	(93,569)	(5,014,031)	(351,607)	(290,951)	(1,004,288)	-	(1,794)	(6,782,568)
Reclassification	(88,355)	-	(25,482)	(62,892)	2,681	27,635	(116,775)	-	(262,295)	(525,483)
Effect of foreign currency exchange difference	(2,367)	-	233,976	1,082,374	185,532	20,523	-	-	117,340	1,637,378
Acquisitions through business combinations	898,130	-	15,255	1,215	-	1,255	-	-	-	915,855
Business tax refund	-	-	(15,550)	(110,287)	(1,374)	(4,819)	-	-	-	(132,030)
Others	-	-	-	(309)	-	-	(1,612)	-	-	(1,921)
Balance at December 31, 2014	$ 61,194,127	$ 4,877,697	$112,387,766	$587,056,811	$ 28,944,254	$ 15,946,643	$ 10,398,069	$ 322,270	$ 34,452,787	$855,580,424
Accumulated depreciation and impairment										
Balance at January 1, 2014	$ 25,546	$ 4,351,474	$ 33,920,610	$301,901,198	$ 13,232,418	$ 9,682,984	$ 3,699,555	$ -	$ -	$366,813,785
Depreciation	-	68,620	3,476,428	27,570,774	1,383,490	1,280,759	1,495,614	881	-	35,276,566
Disposals	-	-	(50,534)	(4,790,233)	(349,924)	(273,752)	(1,004,288)	-	-	(6,468,731)
Impairment losses	-	-	-	856,030	-	-	-	-	-	856,030
Reclassification	-	-	(46,007)	(6,710)	1,434	(1,965)	-	-	-	(53,248)
Effect of foreign currency exchange difference	-	-	17,035	86,847	(287,791)	8,467	-	-	-	(175,442)

(Continued)

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Acquisitions through business combinations	$ -	$ -	$ 15,255	$ 1,215	$ -	$ 1,255	$ -	$ -	$ -	$ 17,725
Others	-	-	-	(234)	-	4	-	-	-	(230)
Balance at December 31, 2014	$ 25,546	$ 4,420,094	$ 37,332,787	$325,618,887	$ 13,979,627	$ 10,697,752	$ 4,190,881	$ 881	$ -	$396,266,455
Carrying amount at December 31, 2014	$ 61,168,581	$ 457,603	$ 75,054,979	$261,437,924	$ 14,964,627	$ 5,248,891	$ 6,207,188	$ 321,389	$ 34,452,787	$459,313,969

(Concluded)

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

Land improvements	
Drainage system	40 years
Wharf	20-40 years
Wall	20-40 years
Others	5-15 years
Buildings	
Main structure	10-60 years
Facility	15-40 years
Mechanical and electrical facilities	7-20 years
Trellis and corrugated iron building	7-10 years
Others	3-10 years
Machinery and equipment	
Power equipment	15-25 years
Process equipment	8-25 years
Lifting equipment	8-25 years
Electrical equipment	5-15 years
High-temperature equipment	5-10 years
Examination equipment	3-10 years
Others	2-25 years
Transportation	
Ship equipment	18-25 years
Railway equipment	10-20 years
Transportation equipment	3-10 years
Telecommunication equipment	4-8 years
Others	2 years
Other equipment	
Leasehold improvement	3-35 years
Office, air condition and extinguishment equipment	3-25 years
Computer equipment	3-10 years
Others	2-15 years
Rental assets	
Financial lease assets-Buildings	30 years

The subsidiary CHSC bought farmlands for warehousing at the Jia Xing Section and Quing Shui Section of the Gangshan District in Kaohsiung City. However, certain regulations prohibit CHSC from registering the title of these farmlands in CHSC's name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with CHSC in freely changing the land title to CHSC or to other name of other under CHSC instructions. Meanwhile, the land had been pledged to CHSC as collateral. As of December 31, 2015 and 2014, the book value of the farmlands was NT$66,753 thousand, recorded as land.

Refer to Note 34 for the carrying amount of property, plant and equipment that had been pledged by the Corporation and its subsidiaries to secure borrowings.

18. INVESTMENT PROPERTIES

For the year ended December 31, 2015

	Land	Buildings	Total
Cost			
Balance at January 1, 2015	$ 8,344,056	$ 2,740,155	$ 11,084,211
Additions	231,751	158,456	390,207
Transfer to inventory	(176,316)	-	(176,316)
Transfer from (to) property, plant and equipment	(183,311)	56,476	(126,835)
Effect of foreign currency exchange difference	4,601	8,469	13,070
Balance at December 31, 2015	$ 8,220,781	$ 2,963,556	$ 11,184,337
Accumulated depreciation and impairment			
Balance at January 1, 2015	$ 1,891,031	$ 757,082	$ 2,648,113
Impairment losses reversed	(1,668,974)	-	(1,668,974)
Depreciation	-	80,322	80,322
Transfer from property, plant and equipment	-	16,096	16,096
Effect of foreign currency exchange difference	-	591	591
Balance at December 31, 2015	$ 222,057	$ 854,091	$ 1,076,148
Carrying amount at December 31, 2015	$ 7,998,724	$ 2,109,465	$ 10,108,189

For the year ended December 31, 2014

	Land	Buildings	Total
Cost			
Balance at January 1, 2014	$ 8,266,753	$ 2,589,535	$ 10,856,288
Disposals	(89)	-	(89)
Reclassification	88,355	171,696	260,051
Effect of foreign currency exchange difference	(10,963)	(21,076)	(32,039)
Balance at December 31, 2014	$ 8,344,056	$ 2,740,155	$ 11,084,211
Accumulated depreciation and impairment			
Balance at January 1, 2014	$ 1,891,031	$ 628,008	$ 2,519,039
Depreciation	-	78,148	78,148
Reclassification	-	51,940	51,940
Effect of foreign currency exchange difference	-	(1,014)	(1,014)
Balance at December 31, 2014	$ 1,891,031	$ 757,082	$ 2,648,113
Carrying amount at December 31, 2014	$ 6,453,025	$ 1,983,073	$ 8,436,098

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

Buildings	
Main structure	50-60 years
Mechanical and electrical facilities	8-20 years
Others	2-5 years

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

On April 1, 2015, the parcel number "jiou fen zih" land readjustment area of the subsidiary CHSC in Tainan city has been readjusted and confirmed. The subsidiary CHSC has engaged a real estate appraiser for the appraisal of the land value in April and September 2015, respectively. As such, CHSC reversed impairment loss of NT$1,128,307 thousand and NT$431,082 thousand to the extent of the recoverable amount of the impairment loss recognized in the past. The subsidiary CHSC also engaged a real estate appraiser for the appraisal of the land located at the parcel number "long hua" in Kaohsiung city. As such, CHSC reversed impairment loss of NT$52,692 thousand to the extent of the recoverable amount of the impairment loss recognized in the past.

The fair value of the investment properties was partly arrived at on the basis of valuation carried out in January 2012, January 2013, March 2013, September 2013, December 2013, January 2014, December 2014, March 2015, April 2015, September 2015, November 2015 and December 2015 by independent appraisers, who are not related parties. Appraised lands and buildings were evaluated using Level 3 inputs under market approach, income approach, cost approach and land developing analysis approach. The important assumptions and fair value were as follows:

	December 31	
	2015	**2014**
Fair value	$ 25,043,429	$ 13,623,361
Depreciation rate (%)	1.20-2.00	1.20-2.00
Discount rate (%)	1.55-4.14	1.30-5.50

All of the Corporation and its subsidiaries' investment properties were held under freehold interests. Refer to Note 34 for the carrying amount of the investment properties that had been pledged by the Corporation and its subsidiaries to secure borrowings.

19. BORROWINGS

a. Short-term borrowings and bank overdraft

	December 31	
	2015	**2014**
Unsecured loans - interest at 0.42%-9.40% p.a. and 0.64%-2.65% p.a. as of December 31, 2015 and 2014, respectively	$ 28,700,798	$ 24,779,644
Bank overdraft - interest at 0.35%-2.75% p.a. and 0.43%-7.60% p.a. as of December 31, 2015 and 2014, respectively	3,279,883	2,972,356
Letters of credit - interest at 0.45%-1.48% p.a. and 0.41%-1.56% p.a. as of December 31, 2015 and 2014, respectively	2,378,709	2,929,777

(Continued)

	December 31	
	2015	2014
Secured loans (Note 34) - interest at 5.5% p.a. and 5.88%-6.16% p.a. as of December 31, 2015 and 2014, respectively	$ 27,557	$ 119,940
	$ 34,386,947	$ 30,801,717

(Concluded)

Starting from November 2014, the subsidiary CCSPMC entered into several credit facility agreements with Chinatrust Commercial Bank, Taipei Fubon Bank and several banks for total amount of US$42,400 thousand. Under the agreements, the Corporation and its subsidiaries should collectively hold 70% of the CCSPMC's equity and 75% of the seats in the board of directors and supervisors. As of December 31, 2015, the subsidiary CSAPH held 70% equity of CCSPMC and three-quarters of the seats in the board of directors and supervisors.

In May 2014, March 2014 and January 2013, the subsidiary CSCI entered into short-term financing contracts with CTBC Bank for USD27,000 thousand and INR0.4 billion credit lines and with Credit Agricole Corporate and Investment Bank for USD25,000 thousand credit lines, and a syndicated credit facility agreement with CTBC Bank and 9 other banks for USD110,000 thousand. Under the agreement, the Corporation and its related parties should collectively hold at least 75%, 60% and 75% of CSCI's issued shares and hold two-thirds, half and 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, 2015 the Corporation held 100% equity of CSCI and held all of the seats in the board of directors.

In April 2014, the subsidiary QCSPMC entered into a comprehensive credit agreement with Credit Agricole Corporate and Investment Bank and Mega International Commercial Bank for USD10,000 thousand credit lines, respectively. Under the agreement, the Corporation and its subsidiaries should collectively hold at least 70% and 50% of the QCSPMC's issued shares and 70% and 50% of the seats in the board of directors. As of December 31, 2015, the subsidiaries CSAPH and CSGT collectively held 70% equity of QCSPMC and four-fifths of the seats in the board of directors.

Starting from March 2015, the subsidiary United Steel Engineering and Construction Co., Ltd. entered into short-term financing contract with CTBC Bank, HSBC Bank (Taiwan), Standard Chartered Bank (China) and ANZ Bank (China) for USD10,000 thousand, USD10,000 thousand, USD8,000 thousand and USD10,000 thousand credit line. Under the agreements, the Corporation and its subsidiaries should directly or indirectly hold 100% of United Steel Engineering and Construction Co., Ltd.'s issued shares and all of the seats in the board of directors. As of December 31, 2015, the subsidiary CSAPH and Chung Mao collectively held 100% equity of United Steel Engineering and Construction Co., Ltd. and all of the seats in the board of directors.

b. Short-term bills payable

	December 31	
	2015	2014
Commercial paper - interest at 0.29%-1.10% p.a. and 0.59%-1.35% p.a. as of December 31, 2015 and 2014, respectively	$ 31,650,000	$ 20,119,000
Less: Unamortized discounts	8,714	6,904
	$ 31,641,286	$ 20,112,096

The above commercial paper was secured by Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Taching Bill Finance Ltd., Dah Chung Bills Finance Corp., Grand Bills Finance Corp., Taiwan Finance Corporation, Taiwan Cooperative Bills Finance Corporation, First Bank, Taiwan Cooperative Bank, Mega International Commercial Bank, Bangkok Bank, Bank of Taiwan and Hua Nan Commercial Bank, etc.

c. Long-term borrowings

	December 31	
	2015	2014
Syndicated bank loans		
Bank of Taiwan and other banks loan to CHSC		
Repayable in 13 equal semiannual installments from March 2013 to March 2019, interest all at 1.58% p.a. as of December 31, 2015 and 2014, respectively	$ 3,749,231	$ 4,826,154
Repayable in March 2019 with a revolving credit, interest at 1.58% p.a. and 1.58%-1.60% p.a. as of December 31, 2015 and 2014, respectively	6,750,000	5,850,000
Bank of Taiwan and other banks loan to DSC		
Repayable in 14 equal semiannual installments from January 2012 to July 2018, interest at 1.24% p.a. and 1.36% p.a. as of December 31, 2015 and 2014, respectively	19,583,540	26,113,540
Repayable in 10 equal semiannual installments from June 2015 to December 2019, interest all at 1.58% p.a. as of December 31, 2015 and 2014, respectively	8,624,000	23,280,000
Bank of Taiwan and other banks loan to the Corporation		
Repayable in several installments from February 2020, interest at 1.72% p.a. as of December 31, 2015	5,908,500	-
Mizuho Bank and other banks loan to the Corporation August 2018		
Repayable in interest at 1.38%-1.42% p.a. as of December 31, 2015	4,923,750	-
Mega International Commercial Bank and other banks loan to CSVC		
Repayable in 10 semiannual installments from September 2015 to March 2020, interest all at 2.25% p.a. as of December 31, 2015 and 2014, respectively	3,929,152	3,987,900
Chinatrust Commercial Bank and other banks loan to CSCI		
Repayable in 5 semiannual installments from June 2017 to June 2019, interest at 2.13% p.a. and 2.10% p.a. as of December 31, 2015 and 2014, respectively	3,618,747	3,488,806
Mortgage loans		
Due on various dates through April 2032, interest at 0.84%-1.67% p.a. and 0.84%-2.10% p.a. as of December 31, 2015 and 2014, respectively	9,626,064	9,695,552
Unsecured loans		
Due on various dates through June 2022, interest at 0.40%-3.59% p.a. and 0.38%-3.98% p.a. as of December 31, 2015 and 2014, respectively	40,069,787	30,368,792
	106,782,771	107,610,744
Less: Syndicated loan fee	93,015	92,550
Current portion	23,561,520	20,939,065
	$ 83,128,236	$ 86,579,129

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

   The amounts referring to the above financial ratios and criteria should be based on audited annual financial statements. If CHSC breaches the agreements, it should take remedial measures within half a year from the next day of the financial statements' declaration date; otherwise, the interest rate needs to be adjusted in accordance with the agreement. CHSC was in compliance with the syndicated credit facility agreement based on its 2014 standalone financial statements. The tangible net worth of CHSC 2015 standalone financial statements is lower than 50% of its share capital-outstanding ordinary shares, it should take remedial measures within half year from the next day of the financial statements issued; otherwise, the interest rate needs to be adjusted in accordance with the agreement. If the remedial measure can't be done within half year, the adjusted interest rate is still lower than 1.58%, which is the lowest interest rate of the agreement. As a result, the impact is immaterial to CHSC. As of December 31, 2015, the Corporation directly held 41% equity of CHSC and held half of the seats in the board of directors and controlled its operation.

2) In July 2012, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 17 other banks for a NT$35 billion credit line, which consists of NT$30 billion secured loans with a non-revolving credit line and NT$5 billion secured commercial paper with a revolving credit line; in February 2008, DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT$51.7 billion credit line. As of December 31, 2015, all secured commercial paper (recognized as long-term bills payable) were used. Under the agreements, the Corporation and its associates should collectively hold at least 80% and 40% of DSC's issued shares and hold half or more of the seats in the board of directors. Starting 2012, DSC should meet some financial ratios and criteria.

   The amounts referring to the above financial ratios and criteria should be based on audited annual financial statements. If DSC 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 DSC's outstanding principal and interest to maturity as due, and request DSC to settle immediately. DSC was in compliance with the syndicated credit facility agreement based on its financial statements of 2015 and 2014. As of December 31, 2015, the Corporation held 100% equity of DSC and all of the seats in the board of directors.

3) In October 2012, the subsidiary CSVC entered into a syndicated credit facility agreement with Mega International Commercial Bank and 11 other banks for a USD246,000 thousand credit line, which consists of USD126,000 thousand long-term borrowings with a non-revolving credit line and USD120,000 thousand short-term borrowings for operation with a revolving credit line. In addition, starting August 2013, the subsidiary CSVC continuously entered into short-term financing contracts with Standard Chartered Bank and other banks for USD56,000 thousand credit lines. Under the agreements, the Corporation should hold at least 51% of CSVC's issued shares and majority of the seats in the board of directors. Starting 2015, CSVC should meet some financial ratios and criteria based on the syndicated credit facility agreement amended in March 2014. As of December 31, 2015, the Corporation held 56% equity of CSVC and over half of the seats in the board of directors.

4) In May 2014, March 2014 and January 2013, the subsidiary CSCI entered into short-term financing contracts with CTBC Bank for USD27,000 thousand, INR0.4 billion credit lines with Credit Agricole Corporate and Investment Bank and USD25,000 thousand credit lines with CTBC Bank. CSCI also entered into a syndicated credit facility agreement with CTBC Bank and 9 other banks for a USD110,000 thousand credit line. Under the agreement, the Corporation and its related parties should collectively hold at least 75%, 60% and 75% of CSCI's issued shares and hold two-thirds,

half and 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. The CSCI should meet some financial ratios and criteria for the syndicated credit facility agreement which were based on financial statement for the six months ended June and audited annual financial statements. As of December 31, 2015 the Corporation held 100% equity of CSCI and held all of the seats in the board of directors

5) In July and August 2015, the Corporation entered into a syndicated credit facility agreement with Bank of Taiwan along with 11 other banks and Mizuho bank with 6 other banks for a USD500,000 thousand and USD150,000 thousand unsecured non-revolving credit line, respectively. Under the agreements, the Corporation should meet some financial ratios and criteria which were based on reviewed consolidated financial statements for the six months ended June 30 and audited annual consolidated financial statements. If the Corporation breaches the financial ratios or the agreements, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare the Corporation’s outstanding principal and interest to maturity as due, and request the Corporation to settle immediately.

   The Corporation was in compliance with the syndicated credit facility agreements based on its consolidated financial statements of 2015.

6) The above unsecured loans included those obtained by the Corporation in JPY, AUD and USD to hedge the exchange rate fluctuations on equity investments in EAUS, CSCAU, CSVC, CSAPH 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	
	2015	**2014**
Commercial paper - interest at 0.45%-1.16% p.a. and 0.78%-1.34% p.a. as of December 31, 2015 and 2014, respectively	$ 19,470,000	$ 15,030,000
Secured commercial paper in syndicated bank loans - interest at 1.05% p.a. and 1.27% p.a. as of December 31, 2015 and 2014, respectively	5,000,000	5,000,000
	24,470,000	20,030,000
Less: Unamortized discounts	10,121	10,588
	$ 24,459,879	$ 20,019,412

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

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

The above commercial paper was secured by Mega International Commercial Bank and ANZ Bank (Taiwan).

20. BONDS PAYABLE

	December 31	
	2015	2014
5-year unsecured bonds - issued at par by the Corporation in:		
October 2011; repayable in October 2015 and October 2016; interest at 1.36% p.a., payable annually	$ 4,650,000	$ 9,300,000
5-year unsecured bonds - issued at par by DSC in:		
June 2014; repayable in June 2018 and June 2019; interest at 1.40% p.a., payable annually	7,000,000	7,000,000
June 2015; repayable in June 2019 and June 2020; interest at 1.45% p.a., payable annually	7,500,000	-
7-year unsecured bonds - issued at par by the Corporation in:		
December 2008; repayable in December 2014 and December 2015; interest at 2.30% p.a., payable annually	-	3,500,000
October 2011; repayable in October 2017 and October 2018; interest at 1.57% p.a., payable annually	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	6,300,000
January 2014; repayable in January 2020 and January 2021; interest at 1.75% p.a., payable annually	6,900,000	6,900,000
7-year unsecured bonds - issued at par by DSC in:		
June 2014; repayable in June 2020 and September 2021; interest at 1.75% p.a., payable annually	5,000,000	5,000,000
June 2015; repayable in June 2021 and June 2022 respectively; interest at 1.72% p.a., payable annually	2,500,000	-
10-year unsecured bonds - issued at par by the Corporation in:		
August 2012; repayable in August 2021 and August 2022; interest at 1.50% p.a., payable annually	15,000,000	15,000,000
July 2013; repayable in July 2022 and July 2023; interest at 1.60% p.a., payable annually	9,700,000	9,700,000
January 2014; repayable in January 2023 and January 2024; interest at 1.95% p.a., payable annually	7,000,000	7,000,000
15-year unsecured bonds - issued at par by the Corporation in:		
July 2013; repayable 30% in July 2026 and 30% in July 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	3,600,000	3,600,000
January 2014; repayable 30% in January 2027 and 30% in January 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	9,000,000	9,000,000
Liability component of secured domestic convertible bonds - issued by TMTC	48,300	185,700
Liability component of unsecured domestic convertible bonds - issued by TMTC	15,000	45,500
	99,613,300	97,931,200
Less: Issuance cost of bonds payable	53,865	66,214
Unamortized discount on bonds payable	20,090	21,521
Current portion	4,696,735	8,148,376
	$ 94,842,610	$ 89,695,089

In September 2013, the subsidiary TMTC issued NT$200,000 thousand of 3-year secured domestic convertible bonds at par from September 2013 to September 2016 which were secured by Hua Nan Commercial Bank. From one month after the issuance date to 10 days before the maturity date, bondholders may request TMTC to convert the bonds into its ordinary shares (except for the related book closure period). On the repurchase date, two years after the issuance date, bondholders may request TMTC to repurchase the bonds at their face value plus interest (1.9090% of face value, yield to put 0.95%) by cash in five trading days. From one month after the issuance date to 40 days before the maturity date, if the closing price of TMTC's shares on the Taipei Exchange is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of initial issued bonds, TMTC may redeem the remaining bonds at their face value by cash in five trading days after the redemption date. As of December 31, 2015, the convertible bonds with NT$151,700 thousand face value have been converted and redeemed into NT$5,766 thousand ordinary share capital.

In September 2013, the subsidiary TMTC issued NT$100,000 thousand of 5-year unsecured domestic convertible bonds at par from September 2013 to September 2018. From one month after the issuance date to 10 days before the maturity date, bondholders may request TMTC to convert the bonds into its ordinary shares (except for the related book closure period). On the repurchase dates, two years, three years and four years after the issuance date, bondholders may request TMTC to repurchase the bonds at their face value plus interest (2.5156%, 3.7971% and 5.0945% of face value for two years, three years and four years, respectively, yield to put 1.25%) by cash in five trading days. From one month after the issuance date to 40 days before the maturity date, if the closing price of TMTC's shares on the Taipei Exchange is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of initial issued bonds, TMTC may redeem the remaining bonds at their face value by cash in five trading days after the redemption date. As of December 31, 2015, the convertible bonds with NT$85,000 thousand face value have been converted into NT$21,975 thousand ordinary share capital.

In June 2015, the subsidiary DSC issued NT$7.5 billion of 5-year unsecured corporate bonds and NT$2.5 billion of 7-year unsecured corporate bonds at par.

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

21. ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

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

22. OTHER PAYABLES

	December 31	
	2015	2014
Salaries and incentive bonus	$ 6,573,677	$ 5,613,982
Purchase of equipment	3,311,688	7,109,543
Sales returns and discounts	1,631,598	1,178,541
Interest payable	1,079,578	992,379
Outsourced repair and construction	1,047,075	1,078,977
Employee remuneration (bonus to employees) and remuneration to directors and supervisors	680,799	2,237,569
Others	5,027,284	4,920,475
	$ 19,351,699	$ 23,131,466

23. PROVISIONS

	December 31	
	2015	2014
Current		
Onerous contracts (a)	$ 2,611,156	$ 3,177,583
Construction warranties (b)	491,899	582,371
Sale returns and discounts (c)	-	586
Others	55,314	35,160
	$ 3,158,369	$ 3,795,700
Noncurrent		
Provision for stabilization funds (d)	$ 793,851	$ 983,466
Others	35,072	48,346
	$ 828,923	$ 1,031,812

	Onerous Contracts	Construction Warranties	Sale Returns and Discounts	Provision for Stabilization Funds	Others	Total
Balance at January 1, 2015	$ 3,177,583	$ 582,371	$ 586	$ 983,466	$ 83,506	$ 4,827,512
Recognized	4,353,251	1,551	10	7,078	22,849	4,384,739
Paid	(4,919,678)	(92,023)	(596)	(196,693)	(15,969)	(5,224,959)
Balance at December 31, 2015	$ 2,611,156	$ 491,899	$ -	$ 793,851	$ 90,386	$ 3,987,292
Balance at January 1, 2014	$ 2,293,019	$ 632,341	$ -	$ 1,026,382	$ 84,183	$ 4,035,925
Recognized	5,772,449	255	732,857	14,897	18,694	6,539,152
Paid	(4,887,885)	(50,225)	(732,271)	(57,813)	(19,371)	(5,747,565)
Balance at December 31, 2014	$ 3,177,583	$ 582,371	$ 586	$ 983,466	$ 83,506	$ 4,827,512

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

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

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

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

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (the

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

b. Defined benefit plans

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

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

	December 31	
	2015	**2014**
Present value of defined benefit obligation	$ 29,823,879	$ 29,354,071
Fair value of plan assets	(23,812,775)	(23,797,205)
Deficit	6,011,104	5,556,866
Net defined benefit liabilities - recognized as other payables, other current assets or other noncurrent assets	(43,117)	(52,965)
Net defined benefit liability	$ 5,967,987	$ 5,503,901

Movements of net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability**
Balance at January 1, 2015	$ 29,354,071	$ (23,797,205)	$ 5,556,866
Service cost			
Current service cost	800,533	-	800,533
Past service cost and loss on settlements	4,077	-	4,077
Interest expense (income)	473,723	(390,734)	82,989
Recognized in profit or loss	1,278,333	(390,734)	887,599

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (248,062)	$ (248,062)
Actuarial loss - changes in demographic assumptions	97,030	-	97,030
Actuarial loss - changes in financial assumptions	199,553	-	199,553
Actuarial loss - experience adjustments	442,004	-	442,004
Recognized in other comprehensive income	738,587	(248,062)	490,525
Contributions from the employer	-	(839,500)	(839,500)
Contributions of employee returning	7,611	(18,763)	(11,152)
Benefits paid	(1,554,971)	1,481,568	(73,403)
Others	248	(79)	169
	(1,547,112)	623,226	(923,886)
Balance at December 31, 2015	$ 29,823,879	$ (23,812,775)	$ 6,011,104
Balance at January 1, 2014	$ 30,505,432	$ (23,236,849)	$ 7,268,583
Service cost			
Current service cost	896,460	-	896,460
Net interest expense (income)	455,637	(352,727)	102,910
Recognized in profit or loss	1,352,097	(352,727)	999,370
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(195,248)	(195,248)
Actuarial loss - changes in demographic assumptions	100,987	-	100,987
Actuarial loss - changes in financial assumptions	266,319	-	266,319
Actuarial gain - experience adjustments	(1,768,124)	-	(1,768,124)
Recognized in other comprehensive income	(1,400,818)	(195,248)	(1,596,066)
Contributions from the employer	-	(1,010,500)	(1,010,500)
Contributions of employee returning	12,298	(12,298)	-
Benefits paid	(1,237,881)	1,133,243	(104,638)
Others	122,943	(122,826)	117
	(1,102,640)	(12,381)	(1,115,021)
Balance at December 31, 2014	$ 29,354,071	$ (23,797,205)	$ 5,556,866

(Concluded)

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

	For the Year Ended December 31	
	2015	**2014**
Operating costs	$ 631,130	$ 669,851
Operating expenses	253,803	324,316
Others	2,666	5,203
	$ 887,599	$ 999,370

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

1) Investment risk

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

2) Interest risk

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

3) Salary risk

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

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

	December 31	
	2015	**2014**
Discount rate (%)	1.000-1.750	1.625-2.000
Expected rate of salary increase (%)	1.875-3.250	2.250-3.000
Turnover rate (%)	0.100-17.500	0.100-22.000

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

	December 31, 2015
Discount rates	
0.25% increase	$ (530,184)
0.25% decrease	$ 547,546

(Continued)

	December 31, 2015
Expected rates of salary increase	
0.25% increase	$ 532,809
0.25% decrease	$ (518,573)

(Concluded)

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

	December 31	
	2015	2014
The expected contributions to the plan for the next year	$ 772,585	$ 921,459
The average duration of the defined benefit obligation	5.9-17.7 years	6.1-19 years

25. EQUITY

a. Share capital

	December 31	
	2015	2014
Numbers of shares authorized (in thousands)	17,000,000	17,000,000
Shares authorized	$ 170,000,000	$ 170,000,000
Numbers of shares issued and fully paid (in thousands)		
Ordinary shares (in thousands)	15,734,861	15,734,861
Preference shares (in thousands)	38,268	38,268
	15,773,129	15,773,129
Shares issued		
Ordinary shares	$ 157,348,610	$ 157,348,610
Preference shares	382,680	382,680
	$ 157,731,290	$ 157,731,290

1) Ordinary shares

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

2) Preference shares

Preference shareholders have the following entitlements or rights:

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

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

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

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

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

3) Overseas depositary receipts

In May 1992, February 1997, October 2003 and August 2011, for the purpose of working capital expansion and in accordance with the instruction of the MOEA, the largest shareholder of the Corporation, the Corporation issued 126,512,550 units of GDR. The depositary receipts then increased by 6,924,354 units resulting from the capital increase out of retained earnings. Each unit represents 20 shares of the Corporation's ordinary shares and the issued GDRs account for the Corporation's ordinary shares totaling 2,668,738,370 shares (including 290 fractional shares). Under relevant regulations, the GDR holders may also request the conversion to the shares represented by the GDR. The foreign investors may also request the reissuance of such depositary receipts within the originally approved units. As of December 31, 2015 and 2014, the outstanding depositary receipts were 1,323,346 units and 1,841,908 units and equivalent to 26,467,230 ordinary shares (including 310 fractional shares) and 36,838,470 ordinary shares (including 310 fractional shares), which represented 0.17% and 0.23% of the outstanding ordinary shares, respectively.

b. Capital surplus

	December 31	
	2015	**2014**
May be used to offset deficits, distribute cash or transfer to share capital (see 1 below)		
Additional paid-in capital	$ 31,154,766	$ 31,154,766
Treasury share transactions	6,022,977	5,705,663
Others	8,099	8,099
	37,185,842	36,868,528
May be used to offset deficits only (see 2 below)		
Share of change in equity of subsidiaries	418,043	345,624
Share of change in equity of associates	8,142	3,724
	$ 37,612,027	$ 37,217,876

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

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

c. Retained earnings and dividend policy

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

1) 10% as legal reserve;

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

3) 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 shares dividends, propose to appropriate a special reserve or to retain certain earnings. These proposals should be submitted to the shareholders' meeting for approval.

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Corporation's board of directors in December 2015 and are subject to the resolution of the shareholders in their meeting to be held in 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to h. Employee benefits in Note 27.

Under Rule No. 1010012865, Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Corporation should appropriate or reverse a special reserve. 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.

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 a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2014 and 2013 had been approved in the shareholders' meeting on June 2015 and June 2014, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	2014	**2013**	**2014**	**2013**
Legal reserve	$ 2,216,027	$ 1,598,154		
Special reserve	47,049	166,266		

(Continued)

	Appropriation of Earnings		Dividend Per Share (NT$)	
	2014	2013	2014	2013
Preference shares				
Cash dividends	$ 53,575	$ 45,922	$ 1.4	$ 1.2
Share dividends	-	7,653	-	0.2
			$ 1.4	$ 1.4
Ordinary shares				
Cash dividends	15,734,861	10,797,909	$ 1.0	$ 0.7
Share dividends	-	3,085,117	-	0.2
			$ 1.0	$ 0.9

(Concluded)

The appropriations of earnings for 2015 had been proposed by the Corporation's board of directors on March 25, 2016. The appropriations and dividends per share were as follows:

	Appropriations of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 760,472	
Special reserve	2,654,116	
Preference shares		
Cash dividends	53,575	$ 1.4
Ordinary shares		
Cash dividends	7,867,430	$ 0.5

The appropriations of earnings for 2015 are subject to the resolution of the shareholders' meeting to be held in June 2016.

d. Special reserves

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 27,086,283	$ 26,920,871
Appropriation in respect of		
The difference between market value and carrying amount of the Corporation's shares held by subsidiaries	47,049	166,266
Reversal of special reserve		
Disposal of property, plant and equipment	(349)	(854)
Balance, end of year	$ 27,132,983	$ 27,086,283

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2015	**2014**
Balance, beginning of year	$ 732,469	$ (659,689)
Exchange differences arising on translating foreign operations	(640,089)	1,680,903
Income tax relating to exchange differences arising on translating the net assets of foreign operations	(25,730)	(35,850)
Gains and losses on hedging instruments designated in hedges of the net assets of foreign operations	228,208	(59,431)
Share of exchange difference of associates accounted for using the equity method	903,938	(193,464)
Balance, end of year	$ 1,198,796	$ 732,469

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

	For the Year Ended December 31	
	2015	**2014**
Balance, beginning of year	$ 9,283,354	$ 8,603,167
Unrealized gains and losses on available-for-sale financial assets	(1,058,161)	311,982
Income tax relating to unrealized gain on available-for-sale financial assets	(2,392)	(2,194)
Reclassified to profit or loss on disposal of available-for-sale financial assets	(2,239,556)	(562,088)
Income tax relating to the amounts reclassified to profit or loss on disposal of available-for-sale financial assets	583	1,311
Impairment on available for-sale financial assets	484,482	775,852
Share of unrealized gain on available-for-sale financial assets of associates accounted for using the equity method	105,038	155,324
Balance, end of year	$ 6,573,348	$ 9,283,354

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

	For the Year Ended December 31	
	2015	**2014**
Balance, beginning of year	$ 146,192	$ 12,375
Fair value changes of hedging instrument	(3,731)	183,519
Income tax relating to fair value changes	3,745	(27,017)
Fair value changes of hedging instruments transferred to profit or loss	(6,103)	(1,375)
Income tax relating to amounts transferred to profit or loss	1,038	234
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	13,401	(25,957)
Income tax relating to amounts transferred to adjust carrying amount of hedged items	(2,278)	4,413
Balance, end of year	$ 152,264	$ 146,192

f. Treasury shares

Purpose of Treasury Shares	Thousand Shares			December 31	
	Beginning of Year	Addition	Reduction	Thousand Shares	Book Value
For the year ended December 31, 2015					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	318,369	47	380	318,036	$ 8,577,644
For the year ended December 31, 2014					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	308,545	9,824	-	318,369	$ 8,587,461

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

For the year ended December 31, 2015, a total of 523 thousand shares of the Corporation held by its subsidiaries were sold for proceeds of NT$13,325 thousand. The proceeds of treasury shares sold, calculated by shareholding percentage, amounted to NT$8,556 thousand, and after deducting book values, resulted in the amounts of NT$707 thousand, recorded as deduction of capital surplus. As of December 31, 2015 and 2014 , the market values of the treasury shares calculated by combined holding percentage were NT$5,710,213 thousand and NT$8,374,146, respectively.

g. Non-controlling interests

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 29,969,636	$ 29,656,615
Attributable to non-controlling interests:		
Share of net profit for the year	14,698	2,042,148
Exchange difference on translating foreign operations	(515,840)	590,933
Income tax relating to exchange difference on translating foreign operations	(4,158)	(31)
Unrealized gain on available-for-sale financial assets	134,139	55,175
Income tax relating to unrealized gain on available-for-sale financial assets	(4,220)	(2,226)
Impairment of available-for-sale financial assets	-	(183)
Fair value changes of cash flow hedges	(22,593)	22,197
Income tax relating to cash flow hedges	459	(7,622)
Remeasurement on defined benefit plans	(138,640)	(32,421)
Income tax relating to remeasurement on defined benefit plans	19,062	(2,362)

(Continued)

	For the Year Ended December 31	
	2015	2014
Share of other comprehensive income of associates accounted for using the equity method	$ (11,529)	$ 11,344
Non-controlling interest arising from acquisition of subsidiaries	(147,358)	50,000
Acquisition of non-controlling interests in subsidiaries	(708,247)	(3,162)
Dividend distributed by subsidiaries	(2,601,499)	(2,535,558)
Others	420,104	124,789
Balance, end of year	$ 26,404,014	$ 29,969,636

(Concluded)

26. OPERATING REVENUES

	For the Year Ended December 31	
	2015	2014
Revenue from the sale of goods	$ 257,740,370	$ 337,164,803
Construction contract revenue	18,147,093	19,659,886
Freight and service revenue	6,718,202	6,764,411
Other revenues	2,448,211	2,921,597
	$ 285,053,876	$ 366,510,697

27. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

	For the Year Ended December 31	
	2015	2014
Interest income	$ 426,374	$ 511,164
Dividends income	299,521	285,573
Insurance claim income	182,563	879,744
Rental income	132,285	113,942
Others	718,836	630,357
	$ 1,759,579	$ 2,420,780

b. Other gains and losses

	For the Year Ended December 31	
	2015	2014
Gain on disposal of investments	$ 1,878,802	$ 237,371
Reversals of impairment losses recognized on investment property (Note 18)	1,612,081	-
Net foreign exchange gain	515,076	655,830
Loss on disposal of property, plant and equipment	(72,143)	(214,424)

(Continued)

	For the Year Ended December 31	
	2015	2014
Impairment loss on financial assets	$ (425,037)	$ (725,530)
Gain (loss) arising on financial assets at fair value through profit or loss	(6)	67,609
Other losses	(329,023)	(475,097)
	$ 3,179,750	$ (454,241)

(Concluded)

The components of net foreign exchange gain were as follows:

	For the Year Ended December 31	
	2015	2014
Foreign exchange gain	$ 2,263,417	$ 2,184,107
Foreign exchange loss	(1,748,341)	(1,528,277)
Net exchange gains	$ 515,076	$ 655,830

Gain (loss) on financial assets at fair value through profit or loss included a decrease in fair value of NT$17,376 thousand, an increase in fair value of NT$45,577 thousand for the year ended December 31, 2015 and 2014, respectively, and interest income of NT$17,370 thousand and NT$22,032 thousand for the years ended December 31, 2015 and 2014, respectively.

c. Finance costs

	For the Year Ended December 31	
	2015	2014
Total interest expense	$ 4,098,319	$ 4,316,128
Less: Amounts included in the cost of qualifying assets	346,222	528,352
	$ 3,752,097	$ 3,787,776

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2015	2014
Capitalized amounts	$ 346,222	$ 528,352
Capitalized annual rates (%)	0.63-1.62	0.74-1.82

d. (Reversal of) impairment loss on financial assets

	For the Year Ended December 31	
	2015	2014
Accounts receivable	$ (79,460)	$ 133,386
Available-for-sale financial assets	484,482	775,669
Investments accounted for using equity method	-	21,311
	$ 405,022	$ 930,366

(Continued)

	For the Year Ended December 31	
	2015	2014
Analysis of (reversal of) impairment loss on financial assets by function		
Operating costs	$ 59,445	$ 71,450
Selling and marketing expenses	(79,460)	133,386
Others gains and losses	425,037	725,530
	$ 405,022	$ 930,366

(Concluded)

e. (Reversal of) impairment loss on non-financial assets

	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	$ 16,560	$ 856,030
Investment properties	(1,668,974)	-
	$ (1,652,414)	$ 856,030
Analysis of (reversal of) impairment loss on non-financial assets by function		
Operating costs	$ (56,893)	$ -
Operating expenses	16,560	-
Others gains and losses	(1,612,081)	856,030
	$ (1,652,414)	$ 856,030

f. Depreciation and amortization

	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	$ 35,035,738	$ 35,276,566
Investment properties	80,322	78,148
Intangible assets	250,740	276,510
Others	88,925	92,433
	$ 35,455,725	$ 35,723,657
Analysis of depreciation by function		
Operating costs	$ 33,696,528	$ 33,952,729
Operating expenses	1,395,300	1,371,308
Others	24,232	30,677
	$ 35,116,060	$ 35,354,714
Analysis of amortization by function		
Operating costs	$ 200,292	$ 210,698
Operating expenses	138,166	156,303
Others	1,207	1,942
	$ 339,665	$ 368,943

g. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2015	2014
Direct operating expenses of investment properties that generated from rental income	$ 150,593	$ 145,112

h. Employee benefits

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits		
Salaries	$ 27,593,294	$ 30,385,597
Labor and health insurance	1,922,348	1,821,800
Others	1,146,755	1,422,973
	30,662,397	33,630,370
Post-employment benefits (Note 24)		
Defined contribution plans	644,058	551,800
Defined benefit plans	887,599	999,370
	1,531,657	1,551,170
Termination benefits	76,289	55,669
	$ 32,270,343	$ 35,237,209
Analysis of employee benefits by function		
Operating costs	$ 25,916,597	$ 27,887,645
Operating expenses	5,885,360	6,638,981
Others	468,386	710,583
	$ 32,270,343	$ 35,237,209

The Articles of Incorporation of the Corporation in effect in 2014 stipulate to distribute bonus to employees and remuneration to directors and supervisors at a certain rate after offsetting deficit, if any. For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors amounted to NT$1,587,490 thousand and NT$29,765 thousand, respectively. To be in compliance with the Company Act amended in May 2015, and the amended Articles of Incorporation of the Corporation proposed in December 2015 stipulate the Corporation distributed employees' compensation and remuneration to directors and supervisors at the rates no less than 0.1% and no higher than 0.15%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors amounted to NT$330,925 thousand and NT$6,205 thousand, respectively. The employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2015 have been proposed by the Corporation's board of directors on March 25, 2016 and will be reported to the shareholders after the amended Articles of Incorporation are resolved in the shareholders' meeting to be held in June 2016.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations (in cash) of bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 approved in the shareholders' meetings in June 2015 and 2014, respectively, were as follows:

	For the Year Ended December 31			
	2014		2013	
	Bonus to Employees	**Remuneration of Directors and Supervisors**	**Bonus to Employees**	**Remuneration of Directors and Supervisors**
Amounts approved in shareholders' meetings	$ 1,587,490	$ 29,765	$ 1,133,084	$ 21,245
Amounts recognized in respective financial statements	1,587,490	29,765	1,133,084	21,245
Difference	$ -	$ -	$ -	$ -

Information on the bonus to employees (employee compensation), directors and supervisors proposed by the Corporation's board of directors and resolved by the shareholders, is available on the Market Observation Post System website of the Taiwan Stock Exchange.

The numbers of employees of the Corporation and its subsidiaries combined were about 26,400 and 25,100 as of December 31, 2015 and 2014, respectively.

28. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2015	**2014**
Current tax		
In respect of the current year	$ 1,758,034	$ 5,114,159
Income tax on unappropriated earnings	563,755	166,544
In respect of prior years	(757,552)	(272,968)
Deferred tax		
In respect of the current year	(363,613)	(819,683)
In respect of prior years	673,420	247,771
Write-down in the current year	12,147	(63,257)
	$ 1,886,191	$ 4,372,566

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

	For the Year Ended December 31	
	2015	**2014**
Profit before income tax	$ 9,505,610	$ 28,546,848
Income tax expense calculated at the statutory rate	$ 2,722,124	$ 5,101,909
Non-deductible expenses in determining taxable income	34,016	47,598

(Continued)

	For the Year Ended December 31	
	2015	2014
Tax-exempt income	$ (1,209,752)	$ (561,542)
Others	(15,544)	26,634
Additional income tax under the Alternative Minimum Tax Act	74,069	20,106
Income tax on unappropriated earnings	563,755	166,544
Unrecognized deductible temporary differences	(514,183)	140,023
Unrecognized loss carryforwards	504,589	36,555
Unrecognized investment credits	(200,898)	(516,807)
Adjustments for prior years' tax in respect of the current year	(84,132)	(25,197)
Write-down of deferred tax assets	12,147	(63,257)
	$ 1,886,191	$ 4,372,566

(Concluded)

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

As the status of appropriations of earnings for 2015 is uncertain, the potential income tax consequences of 2015 unappropriated earnings are not reliably determinable.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2015	2014
Current tax		
Reversal of special reserve due to disposal of property, plant and equipment	$ 89	$ 216
Deferred tax		
Reversal of special reserve due to disposal of property, plant and equipment	(89)	(216)
	$ -	$ -

c. Income tax expense (benefit) recognized in other comprehensive income

	For the Year Ended December 31	
	2015	2014
Recognized in other comprehensive income:		
Translation of foreign operations	$ 29,888	$ 35,881
Unrealized gains and losses on available-for-sale financial asset	6,612	4,420
Fair value changes of cash flow hedges	(4,204)	34,639
Remeasurement on defined benefit plans	(76,869)	275,190
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	2,278	(4,413)
Fair value changes of hedging instruments in cash flow hedges transferred to profit or loss	(1,038)	(234)
Disposal of available-for-sale financial assets	(583)	(1,311)
	$ (43,916)	$ 344,172

d. Current tax

	December 31	
	2015	2014
Current tax assets		
Tax refund receivable	$ 40,778	$ 130,547
Prepaid income tax	54,226	38,962
	$ 95,004	$ 169,509
Current tax liabilities		
Income tax payable	$ 1,621,208	$ 4,868,683

e. Deferred tax assets and liabilities

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

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2015

	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Others	Closing Balance
Deferred tax assets							
Temporary differences							
Defined benefit plan and Estimated preferential severance pay	$ 940,854	$ (48,542)	$ 76,480	$ -	$ -	$ 3,421	$ 972,213
Unrealized loss on inventories	916,864	743,687	-	-	(80)	-	1,660,471
Provisions	649,425	(110,554)	-	-	-	-	538,871
Impairment loss on financial assets	511,881	(468,531)	-	-	-	-	43,350
Unrealized loss on construction	100,491	290	-	-	-	42	100,823
Difference between tax reporting and financial reporting - revenue recognition	142,739	22,926	-	-	-	-	165,665
Unrealized gain on the transactions with subsidiaries and associates	167,385	(37,537)	-	-	-	-	129,848
Unrealized settlement loss on foreign exchange forward for hedging	101,686	(7,881)	-	-	-	-	93,805
Foreign investment loss	29,291	263,375	-	-	-	-	292,666
Others	924,853	103,206	(66,428)	-	6,830	(1,302)	967,159
	4,485,469	460,439	10,052	-	6,750	2,161	4,964,871
Tax losses	132,489	142,046	-	-	(618)	-	273,917
Investment credits	1,447,147	(1,127,779)	-	-	-	-	319,368
	$ 6,065,105	$ (525,294)	$ 10,052	$ -	$ 6,132	$ 2,161	$ 5,558,156
Deferred tax liabilities							
Temporary differences							
Land value increment tax	$ 10,240,123	$ -	$ -	$ -	$ -	$ -	$ 10,240,123
Difference between tax reporting and financial reporting - depreciation methods	1,066,059	(105,634)	-	-	(27,535)	(536)	932,354
Foreign investment loss	1,088,735	(142,566)	(18,201)	-	922	-	928,890
Others	283,317	44,860	(15,663)	(89)	-	3,683	316,108
	$ 12,678,234	$ (203,340)	$ (33,864)	$ (89)	$ (26,613)	$ 3,147	$ 12,417,475

For the Year Ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Others	Closing Balance
Deferred tax assets							
Temporary differences							
Defined benefit plan and Estimated preferential severance pay	$ 1,251,786	$ (35,605)	$ (270,295)	$ -	$ -	$ (5,032)	$ 940,854
Unrealized loss on inventories	742,340	174,262	161	-	101	-	916,864
Provisions	506,812	142,613	-	-	-	-	649,425
Impairment loss on financial assets	402,809	109,072	-	-	-	-	511,881
Unrealized loss on construction	124,116	(23,625)	-	-	-	-	100,491
Difference between tax reporting and financial reporting – revenue recognition	122,129	20,610	-	-	-	-	142,739
Unrealized gain on the transactions with subsidiaries and associates	116,280	51,105	-	-	-	-	167,385
Unrealized settlement loss on foreign exchange forward for hedging	105,013	(3,327)	-	-	-	-	101,686
Others	867,227	136,531	(48,942)	-	-	(672)	954,144
	4,238,512	571,636	(319,076)	-	101	(5,704)	4,485,469
Tax losses	21,574	110,605	-	-	310	-	132,489
Investment credits	1,817,582	(370,435)	-	-	-	-	1,447,147
	$ 6,077,668	$ 311,806	$ (319,076)	$ -	$ 411	$ (5,704)	$ 6,065,105
Deferred tax liabilities							
Temporary differences							
Land value increment tax	$ 10,240,123	$ -	$ -	$ -	$ -	$ -	$ 10,240,123
Difference between tax reporting and financial reporting - depreciation methods	1,239,401	(173,342)	-	-	-	-	1,066,059
Foreign investment loss	1,219,880	(130,874)	-	-	(271)	-	1,088,735
Others	277,584	(19,147)	25,096	(216)	-	-	283,317
	$ 12,976,988	$ (323,363)	$ 25,096	$ (216)	$ (271)	$ -	$ 12,678,234

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

	December 31	
	2015	2014
Loss carryforwards	$ 16,220,888	$ 13,616,308
Investment credits		
Purchase of machinery and equipment	$ 2,321,002	$ 3,422,429
Deductible temporary differences	$ 577,375	$ 464,874

The unrecognized loss carryforwards will expire from 2016 to 2025.

The unrecognized investment credits will expire from 2016 to 2017.

g. Information about unused investment credits

As of December 31, 2015, investment credits were comprised of:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 2,479,283	2016-2019
Statute for Encouragement of Private Participation in Transportation Infrastructure Projects	Transportation Infrastructure	$ 161,087	2019

Loss carryforwards as of December 31, 2015 comprised of:

Unused Amount	Expiry Year
$ 17,707,220	2016-2025

h. Integrated income tax

	For the Year Ended December 31	
	2015	2014
Unappropriated earnings		
Before January 1, 1998	$ 15,954	$ 15,954
On and after January 1, 1998	13,307,894	24,090,761
	$ 13,323,848	$ 24,106,715
Imputation credits accounts ("ICA")	$ 1,247,908	$ 515,798

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation, excluding non-ROC-resident, 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 2015 and 2014 earnings was 15.75% (estimated) and 20.03%, 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 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

i. Income tax assessments

The Corporation's income tax returns through 2010 and the subsidiaries' income tax returns through 2010 to 2014 have been assessed by the tax authorities. The Corporation disagreed with the tax authorities' assessment of its 2010 tax return and filed for administrative appeal. In February 2016, the Corporation's administrative appeal was dismissed by the Kaohsiung High Administrative Court and the Corporation filed an appeal to the Supreme Administrative Court against the judgment. However, the Corporation had recognized the related assessed tax payable in prior year.

29. EARNINGS PER SHARE

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

Net profit for the year

	For the Year Ended December 31	
	2015	2014
Net profit for the year attributable to owners of the Corporation	$ 7,604,721	$ 22,132,134
Less: Dividends on preference shares	53,575	53,575
Net profit used in computation of basic earnings per share	7,551,146	22,078,559
Add: Dividends on preference shares	-	53,575
Net profit used in computation of diluted earnings per share	$ 7,551,146	$ 22,132,134

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

	For the Year Ended December 31	
	2015	2014
Weighted average number of ordinary shares in computation of basic earnings per share	15,416,780	15,418,145
Effect of dilutive potential ordinary shares:		
Bonus to employees (Employees remuneration)	49,883	85,274
Convertible preference shares	-	38,268
Weighted average number of ordinary shares used in computation of diluted earnings per share	15,466,663	15,541,687

Preference shares were not included in the calculation of diluted earnings per share for the year ended December 31, 2015 because of their anti-dilutive effect.

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

30. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity/ Interests Acquired (%)	Consideration Transferred
White Biotech Corporation	Biology introduction and development	July 1, 2015	87/69	$ 800,000

The Corporation acquired White Biotech Corporation through participating in its capital increase in 2015, which increased the Corporation's total equity in White Biotech Corporation from 18% to 87%.

b. Assets acquired and liabilities assumed at the date of acquisition

Assets	
Current assets	
Cash and cash equivalents	$ 826,586
Other current assets	5,220
Noncurrent assets	
Property, plant and equipment	66,677
Liabilities	
Current liabilities	
Other payables	(44)
Other current liabilities	(6,782)
	$ 891,657

c. Non-controlling interests

The non-controlling interest (13% ownership interest in White Biotech Corporation) recognized at the acquisition date measured by reference to the fair value of the non-controlling interest amounted to NT$115,470 thousand. This fair value was estimated based on White Biotech Corporation's identifiable net assets.

d. Intangible assets arising on acquisition

Consideration transferred	$ 800,000
Plus: Fair value of White Biotech Corporation's shares held by the Corporation before the date of acquisition	16,498
Non-controlling interests (13% ownership in White Biotech Corporation)	115,470
Less: Fair value of identifiable net assets acquired	891,657
Intangible assets arising on acquisition	$ 40,311

31. CAPITAL MANAGEMENT

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

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

32. FINANCIAL INSTRUMENTS

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

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

	December 31			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity investments	$ 285,963	$ 261,745	$ 222,989	$ 205,097

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

b. Fair value of financial instruments that are measured at fair value

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Financial assets at fair value through profit or loss				
Mutual funds	$ 2,303,771	$ -	$ -	$ 2,303,771
Listed shares	561,512	-	-	561,512
Convertible bonds	264,480	-	-	264,480
Emerging market shares	-	-	245,455	245,455
Structure notes	-	66,221	-	66,221
Foreign exchange forward contract	-	446	-	446
	$ 3,129,763	$ 66,667	$ 245,455	$ 3,441,885
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 39,494,304	$ 39,494,304
Domestic emerging market shares and unlisted shares	-	-	5,635,664	5,635,664
Domestic listed shares	5,404,294	-	-	5,404,294
Foreign listed shares	2,251,430	-	-	2,251,430
Mutual funds	1,076,845	-	-	1,076,845
Private-placement shares of listed companies	-	261,958	-	261,958
	$ 8,732,569	$ 261,958	$ 45,129,968	$ 54,124,495
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 165,541	$ -	$ 165,541
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ 613	$ -	$ 613
Call and put options	-	483	-	483
Futures contracts	-	429	-	429
	$ -	$ 1,525	$ -	$ 1,525

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities for hedging				
Interest rate swap contracts	$ -	$ 56,900	$ -	$ 56,900
Foreign exchange forward contracts	-	29,940	-	29,940
	$ -	$ 86,840	$ -	$ 86,840
December 31, 2014				
Financial assets at fair value through profit or loss				
Mutual funds	$ 3,941,687	$ -	$ -	$ 3,941,687
Listed shares	922,433	-	-	922,433
Emerging market shares	-	-	276,613	276,613
Convertible bonds	192,205	-	-	192,205
Structure notes	-	72,601	-	72,601
Convertible preference shares	-	31,842	-	31,842
Foreign exchange forward contracts	-	13,134	-	13,134
Future contracts	-	78	-	78
	$ 5,056,325	$ 117,655	$ 276,613	$ 5,450,593
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 13,837,749	$ 13,837,749
Domestic listed shares	8,378,467	-	-	8,378,467
Certificate of entitlement	-	-	6,470,256	6,470,256
Domestic emerging market shares and unlisted shares	-	-	6,321,209	6,321,209
Foreign listed shares	1,665,902	-	-	1,665,902
Mutual funds	996,300	-	-	996,300
Private-placement shares of listed companies	-	84,133	-	84,133
	$ 11,040,669	$ 84,133	$ 26,629,214	$ 37,754,016
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 148,932	$ -	$ 148,932
Interest rate swap contracts	-	2,029	-	2,029
	$ -	$ 150,961	$ -	$ 150,961
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ 5,518	$ -	$ 5,518
Call and put options	-	1,631	-	1,631
	$ -	$ 7,149	$ -	$ 7,149

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 47,075	$ -	$ 47,075
Interest rate swap contracts	-	9,312	-	9,312
	$ -	$ 56,387	$ -	$ 56,387

(Concluded)

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2015 and 2014.

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

	Financial Assets at Fair Value Through Profit or Loss	Available-for-sale Financial Assets	Total
For the year ended December 31, 2015			
Balance, beginning of year	$ 276,613	$ 26,629,214	$ 26,905,827
Recognized in profit or loss - other gains and losses			
Realized	-	74,078	74,078
Unrealized	(31,158)	(494,151)	(525,309)
Recognized in other comprehensive income - unrealized loss on available-for-sale financial assets	-	(575,888)	(575,888)
Purchase	-	20,032,375	20,032,375
Disposal	-	(468,108)	(468,108)
Capital reduction	-	(554,265)	(554,265)
Reclassification	-	246,683	246,683
Transfer into Level 3	-	30,020	30,020
Transfer out of Level 3	-	(118,190)	(118,190)
Effect of foreign currency exchange difference	-	328,200	328,200
Balance, end of year	$ 245,455	$ 45,129,968	$ 45,375,423
For the year ended December 31, 2014			
Balance, beginning of year	$ 283,883	$ 23,787,038	$ 24,070,921
Recognized in profit or loss - other gains and losses			
Realized	-	233,474	233,474
Unrealized	(7,270)	(762,592)	(769,862)
Recognized in other comprehensive income - unrealized gain on available-for-sale financial assets	-	230,775	230,775
Purchase	-	5,182,153	5,182,153
Disposal	-	(382,127)	(382,127)
Capital reduction	-	(38,739)	(38,739)

(Continued)

	Financial Assets at Fair Value Through Profit or Loss	Available-for-sale Financial Assets	Total
Effect of foreign currency exchange difference	$ -	$ (259,854)	$ (259,854)
Transfers out of Level 3	-	(1,360,914)	(1,360,914)
Balance, end of year	$ 276,613	$ 26,629,214	$ 26,905,827

(Concluded)

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

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

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

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

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

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

	December 31, 2015
Long-term revenue growth rate (%)	-
Long-term pre-tax operating income rate (%)	22.60
Discount rate (%)	8.00

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

	December 31, 2015
Discount rate	
Increase 1%	$ (186,562)
Decrease 1%	$ 238,551

c. Categories of financial instruments

	December 31	
	2015	2014
Financial assets		
Fair value through profit or loss		
Designated as at fair value through profit or loss	$ 1,850,000	$ 2,847,161
Held for trading	1,591,885	2,603,432
Derivative instruments in designated hedge accounting relationships	165,541	150,961
Held-to-maturity investments	285,963	222,989
Loans and receivables (see 1 below)	51,628,094	47,410,300
Available-for-sale financial assets	54,124,495	37,754,016
Financial liabilities		
Fair value through profit or loss		
Held for trading	1,042	5,518
Designated as at fair value through profit or loss	483	1,631
Derivative instruments in designated hedge accounting relationships	86,840	56,387
Measured at amortized cost (see 2 below)	325,253,462	310,881,598

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

The carrying amounts of the significant non-functional currency monetary assets and liabilities (including those eliminated on consolidation) at the balance sheet date were referred to Note 37.

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

	USD Impact			**JPY Impact**		
	For the Year Ended December 31			**For the Year Ended December 31**		
	2015	**2014**		**2015**	**2014**	
Pre-tax profit or loss	$ (40,170)	$ 45,829	i	$ 9,454	$ 7,158	ii
Pre-tax equity	223,345	79,935	iii	(1,513)	(1,150)	iii

	AUD Impact			**RMB Impact**		
	For the Year Ended December 31			**For the Year Ended December 31**		
	2015	**2014**		**2015**	**2014**	
Pre-tax profit or loss	$ (356)	$ (87)	i	$ (13,215)	$ (6,945)	ii
Pre-tax equity	76,722	73,797	iii	(2,159)	(3,310)	iii

	VND Impact		
	For the Year Ended December 31		
	2015	**2014**	
Pre-tax profit or loss	$ (3,254)	$(12,971)	i
Pre-tax equity	-	-	

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

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

iii. This was attributable to other financial assets, which were designated as hedging instruments 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 and its subsidiaries were exposed to interest rate risk because the Corporation and its subsidiaries borrowed funds at both fixed and floating interest rates. The risk is managed by the Corporation and its subsidiaries by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts.

The carrying amounts of the Corporation and its subsidiaries’ financial liabilities with exposure to interest rates at the balance sheet date were as follows:

	December 31	
	2015	**2014**
Fair value interest rate risk		
Financial liabilities	$ 131,180,631	$ 117,955,561
Cash flow interest rate risk		
Financial liabilities	165,536,582	158,339,323

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation and its subsidiaries’ pre-tax profit would have been lower/higher by NT$1,655,366 thousand and NT$1,583,393 thousand, respectively, for the years ended December 31, 2015 and 2014.

c) Other price risk

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

If equity prices had been 1% higher/lower, the pre-tax profit for the years ended December 31, 2015 and 2014 would have been higher/lower by NT$28,653 thousand and NT$48,641 thousand, respectively, as a result of the fair value changes of financial assets at fair value through profit or loss, and the pre-tax other comprehensive income for the year ended December 31, 2015 and 2014 would have been higher/lower by NT$89,945 thousand and NT$111,248 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

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

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

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

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

As of December 31, 2015, the maximum credit risk of off-balance-sheet guarantees provided to investees of co-investment for procurement compliance was NT$2,491,772 thousand.

3) Liquidity risk

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

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

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

	Less Than 1 Year	**1-5 Years**	**Over 5 Years**	**Total**
December 31, 2015				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 26,716,047	$ 266,151	$ -	$ 26,982,198
Variable interest rate liabilities	60,868,212	104,633,944	4,326,170	169,828,326
Fixed interest rate liabilities	38,695,303	47,483,128	55,609,781	141,788,212
Financial guarantee liabilities	2,491,772	-	-	2,491,772
	$ 128,771,334	$ 152,383,223	$ 59,935,951	$ 341,090,508
December 31, 2014				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 32,971,821	$ 145,279	$ -	$ 33,117,100
Variable interest rate liabilities	55,150,465	102,854,300	5,619,154	163,623,919
Fixed interest rate liabilities	30,622,779	35,702,021	63,098,950	129,423,750
Financial guarantee liabilities	2,435,424	-	-	2,435,424
	$ 121,180,489	$ 138,701,600	$ 68,718,104	$ 328,600,193

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

33. TRANSACTIONS WITH RELATED PARTIES

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

a. Operating revenues

Account Items	Related Parties Types	For the Year Ended December 31 2015	For the Year Ended December 31 2014
Revenue from sales of goods	The Corporation and its subsidiaries as key management personnel of other related parties	$ 3,320,845	$ 3,778,770
	Other related parties as key management personnel of subsidiaries	2,168,045	2,902,150
	Other related parties as supervisors of the Corporation and its subsidiaries	1,472,772	1,757,099
	Others	750,654	1,953,540
		$ 7,712,316	$ 10,391,559
Construction contract revenue	The Corporation and its subsidiaries as key management personnel of other related parties	$ 1,416,009	$ 1,155,144
	Others	719,932	153,473
		$ 2,135,941	$ 1,308,617

Sales to related parties were made under normal terms. The construction contracts undertaken by the Corporation and its subsidiaries with related parties were different from those with unrelated parties; therefore, the prices were not comparable. However, the collection terms have no material differences.

b. Purchase of goods

Related Parties Types	For the Year Ended December 31 2015	For the Year Ended December 31 2014
Companies with significant influence over subsidiaries	$ 1,770,244	$ 3,516,133
Other related parties as key management personnel of subsidiaries	261,610	206,123
Associates	199,708	221,434
Others	7,704	418,275
	$ 2,239,266	$ 4,361,965

Purchases from related parties were made under normal terms.

c. Receivables from related parties

Account Items	Related Parties Types	For the Year Ended December 31 2015	2014
Notes and accounts receivable	The Corporation and its subsidiaries as key management personnel of other related parties	$ 353,971	$ 327,329
	Other related parties as key management personnel of subsidiaries	290,424	391,629
	Others	61,807	178,235
		$ 706,202	$ 897,193

The subsidiary Chin Ecotek Corporation recognized the allowance for doubtful accounts in the amount of NT$4,856 thousand in 2013; in 2014, allowance was reversed when doubtful accounts in the amount of NT$3,609 thousand were collected. As of December 31, 2015 and 2014, the allowance for doubtful accounts amounted to NT$1,349 thousand and NT$5,026 thousand, respectively.

d. Payables to related parties

Account Items	Related Parties Types	For the Year Ended December 31 2015	2014
Notes and accounts payable	Companies with significant influence over subsidiaries	$ 199,274	$ 632,506
	Associates	27,588	30,259
	Other related parties as key management personnel of subsidiaries	21,696	26,589
	Others	7,573	357
		$ 256,131	$ 689,711

The outstanding payables to related parties were unsecured.

e. Disposal of other assets

		Price		Gain on Disposal	
		For the Year Ended December 31		For the Year Ended December 31	
Related Parties Types	Account Items	2015	2014	2015	2014
Associates	Intangible assets	$ -	$ 114,286	$ -	$ 94,366

The subsidiary, KRTC, acquired 25% equity of IPASS Corporation (IPASS) in the amount of NT$130,000 thousand through investment in cash of NT$10,000 thousand and transfer of intangible assets in February 2014. Gain on disposal of intangible assets, after deducting transaction cost of

NT$5,714 thousand, amounted to NT$94,366 thousand of which NT$23,259 thousand was deferred by the percentage of ownership and recognized as reduction in investments accounted for using equity method. The subsidiary ICSC further invested in IPASS for NT$40,000 thousand in February 2014, acquiring 7% equity, which increased the Corporation and its subsidiaries' total equity in IPASS to 32%. The subsidiaries KRTC and ICSC did not acquire the same percentage of ownership for further share issuance of IPASS in October 2014, which decreased the Corporation and its subsidiaries' total equity in IPASS to 23%.

f. Acquisition of financial assets - For the year ended December 31, 2015

Related Parties Types	**Account Item**	**Number of Shares (In Thousand)**	**Investee**	**Price**
The Corporation as key management personnel of other related parties	Investments accounted for using equity method	24,610	Taiwan Rolling Stock Co. Ltd.	$ 260,866

The acquisition price is based on the net value of Taiwan Rolling Stock Co., Ltd.

g. Others

Account Items	**Related Parties Types**	**For the Year Ended December 31**	
		2015	**2014**
Service and other revenues	The Corporation and its subsidiaries as key management personnel of other related parties	$ 674,758	$ 867,967
	Others	149,012	141,205
		$ 823,770	$ 1,009,172

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

Related Parties Types	**For the Year Ended December 31**	
	2015	**2014**
The Corporation as key management personnel of others		
Amount endorsed	$ 2,491,772	$ 2,435,424
Amount utilized	(2,491,772)	(2,435,424)
	$ -	$ -

i. 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	
	2015	**2014**
Short-term employee benefits	$ 64,451	$ 92,742
Post-employment benefits	1,337	2,286
	$ 65,788	$ 95,028

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2015	**2014**
Net property, plant and equipment	$ 121,602,388	$ 138,346,513
Time deposits (Note 16)	6,986,935	7,355,696
Shares (see a. below)	3,875,405	6,993,170
Pledged receivables (Note 16) (see b. below)	2,000,000	2,000,000
Net investment properties	1,537,613	1,551,118
	$ 136,002,341	$ 156,246,497

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

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

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 19, significant commitments and contingencies of the Corporation and its subsidiaries as of December 31, 2015 were as follows:

a. The Corporation and its subsidiaries provided letters of credits for NT$5.2 billion guaranteed by financial institutions for several construction lease, contracts and payment. Guarantee notes for NT$76.1 billion were provided to banks and owners for loans, purchase agreements and warranties.

b. Unused letters of credit for importation of materials and machinery amounted to NT$9.2 billion.

c. Property purchase and construction contracts for NT$9.2 billion were signed but not yet recorded.

d. Construction contracts for NT$41.6 billion were not yet being completed.

e. The Corporation and its subsidiaries entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, Mozambique, Russia, Japan, Philippines, Vietnam, Indonesia and domestic companies with contract terms of 1 to 10 years. Contracted annual purchases of 10,430,000 metric tons of coal, 22,400,000 metric tons of iron ore, and 3,340,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of December 31, 2015 were USD 3 billion (including 12,390,000 metric tons of coal, 46,390,000 metric tons of iron ore, and 1,040,000 metric tons of limestone).

f. In August 2014, the associate Chang-Chun Ceck Auto. Parts Co., Ltd. (CCCA) entered into a credit facility agreement with Chinatrust Commercial Bank for a EUR2,000 thousand import loan commitment. Under the agreement, the Corporation and its associates should collectively hold at least 30% of CCCA's issued shares and one seat in the board of directors. As of December 31, 2015, the Corporation indirectly held 38% equity of CCCA and one seat in the board of directors.

g. In November 2014, the associate Honley Auto. Parts Co., Ltd. (HAPC) entered into credit facility agreements for a NT$225,000 thousand factory building loan commitment and a JPY56,500 thousand import letter of credit loan commitment with Shanghai Commercial & Savings Bank. Under the agreement, the Corporation and its associates should collectively hold at least 30% of HAPC's issued shares and two seats in the board of directors. As of December 31, 2015, the Corporation held 49% equity of HAPC and two seats in the board of directors.

h. Endorsements/guarantees provided to the unconsolidated entities as of December 31, 2015 were as follows:

Endorsement/ Guarantee Provider	**Counterparty**	**Ending Balance**
China Steel Corporation	Sakura Ferroalloys Sdn. Bhd.	NT$ 2,491,772 thousand

36. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In January 2016, the subsidiary CSAPH invested USD329,135 thousand in Formosa Ha Tinh (Cayman) Limited, and the total shareholding increased from 19% to 25%. As the result, the investment in Formosa Ha Tinh (Cayman) Limited was reclassified from available-for-sale financial assets to investments accounted for using equity method.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation and its subsidiaries and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2015	**Foreign Currencies (In Thousands)**	**Exchange Rate**		**Carrying Amount (In Thousands of New Taiwan Dollars)**
Monetary financial assets				
USD	$ 417,063	32.8250	(USD:NTD)	$ 13,690,091
USD	23,966	1.3686	(USD:AUD)	786,676
USD	18,055	6.5716	(USD:RMB)	592,644
USD	4,301	23,446.4286	(USD:VND)	141,177
USD	3,441	4.4705	(USD:MYR)	112,941
JPY	7,595,738	0.2727	(JPY:NTD)	2,071,358
RMB	252,243	4.9950	(RMB:NTD)	1,259,956
EUR	13,209	35.8800	(EUR:NTD)	473,938
VND	231,629,211	0.00004	(VND:USD)	325,439
Non-monetary financial assets				
Available-for-sales financial assets				
USD	70,331	32.8250	(USD:NTD)	2,308,609
JPY	8,154,800	0.2727	(JPY:NTD)	2,223,814
MYR	236,080	7.3425	(MYR:NTD)	1,733,416
KRW	36,337,771	0.0281	(KRW:NTD)	1,021,091

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Associate accounted for using equity method				
USD	$ 268,800	1.3686	(USD:AUD)	$ 8,823,606
Monetary financial liabilities				
USD	804,600	32.8250	(USD:NTD)	26,411,008
USD	92,033	6.5716	(USD:RMB)	3,020,980
USD	110,000	66.1794	(USD:INR)	3,610,750
USD	18,368	23,446.4286	(USD:VND)	602,945
AUD	319,876	23.9850	(AUD:NTD)	7,672,234
JPY	10,718,095	0.2727	(JPY:NTD)	2,922,824
December 31, 2014				
Monetary financial assets				
USD	251,956	31.6500	(USD:NTD)	7,974,401
USD	15,558	6.2156	(USD:RMB)	492,413
USD	14,820	1.2218	(USD:AUD)	469,052
USD	3,960	22,607.1429	(USD:VND)	125,323
JPY	11,699,386	0.2646	(JPY:NTD)	3,095,657
VND	918,553,871	0.00005	(VND:USD)	1,308,939
RMB	175,493	5.0920	(RMB:NTD)	893,610
RMB	28,606	0.1609	(RMB:USD)	145,663
Non-monetary financial assets				
Available-for-sales financial assets				
USD	265,616	31.6500	(USD:NTD)	8,406,750
JPY	6,042,000	0.2646	(JPY:NTD)	1,598,713
MYR	178,360	8.6920	(MYR:NTD)	1,550,304
KRW	35,870,250	0.0292	(KRW:NTD)	1,047,411
Associate accounted for using equity method				
USD	270,600	1.2218	(USD:AUD)	8,564,690
Monetary financial liabilities				
USD	449,301	31.6500	(USD:NTD)	14,220,367
USD	103,030	6.2156	(USD:RMB)	3,260,886
USD	110,000	63.1989	(USD:INR)	3,481,500
USD	22,932	22,607.1429	(USD:VND)	725,795
USD	4,163	3.6413	(USD:MYR)	131,747
JPY	14,149,122	0.2646	(JPY:NTD)	3,743,858
AUD	284,884	25.9050	(AUD:NTD)	7,379,921

(Concluded)

The total realized and unrealized foreign exchange gains were NT$515,076 thousand and NT$655,830 thousand for the years ended December 31, 2015 and 2014, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the each entity.

38. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Reported segments of the Corporation and its subsidiaries were as follows:

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

a. Segment revenues and operating results

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

	Steel	Others	Adjustment and Elimination	Total
For the year ended December 31, 2015				
Revenues from external customers	$ 222,779,762	$ 62,274,114	$ -	$ 285,053,876
Inter-segment revenues	50,500,144	42,536,092	(93,036,236)	-
Segment revenues	$ 273,279,906	$ 104,810,206	$ (93,036,236)	$ 285,053,876
Segment profit	$ 2,246,671	$ 7,072,786	$ (1,203,926)	$ 8,115,531
Interest income	250,892	247,673	(72,191)	426,374
Financial costs	(3,420,484)	(373,685)	42,072	(3,752,097)
Share of the profit of associates	2,509,495	1,282,402	(3,589,050)	202,847
Other non-operating income and expenses	4,437,510	722,128	(646,683)	4,512,955
Profit before income tax	6,024,084	8,951,304	(5,469,778)	9,505,610
Income tax	(1,076,908)	(859,167)	49,884	(1,886,191)
Net profit for the year	$ 4,947,176	$ 8,092,137	$ (5,419,894)	$ 7,619,419
For the year ended December 31, 2014				
Revenues from external customers	$ 294,778,196	$ 71,732,501	$ -	$ 366,510,697
Inter-segment revenues	60,374,607	45,851,474	(106,226,081)	-
Segment revenues	$ 355,152,803	$ 117,583,975	$(106,226,081)	$ 366,510,697
Segment profit	$ 19,633,983	$ 10,055,399	$ 72,767	$ 29,762,149
Interest income	316,141	259,675	(64,652)	511,164
Financial costs	(3,546,218)	(283,025)	41,467	(3,787,776)
Share of the profit of associates	11,923,742	3,535,339	(14,853,145)	605,936
Other non-operating income and expenses	778,389	1,392,649	(715,663)	1,455,375
Profit before income tax	29,106,037	14,960,037	(15,519,226)	28,546,848
Income tax	(2,613,104)	(1,710,195)	(49,267)	(4,372,566)
Net profit for the year	$ 26,492,933	$ 13,249,842	$ (15,568,493)	$ 24,174,282

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

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

b. Segment total assets and liabilities

	For the Year Ended December 31	
	2015	2014
Segment assets		
Steel	$ 725,576,274	$ 741,842,358
Others	225,713,075	204,954,836
Adjustment and elimination	(273,150,333)	(264,057,174)
Consolidated total assets	$ 678,139,016	$ 682,740,020
Segment liabilities		
Steel	$ 302,903,168	$ 298,981,035
Others	70,199,106	64,828,118
Adjustment and Elimination	(15,688,091)	(15,713,367)
Consolidated total liabilities	$ 357,414,183	$ 348,095,786

c. Revenues from major products and services

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

	For the Year Ended December 31	
	2015	2014
Steel products	$ 225,757,645	$ 299,972,630
Non-ferrous materials	31,316,093	36,525,002
Construction contract revenues	18,147,093	19,659,886
Freight and service revenues	6,718,202	6,764,411
Others	3,114,843	3,588,768
	$ 285,053,876	$ 366,510,697

d. Geographical information

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

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

	Revenues from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2015	2014	2015	2014
Taiwan	$ 256,098,503	$ 333,905,599	$ 420,756,701	$ 434,816,333
Vietnam	12,264,881	13,678,001	19,592,808	20,073,229
Malaysia	7,970,797	9,337,103	1,888,608	2,200,986
China	5,416,148	6,208,768	4,592,024	4,586,185

(Continued)

	Revenues from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2015	2014	2015	2014
India	$ 944,910	$ -	$ 6,042,066	$ 5,133,015
Others	2,358,637	3,381,226	13,589,392	11,013,546
	$ 285,053,876	$ 366,510,697	$ 466,461,599	$ 477,823,294

(Concluded)

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

e. Information about major customers

No revenue from any individual customer exceeds 10% of the Corporation and its subsidiaries' total revenues for the years ended December 31, 2015 and 2014.