China Steel Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2016 and 2015 and Independent Auditors' Review Report

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan

Tel :+886 (2) 2545-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
China Steel Corporation

We have reviewed the accompanying consolidated balance sheets of China Steel Corporation (the "Corporation") and its subsidiaries as of June 30, 2016 and 2015, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2016 and 2015, and the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. Certain investments, which were accounted for using the equity method, in the consolidated financial statements as of June 30, 2016 and for the three months and six months then ended were reviewed by other independent accountants and our review report, insofar as it relates to the amounts and information disclosed, is based solely on the financial statements of the other independent accountants. Such investments accounted for using the equity method amounted to NT$35,056,864 thousand, representing 5% of the consolidated total assets, as of June 30, 2016, and the share of comprehensive income amounted to loss NT$717,630 thousand and NT$827,411 thousand, representing 12% and 14% of the consolidated total comprehensive income, for the three months and six months ended June 30, 2016.

We conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews and the reviewed financial statements of other independent accountants, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission ("FSC") of the Republic of China.

Deloitte & Touche

August 10, 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' review 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' review 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	June 30, 2016 (Reviewed) Amount	%	December 31, 2015 (Audited) Amount	%	June 30, 2015 (Reviewed) Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 16,018,237	2	$ 20,334,823	3	$ 19,682,666	3
Financial assets at fair value through profit or loss - current (Note 7)	4,041,242	1	3,441,885	-	5,906,816	1
Available-for-sale financial assets - current (Note 8)	2,841,827	-	3,839,902	1	6,382,636	1
Derivative financial assets for hedging - current (Note 10)	40,009	-	123,828	-	53,393	-
Notes receivable (Note 11)	1,136,166	-	1,206,786	-	1,285,475	-
Notes receivable - related parties (Notes 11 and 33)	234,166	-	258,005	-	269,849	-
Accounts receivable, net (Note 11)	10,394,116	2	10,578,187	2	10,057,859	1
Accounts receivable - related parties (Notes 11 and 33)	766,970	-	448,197	-	667,649	-
Amounts due from customers for construction contracts (Note 12)	9,075,099	1	8,767,343	1	8,885,424	1
Other receivables	1,284,721	-	1,453,760	-	1,895,585	-
Current tax assets	218,971	-	95,004	-	164,327	-
Inventories (Note 13)	64,435,054	10	68,906,548	10	79,385,403	12
Other financial assets - current (Notes 16 and 34)	14,070,469	2	12,191,202	2	12,334,854	2
Other current assets	3,727,244	1	3,496,706	1	4,890,016	1
Total current assets	128,284,291	19	135,142,176	20	151,861,952	22
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent (Note 8)	25,462,319	4	50,284,593	8	30,036,698	5
Held-to-maturity financial assets - noncurrent (Note 9)	275,358	-	285,963	-	247,262	-
Derivative financial assets for hedging - noncurrent (Note 10)	39,280	-	41,713	-	20,724	-
Debt investments with no active market - noncurrent (Notes 14 and 19)	2,295,846	-	2,014,061	-	1,887,804	-
Investments accounted for using equity method (Note 15)	50,003,428	8	15,207,682	2	13,698,189	2
Property, plant and equipment (Notes 17 and 34)	437,708,622	65	448,688,581	66	452,554,621	67
Investment properties (Notes 18 and 34)	10,717,429	2	10,108,189	2	9,739,424	2
Intangible assets (Note 30)	2,282,053	-	2,404,617	-	2,478,735	-
Deferred tax assets	5,229,594	1	5,558,156	1	5,539,377	1
Refundable deposits	565,974	-	479,287	-	457,090	-
Other financial assets - noncurrent (Notes 16 and 34)	2,582,819	-	2,663,786	-	2,515,930	-
Other noncurrent assets	6,177,382	1	5,260,212	1	8,166,732	1
Total noncurrent assets	543,340,104	81	542,996,840	80	527,342,586	78
TOTAL	$ 671,624,395	100	$ 678,139,016	100	$ 679,204,538	100

LIABILITIES AND EQUITY	June 30, 2016 (Reviewed) Amount	%	December 31, 2015 (Audited) Amount	%	June 30, 2015 (Reviewed) Amount	%
CURRENT LIABILITIES						
Short-term borrowings and bank overdraft (Notes 19 and 34)	$ 26,364,279	4	$ 34,386,947	5	$ 29,552,315	4
Short-term bills payable (Note 19)	43,040,338	6	31,641,286	5	33,545,534	5
Financial liabilities at fair value through profit or loss - current (Note 7)	1,756	-	1,525	-	4,312	-
Derivative financial liabilities for hedging - current (Note 10)	16,730	-	29,428	-	74,728	-
Notes payable	608,954	-	555,486	-	489,672	-
Accounts payable (Note 21)	9,632,444	1	7,898,460	1	8,271,852	1
Accounts payable - related parties (Notes 21 and 33)	433,451	-	256,131	-	391,098	-
Amounts due to customers for construction contracts (Note 12)	2,951,725	1	4,115,170	1	3,821,748	1
Other payables (Note 22)	29,027,160	4	19,351,699	3	42,281,255	6
Current tax liabilities	902,777	-	1,621,208	-	2,894,021	1
Provisions - current (Note 23)	3,984,659	1	3,158,369	-	2,572,603	-
Current portion of bonds payable (Note 20)	4,712,230	1	4,696,735	1	8,149,299	1
Current portion of long-term bank borrowings (Notes 19 and 34)	14,821,127	2	23,561,520	4	22,449,627	3
Other current liabilities	3,100,712	1	3,092,890	-	2,573,610	1
Total current liabilities	139,598,342	21	134,366,854	20	157,071,674	23
NONCURRENT LIABILITIES						
Derivative financial liabilities for hedging - noncurrent (Note 10)	60,812	-	57,412	-	46,442	-
Bonds payable (Note 20)	100,229,152	15	94,842,610	14	99,693,733	15
Long-term bank borrowings (Notes 19 and 34)	72,693,801	11	83,128,236	12	63,604,971	9
Long-term bills payable (Note 19)	21,383,112	3	24,459,879	4	17,081,714	3
Provisions - noncurrent (Note 23)	815,492	-	828,923	-	830,320	-
Deferred tax liabilities	12,246,743	2	12,417,475	2	12,492,878	2
Net defined benefit liabilities	5,813,562	1	5,967,987	1	5,512,244	1
Other noncurrent liabilities	1,339,464	-	1,344,807	-	1,224,704	-
Total noncurrent liabilities	214,582,138	32	223,047,329	33	200,487,006	30
Total liabilities	354,180,480	53	357,414,183	53	357,558,680	53
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 25 and 34)						
Share capital						
Ordinary shares	157,348,610	23	157,348,610	23	157,348,610	23
Preference shares	382,680	-	382,680	-	382,680	-
Total share capital	157,731,290	23	157,731,290	23	157,731,290	23
Capital surplus	37,639,612	6	37,612,027	5	37,246,857	5
Retained earnings						
Legal reserve	59,934,379	9	59,173,907	9	59,173,907	9
Special reserve	29,786,866	4	27,132,983	4	27,133,314	4
Unappropriated earnings	7,763,794	1	13,323,848	2	14,430,887	2
Total retained earnings	97,485,039	14	99,630,738	15	100,738,108	15
Other equity	7,343,961	1	7,924,408	1	8,250,785	1
Treasury shares	(8,576,842)	(1)	(8,577,644)	(1)	(8,577,124)	(1)
Total equity attributable to owners of the Corporation	291,623,060	43	294,320,819	43	295,389,916	43
NON-CONTROLLING INTERESTS	25,820,855	4	26,404,014	4	26,255,942	4
Total equity	317,443,915	47	320,724,833	47	321,645,858	47
TOTAL	$ 671,624,395	100	$ 678,139,016	100	$ 679,204,538	100

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

(With Deloitte & Touche review report dated August 10, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 26 and 33)	$ 72,332,708	100	$ 73,562,673	100	$ 137,291,251	100	$ 154,366,375	100
OPERATING COSTS (Notes 13 and 33)	60,618,424	84	66,305,252	90	121,405,752	88	137,243,952	89
GROSS PROFIT	11,714,284	16	7,257,421	10	15,885,499	12	17,122,423	11
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	-	-	(89)	-	-	-	(89)	-
REALIZED GROSS PROFIT	11,714,284	16	7,257,332	10	15,885,499	12	17,122,334	11
OPERATING EXPENSES								
Selling and marketing expenses	1,159,591	2	1,154,797	2	2,316,673	2	2,392,811	1
General and administrative expenses	1,766,214	2	1,692,996	2	3,328,477	2	3,396,502	2
Research and development expenses	525,716	1	481,471	1	1,038,067	1	993,174	1
Total operating expenses	3,451,521	5	3,329,264	5	6,683,217	5	6,782,487	4
PROFIT FROM OPERATIONS	8,262,763	11	3,928,068	5	9,202,282	7	10,339,847	7
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 27 and 33)	377,717	1	621,881	1	599,198	-	983,879	1
Other gains and losses (Notes 27 and 33)	(141,455)	-	930,385	1	486,202	-	927,367	-
Finance costs (Note 27)	(949,532)	(1)	(911,313)	(1)	(1,935,887)	(1)	(1,819,770)	(1)
Share of the profit (loss) of associates	(531,545)	(1)	(1,757)	-	(502,908)	-	175,260	-
Total non-operating income and expenses	(1,244,815)	(1)	639,196	1	(1,353,395)	(1)	266,736	-
PROFIT BEFORE INCOME TAX	7,017,948	10	4,567,264	6	7,848,887	6	10,606,583	7
INCOME TAX (Note 28)	667,323	1	1,251,303	1	767,915	1	2,495,993	2
NET PROFIT FOR THE PERIOD	6,350,625	9	3,315,961	5	7,080,972	5	8,110,590	5
OTHER COMPREHENSIVE INCOME (Notes 25 and 28)								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	(604,424)	(1)	(564,097)	(1)	(567,857)	(1)	(2,053,399)	(1)

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Unrealized gains and losses on available-for-sale financial assets	$ (113,990)	-	$ (1,281,837)	(2)	$ (128,298)	-	$ (1,018,020)	(1)
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(2,227)	-	(24,077)	-	(53,269)	-	(213,802)	-
Share of the other comprehensive income (loss) of associates	219,849	-	(120,944)	-	(267,755)	-	478,420	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	(6,586)	-	12,595	-	46,323	-	47,017	-
Other comprehensive income (loss) for the period, net of income tax	(507,378)	(1)	(1,978,360)	(3)	(970,856)	(1)	(2,759,784)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 5,843,247	8	$ 1,337,601	2	$ 6,110,116	4	$ 5,350,806	3
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Corporation	$ 5,280,179	7	$ 2,849,395	4	$ 5,762,325	4	$ 8,375,666	5
Non-controlling interests	1,070,446	2	466,566	1	1,318,647	1	(265,076)	-
	$ 6,350,625	9	$ 3,315,961	5	$ 7,080,972	5	$ 8,110,590	5
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Corporation	$ 4,971,418	7	$ 1,339,583	2	$ 5,181,878	4	$ 6,464,436	4
Non-controlling interests	871,829	1	(1,982)	-	928,238	-	(1,113,630)	(1)
	$ 5,843,247	8	$ 1,337,601	2	$ 6,110,116	4	$ 5,350,806	3
EARNINGS PER SHARE (Note 29)								
Basic	$ 0.34		$ 0.18		$ 0.37		$ 0.54	
Diluted	$ 0.34		$ 0.18		$ 0.37		$ 0.54	

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

(With Deloitte & Touche review report dated August 10, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation													
	Share Capital			Retained Earnings			Other Equity							
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge	Total Other Equity	Treasury Shares	Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2016	$ 157,348,610	$ 382,680	$ 37,612,027	$ 59,173,907	$ 27,132,983	$ 13,323,848	$ 1,198,796	$ 6,573,348	$ 152,264	$ 7,924,408	$ (8,577,644)	$ 294,320,819	$ 26,404,014	$ 320,724,833
Appropriation of 2015 earnings (Note 25)														
Legal reserve	-	-	-	760,472	-	(760,472)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	2,654,116	(2,654,116)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.5 per share	-	-	-	-	-	(7,867,430)	-	-	-	-	-	(7,867,430)	-	(7,867,430)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(233)	233	-	-	-	-	-	-	-	-
Net profit for the six months ended June 30, 2016	-	-	-	-	-	5,762,325	-	-	-	-	-	5,762,325	1,318,647	7,080,972
Other comprehensive income for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	-	(598,722)	36,984	(18,709)	(580,447)	-	(580,447)	(390,409)	(970,856)
Total comprehensive income for the six months ended June 30, 2016	-	-	-	-	-	5,762,325	(598,722)	36,984	(18,709)	(580,447)	-	5,181,878	928,238	6,110,116
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,511,397)	(1,511,397)
Adjustment of other equity	-	-	27,585	-	-	12,981	-	-	-	-	802	41,368	-	41,368
BALANCE AT JUNE 30, 2016	$ 157,348,610	$ 382,680	$ 37,639,612	$ 59,934,379	$ 29,786,866	$ 7,763,794	$ 600,074	$ 6,610,332	$ 133,555	$ 7,343,961	$ (8,576,842)	$ 291,623,060	$ 25,820,855	$ 317,443,915
BALANCE AT JANUARY 1, 2015	$ 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$1.0 per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	(15,734,861)	-	(15,734,861)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(18)	18	-	-	-	-	-	-	-	-
Net profit (loss) for the six months ended June 30, 2015	-	-	-	-	-	8,375,666	-	-	-	-	-	8,375,666	(265,076)	8,110,590
Other comprehensive income for the six months ended June 30, 2015, net of income tax	-	-	-	-	-	-	(819,628)	(919,759)	(171,843)	(1,911,230)	-	(1,911,230)	(848,554)	(2,759,784)
Total comprehensive income for the six months ended June 30, 2015	-	-	-	-	-	8,375,666	(819,628)	(919,759)	(171,843)	(1,911,230)	-	6,464,436	(1,113,630)	5,350,806
Disposal of the Corporation's shares held by subsidiaries	-	-	(707)	-	-	-	-	-	-	-	9,263	8,556	4,769	13,325
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,604,833)	(2,604,833)
Adjustment of other equity	-	-	29,688	-	-	-	-	-	-	-	1,074	30,762	-	30,762
BALANCE AT JUNE 30, 2015	$ 157,348,610	$ 382,680	$ 37,246,857	$ 59,173,907	$ 27,133,314	$ 14,430,887	$ (87,159)	$ 8,363,595	$ (25,651)	$ 8,250,785	$ (8,577,124)	$ 295,389,916	$ 26,255,942	$ 321,645,858

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

(With Deloitte & Touche review report dated August 10, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 7,848,887	$ 10,606,583
Adjustments for:		
Depreciation expense	17,915,806	17,946,555
Amortization expense	185,234	164,607
Net gain on financial assets and liabilities at fair value through profit or loss	(32,997)	(121,141)
Finance costs	1,935,887	1,819,770
Interest income	(160,652)	(224,172)
Dividend income	(132,941)	(124,703)
Share of the loss (profit) of associates	474,077	(200,832)
Loss (gain) on disposal of property, plant and equipment	(556,209)	32,330
Gain on disposal of intangible assets	(1,370)	(1,206)
Gain on disposal of investments	(871,788)	(162,620)
Increase (decrease) in provision for loss on inventories	(2,700,882)	2,154,190
Recognition of provisions	4,790,108	2,387,950
Impairment loss (reversal of impairment)	22,585	(1,104,022)
Others	18,042	29,224
Changes in operating assets and liabilities		
Financial instruments held for trading	(562,234)	271,880
Notes receivable	70,620	(41,708)
Notes receivable - related parties	23,839	(107,647)
Accounts receivable	166,937	755,722
Accounts receivable - related parties	(318,773)	67,342
Amounts due from customers for construction contracts	(307,756)	(1,571,942)
Other receivables	226,021	(242,207)
Inventories	7,172,376	(336,425)
Other current assets	(230,538)	867,186
Notes payable	53,468	(895,110)
Notes payable - related parties	-	(88)
Accounts payable	1,733,984	(631,668)
Accounts payable - related parties	177,320	(298,525)
Amounts due to customers for construction contracts	(1,163,445)	(1,581,290)
Other payables	1,437,012	3,952,093
Provisions	(3,980,699)	(3,816,191)
Other current liabilities	(589,951)	(697,973)
Net defined benefit liabilities	(154,425)	8,343
Cash generated from operations	32,487,543	28,904,305
Income taxes paid	(1,451,204)	(4,171,713)
Net cash generated from operating activities	31,036,339	24,732,592

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	$ (1,827,678)	$ (3,298,241)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	1,941,253	2,569,609
Acquisition of available-for-sale financial assets	(1,367,299)	(1,689,132)
Proceeds from disposal of available-for-sale financial assets	2,407,174	1,177,737
Proceeds from the capital reduction on available-for-sale financial assets	-	85,426
Purchases of debt investments with no active market	(24,654)	(45,441)
Proceeds from disposal of debt investments with no active market	20,742	848,915
Acquisition of held-to-maturity financial assets	(19,480)	(30,216)
Proceeds from disposal of held-to-maturity financial assets	25,784	-
Acquisition of investments accounted for using equity method	(11,096,350)	(29,249)
Proceeds from disposal of investments accounted for using equity method	177,058	-
Acquisition of property, plant and equipment	(8,608,573)	(12,970,008)
Proceeds from disposal of property, plant and equipment	838,032	70,868
Increase in refundable deposits	(86,687)	(20,257)
Acquisition of intangible assets	(16,417)	(112,099)
Acquisition of investment properties	(101,275)	(237,422)
Decrease (increase) in other financial assets	(1,744,800)	1,308,451
Decrease (increase) in other noncurrent assets	147,055	(738,172)
Interest received	182,118	234,815
Dividends received from associates	161,684	105,357
Dividends received from others	111,023	54,687
Net cash used in investing activities	(18,881,290)	(12,714,372)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	114,912,012	111,203,839
Repayments of short-term borrowings	(120,403,930)	(111,239,598)
Increase in short-term bills payable	11,399,052	13,433,438
Issuance of bonds payable	5,400,000	10,000,000
Proceeds from long-term bank borrowings	33,737,175	11,908,221
Repayments of long-term bank borrowings	(52,362,990)	(31,975,392)
Proceeds from long-term bill payable	92,680,601	89,847,321
Repayments of long-term bill payable	(95,757,368)	(92,785,019)
Decrease (increase) in other noncurrent liabilities	(2,581)	155,199
Dividends paid to owners of the Corporation	(1,404)	(3,627)
Disposal of the Corporation's shares held by subsidiaries	-	13,325

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2016	**2015**
Interest paid	$ (2,049,194)	$ (1,844,718)
Decrease in non-controlling interests	(1,511,397)	(2,604,833)
Net cash used in financing activities	(13,960,024)	(3,891,844)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(308,063)	(1,105,339)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,113,038)	7,021,037
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	17,054,940	10,659,657
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 14,941,902	$ 17,680,694
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2016 and 2015:		
Cash and cash equivalents in the consolidated balance sheets	$ 16,018,237	$ 19,682,666
Bank overdraft	(1,076,335)	(2,001,972)
Cash and cash equivalents in the consolidated statements of cash flows	$ 14,941,902	$ 17,680,694

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

(With Deloitte & Touche review report dated August 10, 2016)

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The shares of the Corporation and its subsidiaries, including China Steel Structure Co., Ltd., China Steel Chemical Corporation, CHC Resources Corporation, China 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 June 30, 2016, 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 reported to the Corporation's board of directors and approved for issue on August 10, 2016.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application from 2017.

   Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") for application starting January 1, 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	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)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
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 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date 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 to changes in a method of disposal that occur in 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, the initial application of the above IFRSs in 2017 would not have any material impact on the Corporation and its subsidiaries' accounting policies:

1) Amendment to IFRS 3 "Business Combinations"

IFRS 3 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle 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 IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combination with acquisition date on or after January 1, 2017.

IFRS 3 was also amended by the Annual Improvements to IFRSs: 2011-2013 Cycle 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 amendment will be applied prospectively starting from January 1, 2017.

2) Amendment to IFRS 8 "Operating Segments"

IFRS 8 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to require disclosure of 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 Corporation and its subsidiaries' assets should only be provided if the segments' assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

3) Amendment to IFRS 11 “Joint arrangements”

The amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations” requires an acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, to apply all of the principles of accounting for business combinations in IFRS 3, the Corporation and its subsidiaries shall measure most identifiable assets and liabilities at fair value, expense acquisition-related costs (other than debt or equity issuance costs), recognize deferred taxes, perform impairment tests for the cash generating units to which goodwill has been allocated, and disclose required information relevant for business combinations. The amendment also applies to the formation of a joint operation if, and only if, an existing business is contributed to the joint operation on its formation by one of the parties that participate in the joint operation.

The amendment does not apply to acquisition of an interest in a joint operation when the parties sharing control are under common control before and after the acquisition.

The above amendment will be applied to interest in joint operations acquired on or after January 1, 2017. Amounts of interest in joint operations acquired in prior periods are not adjusted.

4) Amendments to IFRS 13 “Fair Value Measurement”

The basis for conclusions of IFRS 13 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle to clarify that when the amendment becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial. Otherwise, the material effect of discounting will be adjusted retrospectively.

IFRS 13 was also amended by the Annual Improvements to IFRSs: 2011-2013 Cycle to clarify that the scope in IFRS 13 of the portfolio exception for measuring the fair value of a Corporation and its subsidiaries of financial assets and financial liabilities on a net basis 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.

5) Amendments to IAS 16 “Property, Plant and Equipment”

The amendment “Clarification of Acceptable Methods of Depreciation and Amortization” amended IAS 16 to stipulate that the Corporation and its subsidiaries should use appropriate depreciation method to reflect the pattern in which the future economic benefits of property, plant and equipment are expected to be consumed by the Corporation and its subsidiaries. It stipulates 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.

6) Amendment to IAS 24 “Related Party Disclosures”

IAS 24 was amended by the Annual Improvements to IFRSs: 2010-2012 Cycle 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 is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required. When the amendment becomes effective in 2017, a company which provides key management personnel services to the Corporation and its subsidiaries will be treated retrospectively as a related party and disclosed accordingly.

7) Amendment to IAS 36 “Impairment of Assets”

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

8) Amendment to IAS 38 “Intangible assets”

The amendment “Clarification of Acceptable Methods of Depreciation and Amortization” amended IAS 38 to stipulate that the Corporation and its subsidiaries should use appropriate amortization method to reflect the pattern in which the future economic benefits of the intangible assets are expected to be consumed by the Corporation and its subsidiaries. It clarifies 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.

9) Amendment to IAS 40 “Investment Property”

IAS 40 was amended by the Annual Improvements to IFRSs: 2011-2013 Cycle 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.
The anticipated impact of applying the amended IAS 40 starting from 2017 is subject to evaluation.

As of the date the consolidated financial statements were reported to the board of directors 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.

b. New IFRSs in issue but not yet endorsed by the FSC

The FSC announced that the Corporation and its subsidiaries 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 IFRSs.

The Corporation and its subsidiaries have not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note)
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

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

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Corporation and its subsidiaries accounting policies, except for the following:

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 requirement for the classification of financial assets is stated below.

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

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

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

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

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be 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.

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

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the Corporation and its subsidiaries' risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way 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 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 sells or contributes 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 loses 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 sells or contributes 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 loses 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.

3) IFRS 15 "Revenue from Contracts with Customers" and related amendment

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2018.

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

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Corporation and its subsidiaries satisfies a performance obligation.

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

When IFRS 15 and related amendment are 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.

4) 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 is a lessee, it 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.

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

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

In addition, in determining whether to recognize a deferred tax asset, the Corporation and its subsidiaries should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The 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 the higher amount, 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 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 IAS 34 "Interim Financial Reporting" endorsed by the FSC. The consolidated financial statements do not present full disclosures required for a complete set of IFRSs annual consolidated financial statements.

b. Basis of consolidation

1) Subsidiaries included in consolidated financial statements

The consolidated entities were as follows:

			Percentage of Ownership (%)			
Investor	**Investee**	**Main Businesses**	**June 30, 2016**	**December 31, 2015**	**June 30, 2015**	**Additional Descriptions**
China Steel Corporation	China Steel Express Corporation (CSE)	Ocean freight forwarding and bulk shipping transportation	100	100	100	
	C. S. Aluminium Corporation (CSAC)	Production and sale of aluminum and other non-ferrous metal	100	100	100	
	Gains Investment Corporation (GIC)	General investment	100	100	100	
	China Prosperity Development Corporation (CPDC)	Land and commercial real estate sale, rental and development service	100	100	100	
	China Steel Asia Pacific Holdings Pte Ltd (CSAPH)	Investment holding company	100	100	100	
	China Steel Global Trading Corporation (CSGT)	Steel product agency and trading service	100	100	100	
	China Steel Machinery Corporation	Manufacture and sale of machinery and equipment for railroad, transportation and generator	74	74	74	Direct and indirect ownerships amounted to 100%
	China Steel Security Corporation	Guard security and system security	100	100	100	
	Info-Champ Systems Corporation (ICSC)	Design and sale of IT hardware and software	100	100	100	
	CSC Steel Australia Holdings Pty Ltd. (CSCAU)	Investment holding company	100	100	100	
	Himag Magnetic Corporation	Manufacture and sale of magnetic material, special usage chemicals and ferric iron oxide	69	69	50	Direct and indirect ownerships amounted to 88%
	Dragon Steel Corporation (DSC)	Manufacture and sale of steel product	100	100	100	
	China Steel Management Consulting Corporation	Business management consultant	100	100	100	
	China Ecotek Corporation (CEC)	Electrical engineering and co-generation	45	45	45	Refer to 1) below

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) June 30, 2016	December 31, 2015	June 30, 2015	Additional Descriptions
	China Steel Chemical Corporation (CSCC)	Production and sale of coal chemistry and specialty chemicals	29	29	29	Refer to 1) below
	Chung Hung Steel Corporation Ltd. (CHSC)	Manufacture and sale of steel product	41	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	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	33	Direct and indirect ownerships amounted to 37%, and refer to 1) below
	China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Manufacture and sale of steel product	56	56	51	
	China Steel Corporation India Pvt. Ltd. (CSCI)	Manufacture and sale of steel product (electromagnetic steel coil)	100	100	100	
	Kaohsiung Rapid Transit Corporation (KRTC)	Operation of mass rapid transit	43	43	43	Direct and indirect ownerships amounted to 50%
	China Steel Resources Corporation	Disposal and process of waste	100	100	100	
	CSC Precision Metal Industrial Corporation	Metal processing	100	100	100	
	Eminent Venture Capital Corporation (EVCC)	General investment	-	-	-	Indirect ownership was 55%
	White Biotech Corporation (WBC)	Biology introduction and development	87	87	-	Increased investment and included in the consolidated entities in July 2015. Refer to Note 30.
China Steel Express Corporation	CSE Transport Corporation (Panama) (CSEP)	Ocean freight forwarding	100	100	100	
	CSEI Transport Corporation (Panama) (CSEIP)	Ocean freight forwarding	100	100	100	
	Transyang Shipping Pte. Ltd. (TSP)	Ocean freight forwarding	51	51	51	
	Transglory Investment Corporation (TIC)	General investment	50	50	50	Direct and indirect ownerships amounted to 100%
	Kaohsiung Port Cargo Handling Services Corp.	Cargo Stevedoring	66	66	66	
C.S. Aluminium Corporation	ALU Investment Offshore Corporation	Industry investment	100	100	100	
ALU Investment Offshore Corporation	United Steel International Development Corp.	General investment	65	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	100	
Gains Investment Corporation	Eminence Investment Corporation	General investment	100	100	100	
	Gainsplus Asset Management Inc.	General investment	100	100	100	
	Winning Investment Corporation (WIC)	General investment	49	49	-	Direct and indirect ownerships amounted to 58%
	Mentor Consulting Corporation	Management and general investment consulting service	100	100	100	
	Betacera Inc. (BETA)	Manufacture and trading of electronic ceramics	48	48	48	Refer to 1) below
	Universal Exchange Inc.	Wholesale of information software and electronic information supply service	64	64	64	Direct and indirect ownerships amounted to 99%
	Thintech Materials Technology Co., Ltd. (TMTC)	Manufacture and sale of metal sputter targets	32	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	30	Direct and indirect ownerships amounted to 100%
	Gau Ruel Investment Corporation	General investment	25	25	25	Direct and indirect ownerships amounted to 100%
	Ding Da Investment Corporation	General investment	30	30	30	Direct and indirect ownerships amounted to 100%
	Chiun Yu Investment Corporation	General investment	25	25	25	Direct and indirect ownerships amounted to 100%
Shin-Mau Investment Corporation	Horng Chyuan Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
	Chii Yih Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
Gau Ruel Investment Corporation	Lih Ching Loong Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
	Sheng Lih Dar Investment Corporation	General investment	4	4	4	Direct and indirect ownerships amounted to 100%

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) June 30, 2016	December 31, 2015	June 30, 2015	Additional Descriptions
Ding Da Investment Corporation	Jiing Cherng Fa Investment Corporation	General investment	4	4	4	Direct and indirect ownerships amounted to 100%
Betacera Inc.	Lefkara Ltd.	Electronic ceramics trading	100	100	100	
Lefkara Ltd.	Shang Hai Xike Ceramic Electronic Co., Ltd.	Electronic ceramics trading	100	100	100	
	Betacera (Su Zhou) Co., Ltd.	Manufacture and sale of electronic ceramics	100	100	100	
	Suzhou Betacera Technology Co., Ltd.	Manufacture and sale of life-saving equipment for aviation and shipping	100	100	100	
Thintech Materials Technology Co., Ltd.	Thintech International Limited	International trading and investment service	100	100	100	
	Thintech Global Limited	International trading and investment service	100	100	100	
	Thintech United Limited	International trading and investment service	100	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	47	Refer to 1) below
Thintech Global Limited	Taicang Thintech Materials Co., Ltd.	Process and sale of targets and electro conduction slurry	100	100	100	
Thintech United Limited	Thintech United Metal Resources (Taicang) Co., Ltd.	Refining, sale and process of metal	84	84	84	
China Prosperity Development Corporation	CK Japan Co., Ltd.	Real estate sale and rental	80	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	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	70	
	Qingdao China Steel Precision Metals Co., Ltd.	Steel cutting and processing	60	60	60	Direct and indirect ownerships amounted to 70%
	United Steel International Co., Ltd.	General investment	80	80	80	Direct and indirect ownerships amounted to 100%
	CSC Bio-Coal Sdn. Bhd.	Manufacture bio-coal from bio-mass	100	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	100	
	Group Steel Corp. (M) Sdn. Bhd.	Manufacture and sale of steel product	100	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	100	
United Steel International Co., Ltd.	United Steel Engineering and Construction Co., Ltd.	Steel cutting and processing	100	100	100	
China Steel Global Trading Corporation	Chung Mao Trading (SAMOA) Co., Ltd.	Investment and trading service	100	100	100	
	CSGT (Singapore) Pte. Ltd.	Steel product agency and trading service	100	100	100	
	Chung Mao Trading (BVI) Co., Ltd.	Steel product agency and trading service	65	53	53	
	Wabo Global Trading Corporation	Steel product agency and trading service	44	44	44	Direct and indirect ownerships amounted to 50%
	CSGT International Corporation	Investment and trading service	100	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	100	
Chung Mao Trading (BVI) Co., Ltd.	CSGT Hong Kong Limited	Steel product agency and trading service	100	100	100	
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company	Steel cutting and processing	54	54	45	Direct and indirect ownerships amounted to 60%
	CSGT Trading India Private Limited	Steel trading	99	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	100	
China Steel Machinery Corporation	China Steel Machinery Holding Corporation	General investment	100	100	100	
	China Steel Machinery Vietnam Co., Ltd.	Installation of machinery and equipment, and technology service	100	100	100	
	China Steel Machinery Corporation India Private Limited	Manufacture of machinery	99	99	99	Direct and indirect ownerships amounted to 100%
China Steel Machinery Holding Corporation	CSMC (Shanghai) Global Trading Co., Ltd.	International business	100	100	100	
China Steel Security Corporation	Steel Castle Technology Corporation	Firefighting equipment wholesaling	100	100	100	
	China Steel Management and Maintenance for Building Corporation	Building management	100	100	100	
Info-Champ Systems Corporation	Info-Champ System (B.V.I.)	Information service	100	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) June 30, 2016	December 31, 2015	June 30, 2015	Additional Descriptions
Info-Champ System (B.V.I.)	Wuham InfoChamp I.T. Co., Ltd.	Software programming	100	100	100	
CSC Steel Australia Holdings Pty Ltd.	CSC Sonoma Pty. Ltd.	Coal investment	100	100	100	
Himag Magnetic Corporation	Himag Magnetic (Belize) Corporation	Magnetic powder trading	100	100	100	
	MagnPower Corporation	Permanent magnetic ferrite	55	55	50	
China Ecotek Corporation	CEC International Corp.	General investment	100	100	100	
	CEC Development Co.	General investment	100	100	100	
	CEC Holding Co., Ltd.	General investment and holdings	100	100	100	
	China Ecotek Construction Corporation	Construction, interior design and decoration, and retail and wholesale of building materials	100	100	100	
CEC International Corp.	China Ecotek India Private Limited	Planning, maintenance and management of eco-construction and eco-equipment	100	100	100	
CEC Development Co.	China Ecotek Vietnam Company Ltd. (CEVC)	Engineering design and construction	100	100	100	
	Xiamen Ecotek PRC Co., Ltd.	Metal materials agency and trading service	100	100	100	
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	International trading	100	100	100	
	Ever Wealthy International Corporation	General investment	100	100	100	
	Formosa Ha Tinh CSCC (Cayman) International Limited	International trading	50	-	-	Investment in February 2016
Ever Wealthy Investment Corporation	China Steel Carbon Materials Technology Co., Ltd.	General investment	100	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	100	
Chung Hung Steel Corporation Ltd.	Taiwan Steel Corporation (TSC)	Metal smelting	100	100	100	
	Hung Kao Investment Corporation	General investment	100	100	100	
	Hung Li Steel Corporation Ltd. (HLSC)	Steel product processing	100	100	100	
CHC Resources Corporation	Union Steel Development Corp.	Manufacture and trading of metal powder and ore powder, and gift trading	93	93	93	
	Pao Good Industrial Co., Ltd.	Slag powder, fly ash and cement dry mixing processing and trading	51	51	51	
	Yu Cheng Lime Corporation	Manufacture of other non-metal mineral product and land lease	90	90	90	
	Formosa Ha Tinh CHC Resources Co., Ltd.	Sale of water quenched slag	85	-	-	Investment in April 2016
China Steel Structure Co., Ltd.	United Steel Constructure Corporation (USCC)	Contract project of civil engineering and construction engineering, and steel structure installation	100	100	100	
	China Steel Structure Investment Pte Ltd.	General investment	100	100	100	
United Steel Constructure Corporation	United Steel Investment Pte. Ltd.	General investment	100	100	100	
	United Steel Construction (Vietnam) Co., Ltd.	Civil engineering construction and other business contract and management	100	100	100	
	United Steel Development Co., Ltd.	House and construction development and real estate rental business	100	100	100	
China Steel Structure Investment Pte Ltd.	China Steel Structure Holding Co., Ltd.	General investment	63	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	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	100	
White Biotech Corporation (WBC)	Renewable Energy Biotech Corp.	Manufacture and sale of alcohol	100	-	-	Investment in June 2016

(Concluded)

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

a) The actual operations of CEC, CSCC, CHSC, CHC, CSSC, 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.

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

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

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

d. Other significant accounting policy

Except for the following, please refer to the summary of significant accounting policy in the consolidated financial statements for the year ended December 31, 2015.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated on an interim period's pre-tax income by applying to the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2015.

6. CASH AND CASH EQUIVALENTS

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand	$ 47,429	$ 47,262	$ 47,527
Checking accounts and demand deposits	10,896,133	14,741,944	15,061,408
Cash equivalents			
Commercial papers with repurchase agreements	2,008,179	362,868	181,146
Time deposits (investments with original maturities less than three months)	3,066,496	5,162,769	4,362,585
Bonds with repurchase agreements	-	19,980	30,000
	$ 16,018,237	$ 20,334,823	$ 19,682,666

Cash and cash equivalents shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated balance sheets. The reconciliation information as of June 30, 2016 and 2015 was shown in the consolidated statements of cash flows; the reconciliation information as of December 31, 2015 was as follows:

	December 31, 2015
Cash and cash equivalents	$ 20,334,823
Bank overdraft	(3,279,883)
	$ 17,054,940

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2016	December 31, 2015	June 30, 2015
Financial assets at FVTPL - current			
Financial assets designated as at FVTPL			
Mutual funds	$ 1,762,779	$ 1,754,204	$ 3,395,834
Listed shares	30,655	29,575	33,413
Structured notes	-	66,221	40,117
	1,793,434	1,850,000	3,469,364
Financial assets held for trading			
Mutual funds	955,863	549,567	1,009,726
Listed shares	828,259	531,937	1,050,062
Convertible bonds	231,643	264,480	115,899
Emerging market shares	231,261	245,455	258,610
Foreign exchange forward contracts (b)	782	446	3,155
	2,247,808	1,591,885	2,437,452
	$ 4,041,242	$ 3,441,885	$ 5,906,816
Financial liabilities at FVTPL - current			
Financial liabilities designated as at FVTPL			
Call and put options (Note 20)	$ 549	$ 483	$ 3,323
Financial liabilities held for trading			
Futures contracts (a)	1,207	429	-
Foreign exchange forward contracts (b)	-	613	989
	1,207	1,042	989
	$ 1,756	$ 1,525	$ 4,312

a. The subsidiary Thintech United Metal Resources (Taicang) Co., Ltd. entered into precious metals futures contracts to manage fair value exposures arising from price fluctuation on precious metals. However, some of those contracts did not accounted for by using hedge accounting. As of June 30, 2016 and December 31, 2015, the outstanding precious metals futures contracts were as follows:

Maturity Date	Weight (Kilograms)	Amount (In thousands)
June 30, 2016		
December 15, 2016	1,305	$ 24,273 (RMB 5,010 thousand)
December 31, 2015		
June 15, 2016	780	12,405 (RMB 2,484 thousand)

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

	Currency	Maturity Date	Contract Amount (In Thousands)
June 30, 2016			
Sell	USD/NTD	September 2016	USD3,627/NTD117,694
December 31, 2015			
Buy	NTD/USD	January 2016	NTD24,353/USD750
Sell	USD/NTD	February 2016	USD2,127/NTD69,692
June 30, 2015			
Buy	NTD/USD	September 2015-November 2015	NTD92,335/USD3,080
Sell	USD/NTD	August 2015	USD5,631/NTD173,931
Sell	EUR/NTD	August 2015	EUR2,002/NTD69,886

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Current			
Domestic investments			
Listed shares	$ 2,218,594	$ 2,752,213	$ 4,831,825
Mutual funds	615,157	1,076,845	1,542,223
Unlisted shares	5,662	5,683	5,538
	2,839,413	3,834,741	6,379,586
Foreign investments			
Listed shares	2,414	5,161	3,050
	$ 2,841,827	$ 3,839,902	$ 6,382,636

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
Noncurrent			
Domestic investments			
Emerging market shares and unlisted shares	$ 6,196,585	$ 5,629,981	$ 6,497,257
Listed shares	2,642,658	2,652,081	2,725,091
Private-placement shares of listed companies	193,291	261,958	266,472
	9,032,534	8,544,020	9,488,820
Foreign investments			
Unlisted shares	13,028,924	38,475,777	17,765,813
Listed shares	2,576,153	2,246,269	1,829,899
Certificate of entitlement	824,708	1,018,527	952,166
	16,429,785	41,740,573	20,547,878
	$ 25,462,319	$ 50,284,593	$ 30,036,698

(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.

In August 2015 and January 2016, the subsidiary CSAPH invested USD610,000 thousand and USD329,135 thousand in Formosa Ha Tinh (Cayman) Limited and increased the total shareholding from 5% to 19% and 19% to 25%, respectively. As the result, the investment was reclassified from available-for-sale financial assets to investments accounted for using equity method (Note 15).

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.

In June 2015, the Corporation prepaid the investment of NT$163,985 thousand (USD5,320 thousand) in Sakura Ferroalloys Sdn. Bhd. The Corporation has received 52,200 thousand preference C shares of Sakura Ferroalloys Sdn. Bhd. in July 2015.

9. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	June 30, 2016	December 31, 2015	June 30, 2015
Structured notes	$ 143,285	$ 176,937	$ 168,213
Guarantee debt certificates	84,108	118,376	113,256
Corporate bonds	47,965	54,695	29,838
	275,358	350,008	311,307
Less: Accumulated impairment	-	64,045	64,045
	$ 275,358	$ 285,963	$ 247,262

10. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2016	December 31, 2015	June 30, 2015
Derivative financial assets for hedging - current			
Foreign exchange forward contracts (a)	$ 40,009	$ 123,828	$ 53,393
Derivative financial assets for hedging - noncurrent			
Foreign exchange forward contracts (a)	$ 39,280	$ 41,713	$ 20,724
Derivative financial liabilities for hedging - current			
Foreign exchange forward contracts (a)	$ 11,739	$ 29,428	$ 74,728
Interest rate swap contracts (b)	4,991	-	-
	$ 16,730	$ 29,428	$ 74,728
Derivative financial liabilities for hedging - noncurrent			
Foreign exchange forward contracts (a)	$ 11,033	$ 512	$ 26,650
Interest rate swap contracts (b)	49,779	56,900	19,792
	$ 60,812	$ 57,412	$ 46,442

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 balance sheet date were as follows:

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
June 30, 2016			
Buy	NTD/USD	July 2016-February 2020	NTD1,873,361/USD59,357
Buy	NTD/EUR	July 2016-October 2018	NTD628,282/EUR17,434
Buy	NTD/JPY	July 2016-December 2019	NTD185,909/JPY686,735
Buy	NTD/RMB	November 2016	NTD9,161/RMB1,875
Sell	USD/NTD	July 2016-September 2016	USD120/NTD3,888
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

(Continued)

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
June 30, 2015			
Buy	NTD/USD	July 2015-December 2018	NTD1,475,143/USD50,222
Buy	NTD/EUR	July 2015-December 2017	NTD1,144,002/EUR30,648
Buy	NTD/JPY	July 2015-December 2019	NTD256,884/JPY947,685
Sell	JPY/NTD	August 2015	JPY200,000/NTD50,416

(Concluded)

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 June 30, 2016, December 31, 2015 and June 30, 2015 were all as follows:

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid (%)	Range of Interest Rates Received
NTD9,277,000	February 2017-July 2018	0.988-1.14	90 days fixing TAIBOR rate provided by Thomson Reuters

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Balance, beginning of period	$ 18,017	$ (52,026)	$ 78,701	$ 94,574
Recognized in other comprehensive income	(21,095)	4,526	(113,608)	(147,744)
Recognized in other gains and losses	9,178	7,414	3,251	4,145
Transferred to construction in progress and equipment to be inspected	(4,353)	(6,967)	30,136	3,312
Transferred to operating revenues	-	-	3,267	(1,340)
Balance, end of period	$ 1,747	$ (47,053)	$ 1,747	$ (47,053)

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

	June 30, 2016	December 31, 2015	June 30, 2015
Notes receivable			
Operating	$ 1,370,332	$ 1,464,791	$ 1,555,324
Non-operating	-	-	-
	1,370,332	1,464,791	1,555,324

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
Less: Allowance for doubtful accounts	$ -	$ -	$ -
	$ 1,370,332	$ 1,464,791	$ 1,555,324
Accounts receivable	$ 11,212,144	$ 11,060,591	$ 10,870,073
Less: Allowance for doubtful accounts	51,058	34,207	144,565
	$ 11,161,086	$ 11,026,384	$ 10,725,508

(Concluded)

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 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:

	June 30, 2016	December 31, 2015	June 30, 2015
Not past due	$ 11,663,734	$ 11,731,716	$ 11,347,957
1 to 30 days	356,310	401,367	423,386
31-60 days	69,499	84,037	169,421
61-365 days	312,107	218,239	317,492
More than 365 days	129,768	55,816	22,576
	$ 12,531,418	$ 12,491,175	$ 12,280,832

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

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

	June 30, 2016	December 31, 2015	June 30, 2015
Less than 31 days	$ 356,214	$ 401,367	$ 423,386
31-60 days	64,613	80,014	169,421
61-365 days	241,537	217,358	264,194
More than 365 days	128,229	54,467	22,576
	$ 790,593	$ 753,206	$ 879,577

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

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

	For the Six Months Ended June 30	
	2016	2015
Balance, beginning of period	$ 34,207	$ 139,949
Recognition	17,623	17,270
Write off	-	(450)
Reclassified to other receivables	(283)	-
Effect of foreign currency exchange difference	(489)	(12,204)
Balance, end of period	$ 51,058	$ 144,565

Aging analysis of individually impaired accounts receivable was as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Less than 31 days	$ 96	$ -	$ -
31-60 days	4,886	4,023	-
61-365 days	70,570	881	53,298
More than 365 days	1,539	1,349	-
	$ 77,091	$ 6,253	$ 53,298

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

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

The Corporation and the subsidiary CHSC and CSAC entered into accounts receivable factoring agreements (without recourse) with Mega International Commercial Bank, Bank of Taiwan, HSBC 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 six months ended June 30, 2016 and 2015, the related information for the Corporation, CHSC and CSAC's sale of accounts receivable was as follows. Advances received at period-end dominated in US Dollars were converted to NT Dollars at the closing rate.

Counterparty	Advances Received at Period - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Period - End	Interest Rate on Advances Received (%)	Credit Line
For the Six Months Ended June 30, 2016						
Mega International Commercial Bank	$ 3,727,574	$ 5,931,570	$ 5,367,898	$ 4,291,246	1.09-1.46	NT$ 12 billion
Bank of Taiwan	1,256,796	1,653,475	1,591,374	1,318,897	1.09-1.46	NT$ 3 billion
Bank of Taiwan	785,395	1,680,706	1,649,715	816,386	1.64-2.14	USD 130,000 thousand

(Continued)

Counterparty	Advances Received at Period - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Period - End	Interest Rate on Advances Received (%)	Credit Line
Taishin International Bank	$ 1,178,084	$ 2,503,304	$ 1,837,001	$ 1,844,387	1.29-1.58	USD 100,000 thousand
CTBC Bank	118,633	422,909	264,348	277,194	1.29-1.45	USD 30,000 thousand
	$ 7,066,482	$ 12,191,964	$ 10,710,336	$ 8,548,110		
For the Six Months Ended June 30, 2015						
Mega International Commercial Bank	$ 5,095,755	$ 6,705,559	$ 7,885,936	$ 3,915,378	1.27-1.51	NT$ 12 billion
Mega International Commercial Bank	25,855	16,745	38,309	10,247	1.00-1.75	USD 1,200 thousand
Bank of Taiwan	1,736,174	2,109,096	3,172,777	672,493	1.27-1.51	NT$ 3 billion
Bank of Taiwan	357,521	1,597,193	1,223,054	731,660	1.46-1.49	USD 0.1 billion
HSBC Bank	10,906	19,591	16,148	3,143	1.50-1.70	USD 10,000 thousand
	$ 7,226,211	$ 10,448,184	$ 12,336,224	$ 5,332,921		

(Concluded)

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

	June 30, 2016	December 31, 2015	June 30, 2015
Amounts due from customers for construction contracts			
Construction costs incurred plus recognized profits less recognized losses to date	$ 54,933,049	$ 50,028,682	$ 56,453,248
Less: Progress billings	45,857,950	41,261,339	47,567,824
Amounts due from customers for construction contracts	$ 9,075,099	$ 8,767,343	$ 8,885,424
Amounts due to customers for construction contracts			
Progress billings	$ 25,714,527	$ 27,035,621	$ 22,754,560
Less: Construction costs incurred plus recognized profits less recognized losses to date	22,762,802	22,920,451	18,932,812
Amounts due to customers for construction contracts	$ 2,951,725	$ 4,115,170	$ 3,821,748
Retentions receivable	$ 1,170,097	$ 1,109,694	$ 1,097,433
Retentions payable	$ 2,534,671	$ 2,452,654	$ 2,248,782

13. INVENTORIES

	June 30, 2016	December 31, 2015	June 30, 2015
Work in progress	$ 17,733,903	$ 17,927,894	$ 21,172,189
Finished goods	15,086,223	16,266,596	19,370,553
Raw materials	15,081,891	18,721,826	23,646,157
Supplies	10,783,180	11,007,947	9,256,240
Raw materials and supplies in transit	4,380,249	3,787,021	5,022,541
Buildings and lands under construction	1,082,998	891,662	466,455
Lands held for construction	142,688	142,688	142,688
Others	143,922	160,914	308,580
	$ 64,435,054	$ 68,906,548	$ 79,385,403

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 three months and six months ended June 30, 2016 and 2015 was NT$49,879,624 thousand, NT$55,640,743 thousand, NT$100,317,195 thousand and NT$115,295,717 thousand, respectively.

Movements of provision for loss on inventories were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Balance, beginning of period	$ 9,280,597	$ 7,438,573	$ 10,469,050	$ 5,923,626
Add: Recognized	1,379,237	4,357,291	4,641,165	8,466,828
Less: Sold	2,891,666	3,718,048	7,342,047	6,312,638
Balance, end of period	$ 7,768,168	$ 8,077,816	$ 7,768,168	$ 8,077,816

14. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	June 30, 2016	December 31, 2015	June 30, 2015
Noncurrent			
Unlisted preference shares - overseas			
East Asia United Steel Corporation (EAUS) - Preference A	$ 2,095,438	$ 1,818,091	$ 1,682,751
Subordinated financial bonds	124,354	124,428	124,163
Bonds	76,054	71,542	80,890
	$ 2,295,846	$ 2,014,061	$ 1,887,804

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

	June 30, 2016	December 31, 2015	June 30, 2015
Material associates			
Formosa Ha Tinh (Cayman) Limited	$ 35,056,864	$ -	$ -
7623704 Canada Inc.	8,776,331	8,823,606	8,472,013
Associates that are not individually material	6,170,233	6,384,076	5,226,176
	$ 50,003,428	$ 15,207,682	$ 13,698,189

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Percentage of Ownership and Voting Rights (%)		
			June 30, 2016	December 31, 2015	June 30, 2015
7623704 Canada Inc.	Mineral Investment	Canada	25	25	25
Formosa Ha Tinh (Cayman) Limited	Investment in steel factory	Vietnam	25	-	-

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

	June 30, 2016	December 31, 2015	June 30, 2015
Current assets	$ 260,858	$ 329,119	$ 572,707
Noncurrent assets	35,502,659	36,108,458	33,945,105
Current liabilities	(147)	(481,561)	(287)
Equity	$ 35,763,370	$ 35,956,016	$ 34,517,525
Percentage of the Corporation and its subsidiaries' ownership (%)	25	25	25
Equity attributable to the Corporation and its subsidiaries (carrying amount of the investment)	$ 8,776,331	$ 8,823,606	$ 8,472,013

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Net profit for the period	$ 853,883	$ 161,431	$ 1,060,699	$ 893,523
Total comprehensive income for the period	$ 1,881,587	$ (170,891)	$ 460,575	$ 3,015,084
Comprehensive income attributable to the Corporation and its subsidiaries	$ 454,571	$ (41,936)	$ 105,855	$ 739,902

The summarized financial information below represent amounts shown in the financial statements of Formosa Ha Tinh (Cayman) Limited prepared in accordance with IFRSs, which were converted to the functional currency and adjusted for the purposes of applying equity method. As of June 30, 2016, the Corporation has not completed the calculation of the difference between the cost of the investment and the Corporation's share of the net fair value of Formosa Ha Tinh (Cayman) Limited's identifiable assets and liabilities.

	June 30, 2016
Current assets	$ 143,185,127
Noncurrent assets	133,192,214
Current liabilities	(94,268,697)
Noncurrent liabilities	(49,411,993)
Equity	$ 132,696,651
Percentage of the Corporation and its subsidiaries' ownership (%)	25
Equity attributable to the Corporation and its subsidiaries	$ 33,173,056
Intangible assets	1,883,808
Carrying amount of the investment	$ 35,056,864

	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2016
Net loss for the period	$ (2,473,433)	$ (3,024,794)
Total comprehensive income for the period	$ (2,473,433)	$ (3,024,794)
Comprehensive income attributable to the Corporation and its subsidiaries	$ (717,630)	$ (827,411)

b. Associates that are not individually material

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	% of Owner - ship	Amount	% of Owner - ship	Amount	% of Owner - ship
Listed company						
Chateau International Development Co., Ltd.	$ 325,151	20	$ 321,598	20	$ 300,563	20
Unlisted companies						
Kaohsiung Arena Development Corporation	773,109	29	782,015	29	763,459	29
Honley Auto. Part Co., Ltd. (HAPC)	761,836	38	778,319	49	275,010	30
Eminent II Venture Capital Corporation	731,650	46	823,683	46	704,022	46
Taiwan Rolling Stock Co., Ltd. (TRSL)	729,758	36	609,393	36	502,753	36
Hsin Hsin Cement Enterprise Corp.	469,099	41	467,921	41	468,734	41
Fukuta Elec. A Mach. Co., Ltd.	403,318	25	417,041	25	363,858	25
Dyna Rechi Co., Ltd.	332,639	25	350,588	25	363,185	28
Wuhan Wisco Yutek Environment Technology Co., Ltd.	313,918	49	332,020	49	235,969	49
Senergy Wind Power Co., Ltd. (SWPL)	245,364	50	249,524	50	-	-
Ascentek Venture Capital Corp.	188,530	38	219,672	38	233,733	38
IPASS Corporation	143,097	23	140,038	23	138,833	23
White Biotech Corporation (WBC)	-	-	-	-	16,409	18
Others	752,764		892,264		859,648	
	$ 6,170,233		$ 6,384,076		$ 5,226,176	

In June 2015, the Corporation increased NTD260,866 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 TRSL was reclassified from available-for-sale financial assets to investments accounted for using equity method.

In July 2015, the Corporation increased its investment in WBC 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 WBC was reclassified from investments in associates to investments in subsidiary. Refer to Note 30 for details.

In October 2015, the Corporation increased NT$540,000 thousand investment in HAPC, which increased the total shareholding from 30% to 49%. However, the Corporation did not join the cash capital injection in April 2016, as a result, the total shareholding decrease from 49% to 38%.

In May 2016, the Corporation invested in HC&C Auto Parts Co., Ltd. NT$32,493 thousand (USD1,000 thousand) and acquired 10% of shareholding through its subsidiary CSAPH. Additionally, the associate HAPC accounted for 55% of HC&C Auto Parts Co., Ltd.'s shareholding. As a result, the Corporation and its subsidiaries' total equity in HC&C Auto Parts Co., Ltd. was 31%.

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. 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 (Note 4).

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 Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
The Corporation and its subsidiaries' share of				
Net profit (loss) for the period	$ (38)	$ (24,892)	$ 100,208	$ (18,439)
Other comprehensive income	(32,350)	(39,292)	(120,485)	(42,111)
Total comprehensive income	$ (32,388)	$ (64,184)	$ (20,277)	$ (60,550)

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

	June 30, 2016	December 31, 2015	June 30, 2015
Chateau International Development Co., Ltd.	$ 879,480	$ 894,129	$ 850,926

Except for some companies, investments accounted for using equity method as of June 30, 2016 and 2015, and the share of profit and other comprehensive income of those investments for the three months and six months ended June 30, 2016 and 2015, were calculated based on the reviewed financial statements. The Corporation's management considered the use of unreviewed financial statements as acceptable and will not have material impact on the equity method investments and income.

16. OTHER FINANCIAL ASSETS

	June 30, 2016	December 31, 2015	June 30, 2015
Current			
Pledged time deposits	$ 6,519,366	$ 6,564,721	$ 6,530,004
Time deposits with original maturities more than three months	4,464,362	3,197,755	3,376,418
Hedging foreign-currency deposits	3,078,689	2,428,316	2,428,181
Deposits for projects	8,052	410	251
	$ 14,070,469	$ 12,191,202	$ 12,334,854
Noncurrent			
Pledged receivables	$ 2,000,000	$ 2,000,000	$ 2,000,000
Pledged time deposits	343,079	422,214	428,641
Deposits for projects	216,046	203,312	65,619
Time deposits with original maturities more than three months	23,694	38,260	21,670
	$ 2,582,819	$ 2,663,786	$ 2,515,930

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 June 30, 2016, December 31, 2015 and June 30, 2015, 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$3,078,689 thousand (JPY0.93 billion, RMB159,781 thousand, USD52,114 thousand, EUR8,820 thousand and GBP332 thousand), NT$2,428,316 thousand (JPY0.55 billion, RMB43,214 thousand, USD48,755 thousand, EUR11,777 thousand and GBP786 thousand) and NT$2,428,181 thousand (JPY0.6 billion, RMB61,982 thousand, USD52,736 thousand, EUR9,031 thousand and GBP786 thousand), respectively. As of June 30, 2016, December 31, 2015 and June 30, 2015, cash outflows would be expected from aforementioned contracts for the periods from 2016 to 2019, 2016 to 2019 and 2015, respectively.

Movements of hedging foreign-currency deposits were as follows:

	For the Three Months Ended June 30		**For the Six Months Ended June 30**	
	2016	**2015**	**2016**	**2015**
Balance, beginning of period	$ 2,323,908	$ 2,074,934	$ 2,428,316	$ 1,918,252
Increase	735,620	374,883	626,688	577,959
Recognized in other comprehensive income	22,422	(26,394)	27,059	(66,055)
Transferred to construction in progress and equipment to be inspected	(3,261)	4,758	(3,374)	(1,975)
Balance, end of period	$ 3,078,689	$ 2,428,181	$ 3,078,689	$ 2,428,181

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

17. PROPERTY, PLANT AND EQUIPMENT

For the six months ended June 30, 2016

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2016	$ 63,550,486	$ 5,025,039	$120,691,611	$604,487,779	$ 33,561,105	$ 16,821,603	$ 10,731,091	$ 322,270	$ 21,071,613	$876,262,597
Additions	-	9,921	1,069,099	7,060,449	93,555	304,130	592,809	733	(589,359)	8,541,337
Disposals	(1,880)	-	(43,263)	(1,294,006)	(5,421,296)	(147,971)	(1,221,228)	-	-	(8,129,644)
Reclassification	(534,454)	(48,145)	104,720	(111,427)	1,205	25,546	-	-	(35,738)	(598,293)
Effect of foreign currency exchange difference	6,071	(3,075)	(158,230)	(389,774)	(267,763)	(9,424)	-	-	(8,574)	(830,769)
Others	-	-	-	-	-	-	(1,222)	-	-	(1,222)
Balance at June 30, 2016	$ 63,020,223	$ 4,983,740	$121,663,937	$609,753,021	$ 27,966,806	$ 16,993,884	$ 10,101,450	$ 323,003	$ 20,437,942	$875,244,006
Accumulated depreciation and impairment										
Balance at January 1, 2016	$ 25,546	$ 4,493,123	$ 40,756,301	$350,679,360	$ 15,360,049	$ 11,591,381	$ 4,656,809	$ 11,447	$ -	$427,574,016
Depreciation	-	38,214	1,921,469	13,709,592	858,765	654,185	686,536	5,346	-	17,874,107
Disposals	-	-	(42,077)	(1,172,359)	(5,292,355)	(119,802)	(1,221,228)	-	-	(7,847,821)
Reclassification	-	-	10,074	(1,503)	536	(1,474)	1,314	-	-	8,947
Effect of foreign currency exchange difference	-	(288)	(7,982)	4,632	(66,899)	(3,391)	-	-	-	(73,928)
Others	-	-	-	-	-	63	-	-	-	63
Balance at June 30, 2016	$ 25,546	$ 4,531,049	$ 42,637,785	$363,219,722	$ 10,860,096	$ 12,120,962	$ 4,123,431	$ 16,793	$ -	$437,535,384
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
Carrying amount at June 30, 2016	$ 62,994,677	$ 452,691	$ 79,026,152	$246,533,299	$ 17,106,710	$ 4,872,922	$ 5,978,019	$ 306,210	$ 20,437,942	$437,708,622

For the six months ended June 30, 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	1,110,247	77,923	3,033,809	9,307,857	2,291,279	456,159	720,326	-	(4,577,863)	12,419,737
Disposals	-	-	(52,225)	(1,089,628)	(45,732)	(136,647)	(487,124)	-	-	(1,811,356)
Reclassification	-	-	25,227	(237,228)	795	234,111	(638)	-	(15,565)	6,702
Effect of foreign currency exchange difference	(4,878)	(1,947)	(233,780)	(1,021,759)	(620,815)	(37,420)	-	-	(91,626)	(2,012,225)
Balance at June 30, 2015	$ 62,299,496	$ 4,953,673	$ 115,160,797	$ 594,016,053	$ 30,569,781	$ 16,462,846	$ 10,630,633	$ 322,270	$ 29,767,733	$ 864,183,282
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	-	34,870	1,796,479	14,039,661	760,132	623,651	646,343	5,283	-	17,906,419
Disposals	-	-	(51,147)	(991,215)	(44,869)	(133,781)	(487,124)	-	-	(1,708,136)
Reclassification	-	-	(13,876)	(311)	744	(6,864)	-	-	-	(20,307)
Effect of foreign currency exchange difference	-	(33)	(53,482)	(354,579)	(382,674)	(25,002)	-	-	-	(815,770)
Balance at June 30, 2015	$ 25,546	$ 4,454,931	$ 39,010,761	$ 338,312,443	$ 14,312,960	$ 11,155,756	$ 4,350,100	$ 6,164	$ -	$ 411,628,661
Carrying amount at June 30, 2015	$ 62,273,950	$ 498,742	$ 76,150,036	$ 255,703,610	$ 16,256,821	$ 5,307,090	$ 6,280,533	$ 316,106	$ 29,767,733	$ 452,554,621

The above 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	7 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	5-16 years
Examination equipment	3-10 years
Others	2-25 years
Transportation	
Ship equipment	18-25 years
Railway equipment	8-20 years
Telecommunication equipment	5-12 years
Transportation equipment	4-10 years
Others	3 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 June 30, 2016, December 31, 2015 and June 30, 2015, the book value of those remaining farmlands recognized as land were all NT$66,753 thousand.

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 six months ended June 30, 2016

	Land	Buildings	Total
Cost			
Balance at January 1, 2016	$ 8,220,781	$ 2,963,556	$ 11,184,337
Additions	-	101,275	101,275
Transfer from (to) property, plant and equipment	534,454	(67,477)	466,977
Effect of foreign currency exchange difference	23,630	52,293	75,923
Balance at June 30, 2016	$ 8,778,865	$ 3,049,647	$ 11,828,512
Accumulated depreciation and impairment			
Balance at January 1, 2016	$ 222,057	$ 854,091	$ 1,076,148
Depreciation	-	41,699	41,699
Transfer to property, plant and equipment	-	(11,131)	(11,131)
Effect of foreign currency exchange difference	-	4,367	4,367
Balance at June 30, 2016	$ 222,057	$ 889,026	$ 1,111,083
Carrying amount at December 31, 2015	$ 7,998,724	$ 2,109,465	$ 10,108,189
Carrying amount at June 30, 2016	$ 8,556,808	$ 2,160,621	$ 10,717,429

For the six months ended June 30, 2015

	Land	Buildings	Total
Cost			
Balance at January 1, 2015	$ 8,344,056	$ 2,740,155	$ 11,084,211
Additions	231,217	6,205	237,422
Effect of foreign currency exchange difference	(6,930)	(17,002)	(23,932)
Balance at June 30, 2015	$ 8,568,343	$ 2,729,358	$ 11,297,701
Accumulated depreciation and impairment			
Balance at January 1, 2015	$ 1,891,031	$ 757,082	$ 2,648,113
Reversal of impairment loss	(1,128,307)	-	(1,128,307)
Depreciation	-	40,136	40,136
Effect of foreign currency exchange difference	-	(1,665)	(1,665)
Balance at June 30, 2015	$ 762,724	$ 795,553	$ 1,558,277
Carrying amount at June 30, 2015	$ 7,805,619	$ 1,933,805	$ 9,739,424

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

Buildings	
Main structure	15-60 years
Mechanical and electrical facilities	8-20 years

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

The 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 in September 2015. 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:

	June 30, 2016	**December 31, 2015**	**June 30, 2015**
Fair value	$ 25,325,367	$ 25,043,429	$ 15,412,313
Depreciation rate (%)	1.20-2.00	1.20-2.00	1.20-2.00
Discount rate (%)	1.55-4.14	1.55-4.14	1.30-5.50

All of the Corporation and its subsidiaries' investment properties are 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

	June 30, 2016	**December 31, 2015**	**June 30, 2015**
Unsecured loans - interest at 0.43%-9.50% p.a., 0.42%-9.40% p.a. and 0.60 %-9.75% p.a. as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively	$ 23,402,415	$ 28,700,798	$ 24,919,344
Letters of credit - interest at 0.98%-1.49% p.a., 0.45%-1.48% p.a. and 0.26%-1.54% p.a. as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively	1,885,529	2,378,709	2,550,476

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
Bank overdraft - interest at 0.21%-2.63% p.a., 0.35%-2.75% p.a. and 0.43%-7.60% p.a., as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively	$ 1,076,335	$ 3,279,883	$ 2,001,972
Secured loans (Note 34) - interest at 5.5% p.a. and 5.88%-6.16% p.a. as of December 31, 2015 and June 30, 2015, respectively	-	27,557	80,523
	$ 26,364,279	$ 34,386,947	$ 29,552,315

(Concluded)

Starting from November 2015, the subsidiary CCSPMC entered into several credit facility agreements with ANZ (China) Bank, Mizuho (Wuxi) Bank, CTBC (Shanghai) Bank, Bank Sinopac (Nanjing), Chang Hwa Bank and several banks for total amount of US$31,000 thousand and RMB170,000 thousand, respectively. 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 June 30, 2016, the subsidiary CSAPH held 70% equity of CCSPMC and three-quarters of the seats in the board of directors and supervisors.

Starting from March 2015, the subsidiary United Steel Engineering and Construction Co., Ltd. entered into short-term financing contract with CTBC Bank, Standard Chartered Bank (China), ANZ Bank (China) and Chang Hwa (China) Bank for USD10,000 thousand, USD8,000 thousand (Increased the equal amount in RMB in October 2015, the credit line remained unchanged), USD10,000 thousand and USD 10,000 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 June 30, 2016, 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.

In May 2014 and August 2014, 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. Under the agreements, the Corporation and its related parties should collectively hold at least 75% and 60% of CSCI's issued shares and hold two-thirds and half 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. In April 2016, CSCI had ceased USD27,000 thousand credit line with CTBC Bank. As of June 30, 2016, the Corporation held 100% equity of CSCI and all of the seats in the board of directors.

Starting from August 2013, the subsidiary CSVC continuously entered into short-term financing contracts with Standard Chartered Bank and other banks for USD60,000 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. As of June 30, 2016, the Corporation held 56% equity of CSVC and over half of the seats in the board of directors.

b. Short-term bills payable

	June 30, 2016	December 31, 2015	June 30, 2015
Commercial paper - interest at 0.24%-1.00% p.a., 0.29%-1.10% p.a. and 0.55%-1.21% p.a. as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively	$ 43,048,000	$ 31,650,000	$ 33,556,000

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
Less: Unamortized discounts	$ 7,662	$ 8,714	$ 10,466
	$ 43,040,338	$ 31,641,286	$ 33,545,534

(Concluded)

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, Union Bank of Taiwan and Bank of Taiwan, etc.

c. Long-term borrowings

	June 30, 2016	December 31, 2015	June 30, 2015
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 June 30, 2016, December 31, 2015 and June 30, 2015, respectively	$ 3,210,769	$ 3,749,231	$ 4,287,693
Repayable in March 2019 with a revolving credit, interest all at 1.58% p.a. as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively	2,250,000	6,750,000	4,500,000
Bank of Taiwan and other banks loan to DSC			
Repayable in 14 equal semiannual installments from January 2012 to July 2018, interest at 1.15% p.a., 1.24% p.a. and 1.35% p.a. as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively	16,318,540	19,583,540	22,848,540
Repayable in 10 equal semiannual installments from June 2015 to December 2019, repaid in June 2016, interest all at 1.58% p.a. as of December 31, 2015 and June 30, 2015	-	8,624,000	10,952,000
Chinatrust Commercial Bank and other banks loan to CSCI			
Repayable in 5 semiannual installments from June 2017 to June 2019, interest at 2.26% p.a., 2.13% p.a., and 2.20% p.a. as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively	3,550,074	3,618,747	3,394,311

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
Bank of Taiwan and other banks loan to the Corporation			
Repayable in several installments from February 2020, interest at 2.00% p.a. and 1.72% p.a. as of June 30, 2016 and December 31, 2015, respectively	$ 16,137,500	$ 5,908,500	$ -
Mizuho Bank and other banks loan to the Corporation			
Repayable in August 2018, interest at 1.67%-1.70% p.a. and 1.38%-1.42% p.a. as of June 30, 2016 and December 31, 2015, respectively	4,841,250	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 June 30, 2016, December 31, 2015 and June 30, 2015, respectively	3,659,985	3,929,152	3,888,360
Mortgage loans (Note 34)			
Due on various dates through April 2032, interest at 0.89%- 1.76% p.a., 0.84%-1.67% p.a. and 0.84%- 1.67% p.a. as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively	9,118,628	9,626,064	8,088,026
Unsecured loans			
Due on various dates through August 2022, interest at 0.31%-3.35% p.a., 0.40%-3.59% p.a., and 0.34%-3.89% p.a. as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively	28,506,477	40,069,787	28,176,580
	87,593,223	106,782,771	86,135,510
Less: Syndicated loan fee	78,295	93,015	80,912
Current portion	14,821,127	23,561,520	22,449,627
	$ 72,693,801	$ 83,128,236	$ 63,604,971

(Concluded)

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 figures 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. 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. As of June 30, 2016, the above financial ratios had been improved. As of June 30, 2016, 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 the other syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT$51.7 billion credit line. As of June 30, 2016, all secured commercial papers (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 from 2012, DSC should meet some financial ratios and criteria.

   The figures 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 immediately settle. DSC was in compliance with the syndicated credit facility agreement based on its financial statements of 2015. As of June 30, 2016, 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. Under the agreement, the Corporation should hold at least 51% of CSVC's issued shares and majority of the seats in the board of directors. Starting from 2015, CSVC should meet some financial ratios and criteria based on the syndicated credit facility agreement amended in March 2014. CSVC was not in compliance with the syndicated credit facility agreement based on its 2015 audited financial statement; however, the syndicated loan agreement had been revised and the interest rate will be adjusted in accordance with revised agreement. As a result, the impact is immaterial to CSVC. As of June 30, 2016, the Corporation held 56% equity of CSVC and over half of the seats in the board of directors.

4) In January 2013, the subsidiary CSCI entered into a syndicated credit facility agreement with CTBC Bank and 9 other banks for a USD110,000 thousand credit line. Under the agreement, the Corporation should collectively hold at least 75% of CSCI's issued shares and hold two-thirds or more of the seats in the board of directors. If CSCI expands or invites new strategic investors, the Corporation should collectively hold at least 60% of CSCI's issued shares and hold two-thirds or more of the seats in the board of directors. CSCI should meet some financial ratios and criteria required by the syndicated credit facility agreement based on unreviewed financial statements for the six months ended September 30 and audited annual financial statements. The unreviewed financial statements (the reporting period from April 1, 2015 to March 31, 2016) of subsidiary CSCI breached the agreements; however, CSCI had received the written agreement from syndicated banks to waive the related responsibility on violation of financial covenants on March 31, 2016. As of June 30, 2016, 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 clauses, the Corporation should meet some financial ratios and criteria which were based on reviewed consolidated financial statements for the six months ended June 30 and audited annual consolidated financial statements. If the Corporation breaches the financial ratios or the clauses, the management bank can, based on the decision by majority of banks, immediately terminate the

credit line, declare the Corporation's outstanding principal and interest to maturity as due, and request the Corporation to settle immediately.

The Corporation was in compliance with the syndicated credit facility agreements based on its consolidated financial statements for the six months ended June 30, 2016 and for the year ended December 31, 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

	June 30, 2016	December 31, 2015	June 30, 2015
Commercial paper - interest at 0.38%- 1.04% p.a., 0.45%-1.16% p.a. and 0.78%- 1.28% p.a. as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively	$ 16,390,000	$ 19,470,000	$ 12,090,000
Secured commercial paper in syndicated bank loans - interest at 0.96% p.a., 1.05% p.a. and 1.16% p.a. as of June 30, 2016, December 31, 2015 and June 30, 2015, respectively	5,000,000	5,000,000	5,000,000
	21,390,000	24,470,000	17,090,000
Less: Unamortized discounts	6,888	10,121	8,286
	$ 21,383,112	$ 24,459,879	$ 17,081,714

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

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

The above commercial paper was secured by Mega International Commercial Bank, Agricultural Bank of Taiwan, Taichung Bank, ANZ Bank (Taiwan) and Hua Nan Commercial Bank.

20. BONDS PAYABLE

	June 30, 2016	December 31, 2015	June 30, 2015
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	$ 4,650,000	$ 9,300,000

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
5-year unsecured bonds - issued at par by DSC in:			
June 2014; repayable in June 2018 and 2019; interest at 1.4% p.a., payable annually	$ 7,000,000	$ 7,000,000	$ 7,000,000
June 2015; repayable in June 2019 and 2020; interest at 1.45% p.a., payable annually	7,500,000	7,500,000	7,500,000
June 2016; repayable in June 2020 and 2021; interest at 0.89% p.a., payable annually	5,400,000	-	-
7-year unsecured bonds - issued at par by the Corporation in:			
December 2008; repayable in December 2014 and 2015; interest at 2.30% p.a., payable annually	-	-	3,500,000
October 2011; repayable in October 2017 and 2018; interest at 1.57% p.a., payable annually	10,400,000	10,400,000	10,400,000
August 2012; repayable in August 2018 and 2019; interest at 1.37% p.a., payable annually	5,000,000	5,000,000	5,000,000
July 2013; repayable in July 2019 and 2020; interest at 1.44% p.a., payable annually	6,300,000	6,300,000	6,300,000
January 2014; repayable in January 2020 and 2021; interest at 1.75% p.a., payable annually	6,900,000	6,900,000	6,900,000
7-year unsecured bonds - issued at par by DSC in:			
June 2014; repayable in June 2020 and 2021; interest at 1.75% p.a., payable annually	5,000,000	5,000,000	5,000,000
June 2015; repayable in June 2021 and 2022 respectively; interest at 1.72% p.a., payable annually	2,500,000	2,500,000	2,500,000
10-year unsecured bonds - issued at par by the Corporation in:			
August 2012; repayable in August 2021 and 2022; interest at 1.50% p.a., payable annually	15,000,000	15,000,000	15,000,000
July 2013; repayable in July 2022 and 2023; interest at 1.60% p.a., payable annually	9,700,000	9,700,000	9,700,000
January 2014; repayable in January 2023 and 2024; interest at 1.95% p.a., payable annually	7,000,000	7,000,000	7,000,000
15-year unsecured bonds - issued at par by the Corporation in:			
July 2013; repayable 30% in July 2026 and 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	3,600,000	3,600,000	3,600,000
January 2014; repayable 30% in January 2027 and 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	9,000,000	9,000,000	9,000,000
Liability component of secured domestic convertible bonds - issued by TMTC	48,300	48,300	185,700
Liability component of unsecured domestic convertible bonds - issued by TMTC	15,000	15,000	45,500
	105,013,300	99,613,300	107,931,200
Less: Issuance cost of bonds payable	48,117	53,865	59,929
Unamortized discount on bonds payable	23,801	20,090	28,239
Current portion	4,712,230	4,696,735	8,149,299
	$ 100,229,152	$ 94,842,610	$ 99,693,733

(Concluded)

In September 2013, the subsidiary TMTC issued NT$200,000 thousand of 3-year secured domestic convertible bonds at par from September 2013 to September 2016 which were secured by Hua Nan Commercial Bank. From one month after the issuance date to 10 days before the maturity date, bondholders may request TMTC to convert the bonds into its ordinary shares (except for the related book closure period). On the repurchase date, two years after the issuance date, bondholders may request TMTC to repurchase the bonds at their face value plus interest (1.9090% of face value, yield to put 0.95%) by cash in five trading days. From one month after the issuance date to 40 days before the maturity date, if the closing price of TMTC’s shares on the Taipei Exchange is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of initial issued bonds, TMTC may redeem the remaining bonds at their face value by cash in five trading days after the redemption date. As of June 30, 2016, the convertible bonds with NT$151,700 thousand face value have been converted 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 2.5156% 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 June 30, 2016, the convertible bonds with NT$85,000 thousand face value have been converted into NT$21,975 thousand ordinary share capital.

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

	June 30, 2016	December 31, 2015	June 30, 2015
Dividends payable	$ 10,087,150	$ 291,058	$ 18,738,100
Salaries and incentive bonus	5,932,753	6,573,677	5,526,026
Purchase of equipment	3,552,024	3,311,688	6,353,913
Sales returns and discounts	1,648,936	1,631,598	1,463,684
Employee compensation and remuneration to directors and supervisors	1,182,100	680,799	3,093,498
Interest payable	1,083,954	1,079,578	1,145,836
Outsourced repair and construction	970,947	1,047,075	1,192,963
Others	4,569,296	4,736,226	4,767,235
	$ 29,027,160	$ 19,351,699	$ 42,281,255

23. PROVISIONS

	June 30, 2016	December 31, 2015	June 30, 2015
Current			
Onerous contracts (a)	$ 2,773,982	$ 2,611,156	$ 1,495,626
Construction warranties (b)	473,417	491,899	574,321
Sale returns and discounts (c)	659,946	-	457,463
Others	77,314	55,314	45,193
	$ 3,984,659	$ 3,158,369	$ 2,572,603
Noncurrent			
Provision for stabilization funds (d)	$ 797,301	$ 793,851	$ 790,425
Others	18,191	35,072	39,895
	$ 815,492	$ 828,923	$ 830,320

	Onerous Contracts	Construction Warranties	Sale Returns and Discounts	Provision for Stabilization Funds	Others	Total
Balance at January 1, 2016	$ 2,611,156	$ 491,899	$ -	$ 793,851	$ 90,386	$ 3,987,292
Recognized	4,118,777	841	659,946	3,450	10,544	4,793,558
Paid	(3,955,951)	(19,323)	-	-	(5,425)	(3,980,699)
Balance at June 30, 2016	$ 2,773,982	$ 473,417	$ 659,946	$ 797,301	$ 95,505	$ 4,800,151
Balance at January 1, 2015	$ 3,177,583	$ 582,371	$ 586	$ 983,466	$ 83,506	$ 4,827,512
Recognized (reversed)	1,931,193	(7,995)	456,877	(193,041)	7,875	2,194,909
Paid	(3,613,150)	(55)	-	-	(6,293)	(3,619,498)
Balance at June 30, 2015	$ 1,495,626	$ 574,321	$ 457,463	$ 790,425	$ 85,088	$ 3,402,923

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

Employee benefit expenses in respect of the Corporation and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2015 and 2014. An analysis by function of the amounts is as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Operating costs	$ 148,209	$ 157,621	$ 304,101	$ 315,649
Operating expenses	64,075	62,316	122,162	124,228
Others	582	649	1,153	1,359
	$ 212,866	$ 220,586	$ 427,416	$ 441,236

25. EQUITY

a. Share capital

	June 30, 2016	December 31, 2015	June 30, 2015
Numbers of shares authorized (in thousands)	17,000,000	17,000,000	17,000,000
Shares authorized	$ 170,000,000	$ 170,000,000	$ 170,000,000
Numbers of shares issued and fully paid (in thousands)			
Ordinary shares (in thousands)	15,734,861	15,734,861	15,734,861
Preference shares (in thousands)	38,268	38,268	38,268
	15,773,129	15,773,129	15,773,129
Shares issued			
Ordinary shares	$ 157,348,610	$ 157,348,610	$ 157,348,610
Preference shares	382,680	382,680	382,680
	$ 157,731,290	$ 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 June 30, 2016, December 31, 2015, and June 30, 2015, the outstanding depositary receipts were 1,179,943 units, 1,323,346 units and 1,332,265 units, equivalent to 23,599,170 ordinary shares (including 310 fractional shares), 26,467,230 ordinary shares (including 310 fractional shares), and 26,645,610 ordinary shares (including 310 fractional shares), which represented 0.15%, 0.17% and 0.17% of the outstanding ordinary shares, respectively.

b. Capital surplus

	June 30, 2016	December 31, 2015	June 30, 2015
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	$ 31,154,766
Treasury share transactions	301,203	301,203	301,203
Others	8,099	8,099	8,099
	31,464,068	31,464,068	31,464,068
May be used to offset deficits only (see 2 below)			
Treasury share transaction	5,721,774	5,721,774	5,403,753
Share of change in equity of subsidiaries	432,578	418,043	375,266
Share of change in equity of associates	21,192	8,142	3,770
	6,175,544	6,147,959	5,782,789
	$ 37,639,612	$ 37,612,027	$ 37,246,857

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

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

c. Retained earnings and dividend policy

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

1) 10% as legal reserve;

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

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

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

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

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 shareholders held their regular meeting in June 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation, particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to f. Employee benefits in Note 27.

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

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

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 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 Commission, Ministry of Finance, if the market price of the Corporation's ordinary shares held by subsidiaries is lower than the carrying value of the Corporation's shares held by subsidiaries, the Corporation should appropriate a special reserve equal to the difference between market price and carrying value multiplied by the percentage of ownership. Any special reserve appropriated may be reversed to the extent of the increase in valuation.

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

The appropriations of earnings for 2015 and 2014 had been approved in the shareholders' meetings in June 2016 and 2015, respectively, were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	2015	**2014**	**2015**	**2014**
Legal reserve	$ 760,472	$ 2,216,027		
Special reserve	2,654,116	47,049		
Preference shares				
Cash dividends	53,575	53,575	$ 1.4	$ 1.4
Ordinary shares				
Cash dividends	7,867,430	15,734,861	0.5	1.0

As of June 30, 2016 and 2015, the cash dividends declared have not been distributed to shareholders and were recognized as other payables.

d. Special reserves

	For the Six Months Ended June 30	
	2016	**2015**
Balance, beginning of period	$ 27,132,983	$ 27,086,283
Appropriation in respect of		
The difference between carrying amount of the Corporation's shares held by subsidiaries	2,654,116	47,049
Reversal of special reserve		
Disposal of property, plant and equipment	(233)	(18)
Balance, end of period	$ 29,786,866	$ 27,133,314

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Six Months Ended June 30	
	2016	**2015**
Balance, beginning of period	$ 1,198,796	$ 732,469
Exchange differences arising on translating foreign operations	(1,186,319)	(2,078,255)
Income tax relating to exchange differences arising on translating the net assets of foreign operations	12,266	11,959
Gains and losses on hedging instruments designated in hedges of the net assets of foreign operations	735,753	743,081
Share of exchange difference of associates accounted for using the equity method	(160,422)	503,587
Balance, end of period	$ 600,074	$ (87,159)

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

	For the Six Months Ended June 30	
	2016	**2015**
Balance, beginning of period	$ 6,573,348	$ 9,283,354
Unrealized gains and losses on available-for-sale financial assets	855,742	(733,548)
Income tax relating to unrealized gains and losses on available-for-sale financial assets	8,410	(495)
Reclassified to profit or loss on disposal of available-for-sale financial assets	(741,951)	(169,913)
Income tax relating to the amounts reclassified to profit or loss on disposal of available-for-sale financial assets	-	791
Impairment on available-for-sale financial assets	4,962	-

(Continued)

	For the Six Months Ended June 30	
	2016	2015
Share of unrealized gains and losses on available-for-sale financial assets of associates accounted for using the equity method	$ (90,179)	$ (16,594)
Balance, end of period	$ 6,610,332	$ 8,363,595
		(Concluded)

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

	For the Six Months Ended June 30	
	2016	2015
Balance, beginning of period	$ 152,264	$ 146,192
Fair value changes of hedging instrument	(53,835)	(206,400)
Income tax relating to fair value changes	6,813	34,560
Fair value changes of hedging instruments transferred to profit or loss	6,518	(1,340)
Income tax relating to amounts transferred to profit or loss	(418)	227
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	26,762	1,337
Income tax relating to amounts transferred to adjust carrying amount of hedged items	(4,549)	(227)
Balance, end of period	$ 133,555	$ (25,651)

f. Treasury shares

	Thousand Shares			June 30	
Purpose of Treasury Shares	**Beginning of Period**	**Addition**	**Reduction**	**Thousand Shares**	**Book Value**
For the six months ended June 30, 2016					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	318,036	-	29	318,007	$ 8,576,842
For the six months ended June 30, 2015					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	318,369	-	376	317,993	$ 8,577,124

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 decrease of treasury shares was mainly due to subsidiaries' sale of the Corporation's shares and change in percentage of ownership.

For the six months ended June 30, 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 June 30, 2016, December 31, 2015, and June 30, 2015, the market values of the treasury shares calculated by combined holding percentage were NT$6,647,683 thousand, NT$5,710,213 thousand, and NT$7,842,437 thousand, respectively.

g. Non-controlling interests

	For the Six Months Ended June 30	
	2016	**2015**
Balance, beginning of period	$ 26,404,014	$ 29,969,636
Attributable to non-controlling interests:		
Share of net profit (loss) for the period	1,318,647	(265,076)
Exchange difference on translating foreign operations	(117,291)	(718,225)
Income tax relating to exchange difference on translating foreign operations	2,436	(501)
Unrealized losses on available-for-sale financial assets	(247,051)	(114,559)
Income tax relating to unrealized gains and losses on available-for-sale financial assets	14,886	(551)
Fair value changes of cash flow hedges	(32,714)	(7,399)
Income tax relating to cash flow hedges	6,479	1,254
Share of other comprehensive income of associates accounted for using the equity method	(17,154)	(8,573)
Non-controlling interest arising from acquisition of subsidiaries	344,151	276,215
Dividend distributed by subsidiaries	(1,939,878)	(2,605,072)
Disposal of the Corporation's shares by subsidiaries	-	4,769
Others	84,330	(275,976)
Balance, end of period	$ 25,820,855	$ 26,255,942

26. OPERATING REVENUES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Revenue from the sale of goods	$ 64,924,799	$ 66,773,483	$ 123,159,667	$ 140,389,162
Construction contract revenue	4,586,261	4,454,016	9,385,544	9,441,884
Freight and service revenues	2,447,782	1,719,597	3,944,680	3,209,016
Other revenues	373,866	615,577	801,360	1,326,313
	$ 72,332,708	$ 73,562,673	$ 137,291,251	$ 154,366,375

27. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Interest income	$ 85,623	$ 105,068	$ 160,652	$ 224,172
Dividends income	107,770	113,850	107,770	113,850
Rental income	38,193	47,669	72,203	80,465
Insurance claim income	9,915	68,921	18,946	76,703
Others	136,216	286,373	239,627	488,689
	$ 377,717	$ 621,881	$ 599,198	$ 983,879

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Gain on disposal of investments	$ 30,629	$ 20,565	$ 783,853	$ 22,534
Net foreign exchange gain (loss)	5,067	(4,202)	64,994	72,230
Gain (loss) arising on financial assets at fair value through profit or loss	(2,393)	(7,109)	9,247	310
Loss on disposal of property, plant and equipment	(21,402)	(25,995)	(138,605)	(32,330)
Reversals of impairment losses recognized on investment property (Note 18)	-	1,128,307	-	1,128,307
Other losses	(153,356)	(181,181)	(233,287)	(263,684)
	$ (141,455)	$ 930,385	$ 486,202	$ 927,367

The components of net foreign exchange gain (loss) were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Foreign exchange gain	$ 313,605	$ 479,263	$ 775,961	$ 1,007,806
Foreign exchange loss	(308,538)	(483,465)	(710,967)	(935,576)
Net exchange gain (loss)	$ 5,067	$ (4,202)	$ 64,994	$ 72,230

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Total interest expense	$ 1,004,267	$ 1,002,448	$ 2,048,315	$ 2,003,553
Less: Amounts included in the cost of qualifying assets	54,735	91,135	112,428	183,783
	$ 949,532	$ 911,313	$ 1,935,887	$ 1,819,770

Information about capitalized interest was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Capitalized amounts	$ 54,735	$ 91,135	$ 112,428	$ 183,783
Capitalized annual rates (%)	0.52-1.43	1.01-1.56	0.52-1.43	1.01-1.62

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Property, plant and equipment	$ 8,927,156	$ 8,915,381	$ 17,874,107	$ 17,906,419
Investment properties	20,287	20,030	41,699	40,136
Intangible assets	65,830	62,412	141,180	116,972
Others	23,296	23,839	44,054	47,635
	$ 9,036,569	$ 9,021,662	$ 18,101,040	$ 18,111,162
Analysis of depreciation by function				
Operating costs	$ 8,560,585	$ 8,586,244	$ 17,152,711	$ 17,252,500
Operating expenses	381,001	342,725	751,461	680,669
Others	5,857	6,442	11,634	13,386
	$ 8,947,443	$ 8,935,411	$ 17,915,806	$ 17,946,555
Analysis of amortization by function				
Operating costs	$ 48,766	$ 55,535	$ 106,802	$ 103,964
Operating expenses	39,904	30,458	77,569	60,150
Others	456	258	863	493
	$ 89,126	$ 86,251	$ 185,234	$ 164,607

e. Operating expenses directly related to investment properties

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Direct operating expenses of investment properties that generated rental income	$ 44,098	$ 32,830	$ 83,965	$ 69,459

f. Employee benefits

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Short-term employee benefits				
Salaries	$ 8,263,119	$ 7,435,047	$ 14,573,693	$ 14,954,061
Labor and health insurance	455,144	473,224	936,806	959,095
Others	305,305	275,462	579,983	590,648
	9,023,568	8,183,733	16,090,482	16,503,804
Post-employment benefits				
Defined contribution plans	173,787	159,945	345,925	310,897
Defined benefit plans (Note 24)	212,866	220,586	427,416	441,236
	386,653	380,531	773,341	752,133
Termination benefits	32,914	11,717	55,920	29,922
	$ 9,443,135	$ 8,575,981	$ 16,919,743	$ 17,285,859
Analysis of employee benefits by function				
Operating costs	$ 7,594,136	$ 6,916,717	$ 13,577,471	$ 13,852,362
Operating expenses	1,701,632	1,603,513	3,068,666	3,240,713
Others	147,367	55,751	273,606	192,784
	$ 9,443,135	$ 8,575,981	$ 16,919,743	$ 17,285,859

To be in compliance with the Company Act amended in May 2015, and the amended Articles of Incorporation of the Corporation approved in June 2016 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 the pre-tax profit prior to deducting, employees' compensation, and remuneration to directors and supervisors.

The Articles before the amendment stipulated to distribute bonus to employees and remuneration to directors and supervisors at the rates 8% and 0.15%, respectively, of the after-tax profit (net of the bonus and remuneration). For the three months and six months ended June 30, 2016 and 2015, the bonus to employees and the remuneration to directors and supervisors were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Employee compensation	$ 372,429	$ 326,718	$ 446,657	$ 718,576
Remuneration to directors and supervisors	6,983	6,122	8,364	13,473

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

The employees' compensation and the remuneration to directors and supervisors for 2015 resolved by the board of directors in March 2016, the amounts of the bonus to employees and the remuneration to directors and supervisors for 2014 approved in the shareholders' meetings in June 2015, respectively, all distributed in cash, were as follows:

	For the Year Ended December 31			
	2015		**2014**	
	Employees Compensation	**Remuneration of Directors and Supervisors**	**Bonus to Employees**	**Remuneration of Directors and Supervisors**
Amounts resolved by the board of directors or approved in shareholders' meetings	$ 330,925	$ 6,205	$ 1,587,490	$ 29,765
Amounts recognized in respective financial statements	330,925	6,205	1,587,490	29,765
Difference	$ -	$ -	$ -	$ -

Information on the employees' compensation and remuneration to directors and supervisors for 2016 resolved by the Corporation's board of directors in 2016 and bonus to employees, directors and supervisors for 2015 resolved by the shareholders' meeting in 2015 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

As of June 30, 2016 and 2015, the Corporation and its subsidiaries' number of employees were about 26,477 and 25,197, respectively.

28. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	**2015**	**2016**	**2015**
Current tax				
In respect of the current period	$ 514,803	$ 790,461	$ 727,500	$ 2,275,566
Income tax on unappropriated earnings	120,571	557,191	120,571	563,709
In respect of prior years	(284,436)	(764,210)	(237,208)	(760,800)

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Deferred tax				
In respect of the current period	$ 308,880	$ (91,337)	$ 143,779	$ (341,680)
In respect of prior years	7,505	754,521	13,273	754,521
Write-down in the current period	-	4,677	-	4,677
	$ 667,323	$ 1,251,303	$ 767,915	$ 2,495,993

(Concluded)

b. Income tax recognized directly in equity

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Current tax				
Reversal of special reserve due to disposal of property, plant and equipment	$ 58	$ 4	$ 58	$ 4
Deferred tax				
Reversal of special reserve due to disposal of property, plant and equipment	(58)	(4)	(58)	(4)
	$ -	$ -	$ -	$ -

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Recognized in other comprehensive income:				
Translation of foreign operations	$ 5,658	$ (4,764)	$ (14,702)	$ (11,458)
Unrealized gains and losses on available-for-sale financial asset	1,945	(3,998)	(23,296)	255
Fair value changes of cash flow hedges	277	(3,458)	(13,292)	(35,814)
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	-	(375)	418	227

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Fair value changes of hedging instrument in cash flow hedges transferred to profit or loss	$ (1,294)	$ -	$ 4,549	$ (227)
	$ 6,586	$ (12,595)	$ (46,323)	$ (47,017)

(Concluded)

d. Integrated income tax

	June 30, 2016	December 31, 2015	June 30, 2015
Unappropriated earnings			
Before January 1, 1998	$ 15,954	$ 15,954	$ 15,954
On and after January 1, 1998	7,747,840	13,307,894	14,414,933
	$ 7,763,794	$ 13,323,848	$ 14,430,887
Imputation credits accounts ("ICA")	$ 2,355,198	$ 1,247,908	$ 3,773,614

	For the Year Ended December 31	
	2015 (Estimated)	2014
Tax creditable ratio for distribution of earnings (%)	17.69	20.03

e. Income tax assessments

The Corporation's income tax returns through 2011 and the subsidiaries' income tax returns through 2011 to 2015 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 additional 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:

<u>Net profit for the period</u>

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Net profit for the period attributable to owners of the Corporation	$ 5,280,179	$ 2,849,395	$ 5,762,325	$ 8,375,666

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Less: Dividends on preference shares	$ 13,394	$ 13,394	$ 26,788	$ 26,788
Net profit used in computation of basic earnings per share	5,266,785	2,836,001	5,735,537	8,348,878
Add: Dividends on preference shares	13,394	-	-	-
Net profit used in computation of diluted earnings per share	$ 5,280,179	$ 2,836,001	$ 5,735,537	$ 8,348,878

(Concluded)

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Weighted average number of ordinary shares in computation of basic earnings per share	15,416,854	15,416,493	15,416,854	15,416,743
Effect of dilutive potential ordinary shares:				
Employees compensation	21,866	92,725	28,761	95,309
Convertible preference shares	38,268	-	-	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	15,476,988	15,509,218	15,445,615	15,512,052

Preference shares were not included in the calculation of diluted earnings per share for the three months ended June 30, 2015 and six months ended June 30, 2016 and 2015 because of their anti-dilutive effect.

Since the Corporation offered to settle the compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved 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 (WBC)	Biology introduction and development	July 1, 2015	87/69	$ 800,000

The Corporation acquired WBC 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 WBC) 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 WBC's identifiable net assets.

d. Intangible assets arising on acquisition

Consideration transferred	$ 800,000
Plus: Fair value of WBC's shares held by the Corporation before the date of acquisition	16,498
Non-controlling interests (13% ownership in WBC)	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 and payables recognized in the consolidated financial statements approximated their fair values.

	June 30, 2016		December 31, 2015		June 30, 2015	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets						
Held-to-maturity investments	$ 275,358	$ 259,341	$ 285,963	$ 261,745	$ 247,262	$ 223,001

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 financial instrument.

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

1) Fair value hierarchy

	Level 1	**Level 2**	**Level 3**	**Total**
June 30, 2016				
Financial assets at fair value through profit or loss				
Mutual funds	$ 2,718,642	$ -	$ -	$ 2,718,642
Listed shares	858,914	-	-	858,914
Emerging market shares	-	-	231,261	231,261
Convertible bonds	231,643	-	-	231,643
Foreign exchange forward contracts	-	782	-	782
	$ 3,809,199	$ 782	$ 231,261	$ 4,041,242
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 13,028,924	$ 13,028,924
Domestic emerging market shares and unlisted shares	-	-	6,202,247	6,202,247
Domestic listed shares	4,861,252	-	-	4,861,252
Foreign listed shares	2,578,567	-	-	2,578,567
Mutual funds	615,157	-	-	615,157
Certificate of entitlement	-	-	824,708	824,708
Private-placement shares of listed companies	-	193,291	-	193,291
	$ 8,054,976	$ 193,291	$ 20,055,879	$ 28,304,146
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 79,289	$ -	$ 79,289
Financial liabilities at fair value through profit or loss				
Call and put options	$ -	$ 549	$ -	$ 549
Foreign exchange forward contracts	-	1,207	-	1,207
	$ -	$ 1,756	$ -	$ 1,756

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 22,772	$ -	$ 22,772
Interest rate swap contracts	-	54,770	-	54,770
	$ -	$ 77,542	$ -	$ 77,542
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
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

(Continued)

June 30, 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Mutual funds	$ 4,405,560	$ -	$ -	$ 4,405,560
Listed shares	1,083,475	-	-	1,083,475
Emerging market shares	-	-	258,610	258,610
Convertible bonds	115,899	-	-	115,899
Structure notes	-	40,117	-	40,117
Foreign exchange forward contracts	-	3,155	-	3,155
	$ 5,604,934	$ 43,272	$ 258,610	$ 5,906,816
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 17,765,813	$ 17,765,813
Domestic listed shares	7,556,916	-	-	7,556,916
Domestic emerging market shares and unlisted shares	-	-	6,502,795	6,502,795
Foreign listed shares	1,832,949	-	-	1,832,949
Mutual funds	1,542,223	-	-	1,542,223
Certificate of entitlement	-	-	952,166	952,166
Private-placement shares of listed companies	-	266,472	-	266,472
	$ 10,932,088	$ 266,472	$ 25,220,774	$ 36,419,334
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 74,117	$ -	$ 74,117
Financial liabilities at fair value through profit or loss				
Call and put options	$ -	$ 3,323	$ -	$ 3,323
Foreign exchange forward contracts	-	989	-	989
	$ -	$ 4,312	$ -	$ 4,312
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 101,378	$ -	$ 101,378
Interest rate swap contracts	-	19,792	-	19,792
	$ -	$ 121,170	$ -	$ 121,170

(Concluded)

There was no transfer between Level 1 and Level 2 for the six months ended June 30, 2016 and 2015.

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

For the six months ended June 30, 2016	Financial Assets at Fair Value Through Profit or Loss	Available-for-sale Financial Assets	Total
Balance, beginning of period	$ 245,455	$ 45,129,968	$ 45,375,423
Recognized in profit or loss (included in other gains and losses)	(14,194)	133,653	119,459
Recognized in other comprehensive income (included in unrealized gains and losses on available-for-sale financial assets)	-	631,741	631,741
Purchases	-	232,069	232,069
Reclassification	-	(25,908,765)	(25,908,765)
Disposal	-	(204,897)	(204,897)
Effect of foreign currency exchange difference	-	42,110	42,110
Balance, end of period	$ 231,261	$ 20,055,879	$ 20,287,140
For the six months ended June 30, 2015			
Balance, beginning of period	$ 276,613	$ 26,629,214	$ 26,905,827
Recognized in profit or loss (included in other gains and losses)	(18,003)	6,912	(11,091)
Recognized in other comprehensive income - unrealized gains and losses on available-for-sale financial assets	-	(407,944)	(407,944)
Purchases	-	69,644	69,644
Transfer into Level 3	-	30,020	30,020
Disposal	-	(305,360)	(305,360)
Capital reduction	-	(85,426)	(85,426)
Effect of foreign currency exchange difference	-	(716,286)	(716,286)
Balance, end of period	$ 258,610	$ 25,220,774	$ 25,479,384

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.

(Continued)

Financial Instrument	Valuation Techniques and Inputs
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.

(Concluded)

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 return 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.

	June 30, 2016	**December 31, 2015**	**June 30, 2015**
Long-term revenue growth rate (%)	-	-	-
Long-term pre-tax operating income rate (%)	22.73-51.68	22.60	16.80
Discount rate (%)	7.00-8.00	8.00	10.18

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

	June 30, 2016	**December 31, 2015**	**June 30, 2015**
Discount rate			
Increase 1%	$ (547,506)	$ (186,562)	$ (123,899)
Decrease 1%	$ 687,269	$ 238,551	$ 150,171

c. Categories of financial instruments

	June 30, 2016	**December 31, 2015**	**June 30, 2015**
Financial assets			
Fair value through profit or loss			
Designated as at fair value through profit or loss	$ 1,793,434	$ 1,850,000	$ 3,469,364
Held for trading	2,247,808	1,591,885	2,437,452

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
Derivative instruments in designated hedge accounting relationships	$ 79,289	$ 165,541	$ 74,117
Held-to-maturity investments	275,358	285,963	247,262
Loans and receivables (see 1 below)	49,520,028	51,740,908	51,171,795
Available-for-sale financial assets	28,304,146	54,124,495	36,419,334
Financial liabilities			
Fair value through profit or loss			
Designated as at fair value through profit or loss	549	483	3,323
Held for trading	1,207	1,042	989
Derivative instruments in designated hedge accounting relationships	77,542	86,840	121,170
Measured at amortized cost (see 2 below)	323,442,106	325,253,462	325,511,070

(Concluded)

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

The carrying amounts of the significant non-functional currency monetary assets and liabilities (including those eliminated on consolidation) at the balance sheet date were referred to Note 36.

The Corporation and its subsidiaries were mainly exposed to the currencies USD, JPY, AUD and RMB. 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 Six Months Ended June 30			For the Six Months Ended June 30		
	2016	2015		2016	2015	
Pre-tax profit or loss	$ (20,093)	$ (20,098)	i	$ 9,709	$ 8,026	i
Pre-tax equity	297,277	84,674	ii	(2,921)	(1,421)	ii

	AUD Impact			RMB Impact		
	For the Six Months Ended June 30			For the Six Months Ended June 30		
	2016	2015		2016	2015	
Pre-tax profit or loss	$ (154)	$ (155)	i	$ (11,854)	$ (13,297)	i
Pre-tax equity	43,202	67,473	ii	(7,926)	(3,083)	ii

i. 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.

ii. 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:

	June 30, 2016	December 31, 2015	June 30, 2015
Fair value interest rate risk			
Financial liabilities	$ 147,981,720	$ 131,180,631	$ 141,388,566
Cash flow interest rate risk			
Financial liabilities	135,262,319	165,536,582	132,688,627

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation and its subsidiaries' pre-tax profit for the six months ended June 30, 2016 and 2015 would have been lower/higher by NT$676,312 thousand and NT$663,443 thousand, respectively.

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 six months ended June 30, 2016 and 2015 would have been higher/lower by NT$35,776 thousand and NT$54,890 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 six months ended June 30, 2016 and 2015 would have been higher/lower by NT$82,483 thousand and NT$111,986 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 June 30, 2016, the maximum credit risk of off-balance-sheet guarantees and amount provided to investees of co-investment for procurement compliance was NT$14,699,321 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 band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

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
June 30, 2016				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 38,319,104	$ 298,951	$ -	$ 38,618,055
Variable interest rate liabilities	42,563,490	93,425,632	3,306,086	139,295,208
Fixed interest rate liabilities	49,387,794	59,767,807	47,931,187	157,086,788
Financial guarantee liabilities	2,289,583	-	12,409,738	14,699,321
	$ 132,559,971	$ 153,492,390	$ 63,647,011	$ 349,699,372
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
June 30, 2015				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 49,974,446	$ 313,595	$ -	$ 50,288,041
Variable interest rate liabilities	54,936,061	78,774,083	2,567,858	136,278,002
Fixed interest rate liabilities	44,398,679	42,977,269	65,618,844	152,994,792
Financial guarantee liabilities	2,314,687	-	-	2,314,687
	$ 151,623,873	$ 122,064,947	$ 68,186,702	$ 341,875,522

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 Three Months Ended June 30 2016	For the Three Months Ended June 30 2015	For the Six Months Ended June 30 2016	For the Six Months Ended June 30 2015
Revenue from sales of goods	Associates	$ 1,325,535	$ 174,973	$ 2,496,123	$ 346,584
	The Corporation and its subsidiaries as key management personnel of other related parties	983,767	921,212	1,589,045	1,928,016
	Other related parties as supervisors of the Corporation and its subsidiaries	494,027	414,581	866,217	826,242
	Other related parties as key management personnel of subsidiaries	426,999	505,804	800,594	1,021,749
	Others	694	126,817	3,930	241,239
		$ 3,231,022	$ 2,143,387	$ 5,755,909	$ 4,363,830
Construction contract revenue	Associates	$ 434,484	$ 174,696	$ 766,769	$ 229,614
	Other related parties as key management personnel of subsidiaries	41,576	80,393	109,564	206,324
	The Corporation and its subsidiaries as key management personnel of other related parties	2,284	496,377	8,853	884,510
		$ 478,344	$ 751,466	$ 885,186	$ 1,320,448

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 Three Months Ended June 30 2016	For the Three Months Ended June 30 2015	For the Six Months Ended June 30 2016	For the Six Months Ended June 30 2015
Companies with significant influence over subsidiaries	$ 709,084	$ 340,782	$ 1,177,793	$ 592,283
Other related parties as key management personnel of subsidiaries	83,152	58,281	137,649	131,681

(Continued)

Related Parties Types	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Associates	$ 83,242	$ 58,672	$ 127,170	$ 107,049
Others	2,723	1,586	4,827	4,430
	$ 878,201	$ 459,321	$ 1,447,439	$ 835,443

(Concluded)

Purchases from related parties were made under normal terms.

c. Receivables from related parties

Account Items	Related Parties Types	June 30, 2016	December 31, 2015	June 30, 2015
Notes and accounts receivable	Associates	$ 431,525	$ 45,258	$ 97,452
	The Corporation and its subsidiaries as key management personnel of other related parties	335,455	353,971	440,286
	Other related parties as key management personnel of subsidiaries	232,252	290,424	376,990
	Others	1,904	16,549	22,770
		$ 1,001,136	$ 706,202	$ 937,498

The subsidiary Chin Ecotek Corporation recognized the allowance for doubtful accounts in the amount of NT$3,781 thousand and NT$414 thousand for the six months ended June 30, 2016 and 2015, respectively. As of June 30, 2016 and 2015, the allowance for doubtful accounts amounted to NT$5,077 thousand and NT$5,316 thousand, respectively.

d. Payables to related parties

Account Items	Related Parties Types	June 30, 2016	December 31, 2015	June 30, 2015
Accounts payable	Companies with significant influence over subsidiaries	$ 337,132	$ 199,274	$ 298,255
	Associates	63,363	27,588	65,752
	Other related parties as key management personnel of subsidiaries	23,200	21,696	19,758
	Others	9,756	7,573	7,333
		$ 433,451	$ 256,131	$ 391,098

The outstanding payables to related parties were unsecured.

e. Others

Account Items	Related Parties Types	For the Three Months Ended June 30 2016	For the Three Months Ended June 30 2015	For the Six Months Ended June 30 2016	For the Six Months Ended June 30 2015
Service and other revenues	Associates	$ 310,601	$ 7,020	$ 416,872	$ 11,651
	Other related parties as key management personnel of subsidiaries	26,524	25,144	45,998	51,952
	The Corporation and its subsidiaries as key management personnel of other related parties	2,836	218,560	3,240	354,243
	Others	2,201	4,020	4,020	5,841
		$ 342,162	$ 254,744	$ 470,130	$ 423,687

Account Items	Related Parties Types	June 30, 2016	December 31, 2015	June 30, 2015
Other receivables	Associates	$ 229,740	$ 9,068	$ 20,343
	Others	216	-	1,369
		$ 229,956	$ 9,068	$ 21,712
Other payables	Associates	$ 607,448	$ 6	$ 1,490
	Companies with significant influence over subsidiaries	8,939	23,194	23,969
	Other related parties as key management personnel of subsidiaries	10,045	12,839	12,231
	Others	9,213	9,094	25,785
		$ 635,645	$ 45,133	$ 63,475

f. Acquisition of financial assets - For the six months ended June 30, 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. Endorsements and guarantees provided by the Corporation and its subsidiaries

Related Party Types	June 30, 2016	December 31, 2015	June 30, 2015
Associates			
Amount endorsed	$ 28,240,625	$ -	$ -
Amount utilized	(12,409,738)	-	-
	$ 15,830,887	$ -	$ -
The Corporation as key management personnel of others			
Amount endorsed	$ 2,508,060	$ 2,491,772	$ 2,314,687
Amount utilized	(2,289,583)	(2,491,772)	(2,314,687)
	$ 218,477	$ -	$ -

h. Compensation of key management personnel

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2016	2015	2016	2015
Short-term employee benefits	$ 16,783	$ 27,704	$ 32,257	$ 53,461
Post-employment benefits	276	335	553	669
	$ 17,059	$ 28,039	$ 32,810	$ 54,130

34. ASSETS PLEDGED AS COLLATERAL OR 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):

	June 30, 2016	December 31, 2015	June 30, 2015
Net property, plant and equipment	$ 117,677,880	$ 121,602,388	$ 123,048,222
Time deposits (Note 16)	6,862,445	6,986,935	6,958,645
Shares (see a. below)	4,930,310	3,875,405	6,554,435
Pledged receivables (Note 16) (see b. below)	2,000,000	2,000,000	2,000,000
Net investment properties	1,598,636	1,537,613	1,512,129
	$ 133,069,271	$ 136,002,341	$ 140,073,431

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 June 30, 2016 were as follows:

a. The Corporation and its subsidiaries provided letters of credits for NT$5.2 billion guaranteed by financial institutions for performance and payment bond in construction contracts, and guarantee notes for NT$75.8 billion to banks and owners for loans, purchase agreements and warranties.

b. Unused letters of credit for importation of materials and machinery amounted to NT$8.4 billion.

c. Property purchase and construction contracts for NT$9.1 billion were signed but not yet recorded.

d. Construction contracts for NT$35.7 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 10,550,000 metric tons of coal, 22,080,000 metric tons of iron ore, and 3,400,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of June 30, 2016 were USD2.1 billion (including 12,590,000 metric tons of coal, 20,190,000 metric tons of iron ore, and 2,590,000 metric tons of limestone).

f. In January 2016 and August 2014, the associate Chang-Chun Ceck Auto. Parts Co., Ltd. (CCCA) entered into credit facility agreements with Taipei Fubon Bank and CTBC Bank for a USD10,000 and EUR2,000 thousand import loan commitment. Under the agreement, the Corporation and its associates should collectively hold at least 38% and 30% of CCCA's issued shares and one seat in the board of directors. As of June 30, 2016, 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 June 30, 2016, the Corporation held 38% equity of HAPC and two seats in the board of directors.

h. Endorsements/guarantees provided to the unconsolidated entities as of June 30, 2016 were as follows:

Endorsement/Guarantee Provider	Counterparty	Ending Balance
China Steel Corporation	Sakura Ferroalloys Sdn. Bhd.	NT$ 2,508,060 thousand
	Formosa Ha Tinh (Cayman) Limited	NT$ 28,240,625 thousand

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
June 30, 2016				
Monetary financial assets				
USD	$ 352,426	32.2750	(USD:NTD)	$ 11,374,554
USD	23,286	6.6615	(USD:RMB)	751,541
USD	9,755	1.3462	(USD:AUD)	314,855
USD	4,402	24,826.9231	(USD:VND)	142,080
JPY	8,653,760	0.3143	(JPY:NTD)	2,719,877
RMB	392,310	4.8450	(RMB:NTD)	1,900,742
VND	203,398,311	0.00004	(VND:USD)	270,520
EUR	10,096	35.8900	(EUR:NTD)	362,328
EUR	3,000	1.1120	(EUR:USD)	107,667
HKD	32,290	4.1590	(HKD:NTD)	134,295
Non-monetary financial assets				
Available-for-sales financial assets				
USD	69,870	32.2750	(USD:NTD)	2,255,058
JPY	8,128,800	0.3143	(JPY:NTD)	2,553,625
MYR	259,490	7.6665	(MYR:NTD)	1,989,378
VND	614,957,769	0.00004	(VND:USD)	817,894
RMB	82,112	4.8450	(RMB:NTD)	397,834
KRW	36,337,500	0.0282	(KRW:NTD)	1,024,718
Associate accounted for using equity method				
USD	1,086,193	32.2750	(USD:NTD)	35,056,864
USD	271,922	1.3462	(USD:AUD)	8,776,331
Monetary financial liabilities				
USD	1,070,163	32.2750	(USD:NTD)	34,539,496
USD	110,000	67.6200	(USD:INR)	3,550,250
USD	53,926	6.6620	(USD:RMB)	1,740,454
USD	16,995	24,826.9231	(USD:VND)	548,499
AUD	180,194	23.9750	(AUD:NTD)	4,320,169
JPY	10,887,527	0.3143	(JPY:NTD)	3,421,950
EUR	11,558	1.1120	(EUR:USD)	414,815
December 31, 2015				
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

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
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
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
June 30, 2015				
Monetary financial assets				
USD	407,374	30.8600	(USD:NTD)	12,571,546
USD	28,148	6.2055	(USD:RMB)	868,642
USD	18,520	1.3029	(USD:AUD)	571,536
USD	3,926	22,042.8571	(USD:VND)	121,167
JPY	11,563,229	0.2524	(JPY:NTD)	2,918,559
RMB	316,065	4.9730	(RMB:NTD)	1,571,791
VND	195,944,762	0.00004	(VND:USD)	268,444
Non-monetary financial assets				
Available-for-sales financial assets				
USD	90,638	30.8600	(USD:NTD)	2,797,083
JPY	7,150,000	0.2524	(JPY:NTD)	1,804,660
MYR	178,360	7.8535	(MYR:NTD)	1,400,749
Associate accounted for using equity method				
USD	274,538	1.3029	(USD:AUD)	8,472,013
Monetary financial liabilities				
USD	425,128	30.8600	(USD:NTD)	13,119,445
USD	110,000	63.7603	(USD:INR)	3,394,600
USD	106,482	6.2055	(USD:RMB)	3,286,027
USD	23,890	22,042.8571	(USD:VND)	737,234
AUD	284,876	23.6850	(AUD:NTD)	6,747,296
JPY	14,266,831	0.2524	(JPY:NTD)	3,600,948

(Concluded)

For the three months and six months ended June 30, 2016 and 2015, realized and unrealized net foreign exchange gains and losses were gains NT$5,067 thousand, losses NT$4,202 thousand, gains NT$64,994 thousand and gains NT$72,230 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the each entity.

37. 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.

- Ocean freight forwarding - ship bulk merchandise, such as iron ore and coal, including CSE, TSP, CSEP and CSEIP.

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	Ocean Freight Forwarding	Others	Adjustment and Elimination	Total
For the six months ended June 30, 2016					
Revenues from external customers	$ 107,303,033	$ 1,020,656	$ 28,967,562	$ -	$ 137,291,251
Inter-segment revenues	27,647,187	5,390,572	13,491,582	(46,529,341)	-
Segment revenues	$ 134,950,220	$ 6,411,228	$ 42,459,144	$ (46,529,341)	$ 137,291,251
Segment profit	$ 4,957,777	$ 1,538,254	$ 2,325,575	$ 380,676	$ 9,202,282
Interest income	104,933	2,683	84,287	(31,251)	160,652
Financial costs	(1,720,403)	(73,833)	(159,456)	17,805	(1,935,887)
Share of the profit of associates	2,814,869	(208,162)	364,689	(3,474,304)	(502,908)
Other non-operating income and expenses	946,929	33,822	255,321	(311,324)	924,748
Profit before income tax	7,104,105	1,292,764	2,870,416	(3,418,398)	7,848,887
Income tax	165,462	30,087	533,328	39,038	767,915
Net profit (loss) for the period	$ 6,938,643	$ 1,262,677	$ 2,337,088	$ (3,457,436)	$ 7,080,972
For the six months ended June 30, 2015					
Revenues from external customers	$ 122,146,595	$ 414,578	$ 31,805,202	$ -	$ 154,366,375
Inter-segment revenues	26,287,359	6,684,033	14,654,090	(47,625,482)	-
Segment revenues	$ 148,433,954	$ 7,098,611	$ 46,459,292	$ (47,625,482)	$ 154,366,375
Segment profit	$ 7,079,399	$ 967,286	$ 3,316,759	$ (1,023,597)	$ 10,339,847
Interest income	131,915	3,941	125,454	(37,138)	224,172
Financial costs	(1,673,562)	(37,106)	(129,992)	20,890	(1,819,770)
Share of the profit of associates	2,839,480	(61,550)	1,003,875	(3,606,545)	175,260
Other non-operating income and expenses	1,641,386	(7,720)	355,887	(302,479)	1,687,074
Profit before income tax	10,018,618	864,851	4,671,983	(4,948,869)	10,606,583
Income tax (benefit)	2,141,264	3,568	444,607	(93,446)	2,495,993
Net profit (loss) for the period	$ 7,877,354	$ 861,283	$ 4,227,376	$ (4,855,423)	$ 8,110,590

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

	June 30, 2016	December 31, 2015	June 30, 2015
Segment assets			
Steel	$ 726,512,847	$ 725,576,274	$ 737,197,083
Ocean freight forwarding	26,435,638	25,116,639	24,818,532
Others	212,693,435	200,596,436	185,379,745
Adjustment and elimination	(294,017,525)	(273,150,333)	(268,190,822)
Consolidated total assets	$ 671,624,395	$ 678,139,016	$ 679,204,538
Segment liabilities			
Steel	$ 305,156,307	$ 302,903,168	$ 310,849,025
Ocean freight forwarding	12,994,092	11,813,144	12,016,519
Others	63,363,141	58,385,962	62,497,549
Adjustment and Elimination	(27,333,060)	(15,688,091)	(27,804,413)
Consolidated total liabilities	$ 354,180,480	$ 357,414,183	$ 357,558,680