China Steel Corporation

Standalone Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

Deloitte.

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IINDEPENDENT AUDITORS' REPORT

China Steel Corporation

Opinion

We have audited the accompanying standalone financial statements of China Steel Corporation (the Corporation), which comprise the standalone balance sheets as of December 31, 2016 and 2015, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion and the audit reports issued by other independent accountants (refer to other matter paragraph), the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2016 and 2015, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Corporation's standalone financial statements for the year ended December 31, 2016 are stated as follows:

Acquisition of Material Associates

In January 2016, the Corporation increased investment in Formosa Ha Tinh (Cayman) Limited through its subsidiary, China Steel Asia Pacific Holdings Pte Ltd., with the total shareholding increased from 19% to 25%. Such investment accounted for using the equity method amounted to NT$37,176,938 thousand. The related accounting approach is as disclosed in Note 4 to the standalone financial statements. According to IAS 28 - Investments in Associates and Joint Ventures, the acquired assets and liabilities of Formosa Ha Tinh (Cayman) Limited needed to be identified and to have their value appraised. As a result, the Corporation hired an appraiser who composed the purchase price allocation report and used the report as the basis for acquisition transactions.

While composing the purchase price allocation report, the appraiser conducted the tangible and intangible assets valuation which was based on the financial statements of Formosa Ha Tinh (Cayman) Limited on the acquisition date, the acquisition price, and internal and external environment factors in the industry. The valuation involved various key assumptions, including valuation models, key inputs, future expected cash flows and the discount rate used. As a result, the purchase price allocation is deemed to be the key audit matter.

We have assessed the professionality, competence, and objectivity of the appraiser and verified the appraiser hired by the Corporation. Additionally, we have discussed with the management the scope of work performed by the appraiser, reviewed the contract terms and conditions signed by the Corporation and the appraiser, and identified no concerns over the appraiser's objectivity or any restrictions imposed on the scope of the work. We have confirmed the valuation method the appraiser adopted, which complies with IFRSs. The audit procedures we performed included:

1. Test the appropriateness and the compliance of acquisition balance sheet per requirements of IFRS 3 - Business Combination; and

2. Review the reasonableness of financial forecasts.

We also consulted our internal valuation experts to have them assess the appropriateness of the appraisal in determining the fair value of the acquired intangibles in the purchase price allocation report. The assessment in particular included:

1. Test the valuation models used and discuss the applicable models with the Corporation's management and the appraiser;

2. Verify the key assumptions and the reasonableness of key inputs, including weighted average cost of capital and internal rate of return etc.

Additionally, we have audited the purchase price allocated to the acquired assets, which depreciates over the assets' useful lives.

Impairment Assessment on Available-For-Sale Financial Assets

Starting from the 3rd quarter in 2015, the prices of raw material, including coal and iron price, fluctuated dramatically due to the economic downturn in the steel industry and the decrease in the steel price. As of December 31, 2016, the investment in mining and alloy steel companies, recognized as available-for-sale financial assets, amounted to NT$4,994,765 thousand, representing 1% of the Corporation's total assets. The related accounting approach and impairment assessment as disclosed in Note 4 to the Corporation's financial statements.

We focused on the key assumptions involved in impairment assessment because the management's judgement and the assumptions were the most sensitive key inputs. We obtained the valuation models from the management and had our internal experts evaluate the appropriateness of the discount rate used. The audit procedures we performed included:

1. Test the key inputs, such as the estimated products prices of the investees (for example, the price of coal, iron and alloy steel), the budgeted operating revenues and costs, and the budgeted capital expenditure;

2. Test the accuracy of each valuation model; and

3. Evaluate the appropriateness of future expected cash flows and discuss thereof with the management.

We recalculated management's sensitivity analysis on key assumptions and replaced the key assumptions with alternative scenarios, such as future changes in discount and growth rate.

Other Matter

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

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

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

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

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

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

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

are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2017

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

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

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

CHINA STEEL CORPORATION

STANDALONE BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2016 Amount	%	December 31, 2015 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,477,746	1	$ 7,518,687	2
Available-for-sale financial assets - current (Notes 4 and 7)	780,716	-	1,341,235	-
Derivative financial assets for hedging - current (Notes 4 and 8)	32,094	-	79,125	-
Notes receivable (Notes 4 and 9)	472,193	-	443,376	-
Notes receivable - related parties (Notes 4, 9 and 28)	324,457	-	198,399	-
Accounts receivable, net (Notes 4 and 9)	1,257,657	-	903,126	-
Accounts receivable - related parties (Notes 4, 9 and 28)	1,815,399	-	686,746	-
Other receivables (Note 28)	1,139,592	-	1,496,979	1
Other receivables - loans to related parties (Note 28)	7,211,809	2	5,890,000	1
Inventories (Notes 4, 5 and 10)	42,506,461	9	37,640,539	8
Other financial assets - current (Notes 4, 13 and 29)	6,622,457	2	6,604,939	2
Other current assets	818,410	-	988,788	-
Total current assets	65,458,991	14	63,791,939	14
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 7)	15,551,376	3	12,389,861	3
Derivative financial assets for hedging - noncurrent (Notes 4 and 8)	2,142	-	36,205	-
Debt investments with no active market - noncurrent (Notes 4 and 11)	1,837,425	-	1,818,091	-
Investments accounted for using equity method (Notes 3, 4, 12 and 28)	208,545,541	44	200,381,399	43
Property, plant and equipment (Notes 4, 14, 28 and 29)	167,632,162	36	175,420,761	38
Investment properties (Notes 4, 15 and 28)	7,127,220	2	7,163,037	1
Intangible assets	54,785	-	65,736	-
Deferred tax assets (Notes 4 and 24)	2,936,474	1	3,140,979	1
Refundable deposits (Note 4)	55,688	-	44,083	-
Other financial assets - noncurrent (Notes 4 and 13)	1,073,565	-	148,307	-
Total noncurrent assets	404,816,378	86	400,608,459	86
TOTAL	$ 470,275,369	100	$ 464,400,398	100

LIABILITIES AND EQUITY	December 31, 2016 Amount	%	December 31, 2015 Amount	%
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft (Notes 16, 28 and 29)	$ 8,851,509	2	$ 11,466,879	3
Short-term bills payable (Note 16)	-	-	12,847,014	3
Derivative financial liabilities for hedging - current (Notes 4 and 8)	8,965	-	26,497	-
Accounts payable	4,142,060	1	2,057,194	-
Accounts payable - related parties (Note 28)	969,388	-	357,453	-
Other payables (Notes 18 and 28)	14,929,164	3	11,956,612	3
Current tax liabilities (Note 24)	1,529,584	-	822,723	-
Provisions - current (Notes 4 and 19)	2,404,802	1	1,699,678	-
Current portion of bonds payable (Note 17)	5,199,253	1	4,649,075	1
Current portion of long-term bank borrowings (Notes 16 and 29)	4,195,825	1	9,087,829	2
Other current liabilities	3,325,849	1	2,943,340	1
Total current liabilities	45,556,399	10	57,914,294	13
NONCURRENT LIABILITIES				
Derivative financial liabilities for hedging - noncurrent (Notes 4 and 8)	6,904	-	17	-
Bonds payable (Note 17)	67,657,491	15	72,847,061	16
Long-term bank borrowings (Notes 16 and 29)	32,950,349	7	24,276,027	5
Long-term bills payable (Note 16)	5,899,355	1	-	-
Deferred tax liabilities (Notes 4 and 24)	10,799,579	2	10,925,638	2
Net defined benefit liabilities (Notes 4 and 20)	4,785,826	1	4,057,302	1
Other noncurrent liabilities	59,580	-	59,240	-
Total noncurrent liabilities	122,159,084	26	112,165,285	24
Total liabilities	167,715,483	36	170,079,579	37
EQUITY (Notes 4 and 21)				
Share capital				
Ordinary shares	157,348,610	33	157,348,610	34
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	33	157,731,290	34
Capital surplus	37,807,466	8	37,612,027	8
Retained earnings				
Legal reserve	59,934,379	13	59,173,907	12
Special reserve	29,786,846	6	27,132,983	6
Unappropriated earnings	17,196,041	4	13,323,848	3
Total retained earnings	106,917,266	23	99,630,738	21
Other equity	8,680,706	2	7,924,408	2
Treasury shares	(8,576,842)	(2)	(8,577,644)	(2)
Total equity	302,559,886	64	294,320,819	63
TOTAL	$ 470,275,369	100	$ 464,400,398	100

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

(With Deloitte & Touche audit report dated March 22, 2017)

CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 22 and 28)	$ 168,927,075	100	$ 160,909,464	100
OPERATING COSTS (Notes 10 and 28)	147,174,784	87	148,511,291	92
GROSS PROFIT	21,752,291	13	12,398,173	8
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(384,546)	(1)	225,679	-
REALIZED GROSS PROFIT	21,367,745	12	12,623,852	8
OPERATING EXPENSES				
Selling and marketing expenses	2,725,816	2	2,633,416	2
General and administrative expenses	3,716,730	2	3,217,154	2
Research and development expenses	1,844,055	1	1,618,945	1
Total operating expenses	8,286,601	5	7,469,515	5
PROFIT FROM OPERATIONS	13,081,144	7	5,154,337	3
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 28)	1,322,937	1	1,068,481	1
Other gains and losses (Notes 23 and 28)	(34,229)	-	1,643,968	1
Finance costs (Notes 23 and 28)	(1,990,052)	(1)	(1,886,133)	(1)
Share of the profit of subsidiaries and associates	5,653,411	3	2,335,661	1
Total non-operating income and expenses	4,952,067	3	3,161,977	2
PROFIT BEFORE INCOME TAX	18,033,211	10	8,316,314	5
INCOME TAX EXPENSE (Notes 4 and 24)	1,994,842	1	711,593	-
NET PROFIT FOR THE YEAR	16,038,369	9	7,604,721	5
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(657,109)	-	(163,686)	-

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CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
Share of the other comprehensive income of subsidiaries and associates	$ (298,416)	-	$ (158,219)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	111,708	-	27,827	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(867,506)	(1)	393,288	-
Unrealized gain and losses on available-for-sale financial assets	2,933,162	2	(2,344,410)	(2)
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(69,360)	-	(1,360)	-
Share of the other comprehensive income of subsidiaries and associates	(1,251,789)	(1)	(285,356)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	11,791	-	231	-
Other comprehensive loss for the year, net of income tax	(87,519)	-	(2,531,685)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 15,950,850	9	$ 5,073,036	3
EARNINGS PER SHARE (Note 25)				
Basic	$ 1.04		$ 0.49	
Diluted	$ 1.03		$ 0.49	

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

(With Deloitte & Touche audit report dated March 22, 2017) (Concluded)

CHINA STEEL CORPORATION

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

	Share Capital			Retained Earnings			Other Equity					
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedges	Total Other Equity	Treasury Shares	Total Equity
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
Appropriation of 2014 earnings (Note 21)												
Legal reserve	-	-	-	2,216,027	-	(2,216,027)	-	-	-	-	-	-
Special reserve	-	-	-	-	47,049	(47,049)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$1.0per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	(15,734,861)
Cash dividends to preference shareholders - NT$1.4per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(349)	349	-	-	-	-	-	-
Net profit for the year ended December 31, 2015	-	-	-	-	-	7,604,721	-	-	-	-	-	7,604,721
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(294,078)	466,327	(2,710,006)	6,072	(2,237,607)	-	(2,531,685)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	7,310,643	466,327	(2,710,006)	6,072	(2,237,607)	-	5,073,036
Disposal of the Corporation's shares held by subsidiaries	-	-	(707)	-	-	-	-	-	-	-	9,263	8,556
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	318,021	-	-	-	-	-	-	-	-	318,021
Adjustment from changes in equity of subsidiaries and associates	-	-	76,837	-	-	(42,347)	-	-	-	-	554	35,044
BALANCE AT DECEMBER 31, 2015	157,348,610	382,680	37,612,027	59,173,907	27,132,983	13,323,848	1,198,796	6,573,348	152,264	7,924,408	(8,577,644)	294,320,819
Appropriation of 2015 earnings (Note 21)												
Legal reserve	-	-	-	760,472	-	(760,472)	-	-	-	-	-	-
Special reserve	-	-	-	-	2,654,116	(2,654,116)	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.5 per share	-	-	-	-	-	(7,867,430)	-	-	-	-	-	(7,867,430)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(253)	253	-	-	-	-	-	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	16,038,369	-	-	-	-	-	16,038,369
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(843,817)	(1,230,844)	2,077,225	(90,083)	756,298	-	(87,519)
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	15,194,552	(1,230,844)	2,077,225	(90,083)	756,298	-	15,950,850
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	159,065	-	-	-	-	-	-	-	-	159,065
Adjustment from changes in equity of subsidiaries and associates	-	-	36,374	-	-	12,981	-	-	-	-	802	50,157
BALANCE AT DECEMBER 31, 2016	$ 157,348,610	$ 382,680	$ 37,807,466	$ 59,934,379	$ 29,786,846	$ 17,196,041	$ (32,048)	$ 8,650,573	$ 62,181	$ 8,680,706	$ (8,576,842)	$ 302,559,886

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

(With Deloitte & Touche audit report dated March 22, 2017)

CHINA STEEL CORPORATION

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

	For the Year Ended December 31	
	2016	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 18,033,211	$ 8,316,314
Adjustments for:		
Depreciation	18,409,717	18,598,624
Amortization	10,951	11,071
Finance costs	1,990,052	1,886,133
Interest income	(124,145)	(166,372)
Dividend income	(350,156)	(222,530)
Share of the profit of subsidiaries and associates	(5,653,411)	(2,335,661)
Loss on disposal of property, plant and equipment	21,862	22,915
Gain on disposal of investments	(603,519)	(1,857,244)
Impairment loss recognized on financial assets	488,299	416,000
Increase (decrease) in provision for loss on inventories	(2,919,280)	2,883,645
Unrealized (realized) gain on the transactions with subsidiaries and associates	384,546	(225,679)
Recognition of provisions	7,252,605	3,949,768
Others	4,461	249,953
Changes in operating assets and liabilities		
Notes receivable	(28,817)	142,971
Notes receivable - related parties	(126,058)	(38,990)
Accounts receivable	(354,531)	920,295
Accounts receivable - related parties	(1,128,653)	275,777
Other receivables	(516,076)	1,156,871
Inventories	(1,913,314)	674,674
Other current assets	170,378	84,467
Accounts payable	2,084,866	(1,412,321)
Accounts payable - related parties	611,935	(533,489)
Other payables	2,647,544	(1,314,346)
Provisions	(6,547,481)	(3,709,365)
Other current liabilities	382,509	(92,297)
Net defined benefit liabilities	71,415	102,061
Other noncurrent liabilities	340	59,240
Cash generated from operations	32,299,250	27,842,485
Income taxes paid	(821,131)	(2,163,500)
Net cash generated from operating activities	31,478,119	25,678,985
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(193,268)	(462,930)
Proceeds from disposal of available-for-sale financial assets	649,443	1,941,520
Proceeds from the capital reduction on available-for-sale financial assets	2,267	541,925
Proceeds from the capital return on investment accounted for using equity method	999,968	13,748

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CHINA STEEL CORPORATION

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

	For the Year Ended December 31 2016	2015
Proceeds from disposal of debt investments with no active market	$ -	$ 848,915
Acquisition of investment properties	-	(594,606)
Acquisition of investments accounted for using equity method	(11,426,350)	(22,533,483)
Acquisition of property, plant and equipment	(10,152,877)	(10,661,694)
Proceeds from disposal of property, plant and equipment	-	125,537
Increase in refundable deposits	(11,605)	(10,384)
Increase in other receivables - loans to related parties	(1,321,809)	(660,000)
Increase in other financial assets	(941,687)	(318,927)
Interest received	124,587	165,095
Dividends received from subsidiaries and associates	4,993,852	11,071,395
Other dividends received	335,602	222,530
Net cash used in investing activities	(16,941,877)	(20,311,359)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	15,500,000	17,530,000
Repayments of short-term borrowings	(16,725,401)	(13,962,453)
Increase (decrease) in short-term bills payable	(12,847,014)	10,947,384
Proceeds from long-term bills payable	5,899,355	-
Repayments of bonds payable	(4,650,000)	(8,150,000)
Proceeds from long-term borrowings	14,817,064	16,683,267
Repayments of long-term borrowings	(10,139,862)	(6,339,917)
Dividends paid	(7,911,996)	(15,784,094)
Interest paid	(2,129,360)	(1,982,364)
Net cash used in financing activities	(18,187,214)	(1,058,177)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,650,972)	4,309,449
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	4,523,387	213,938
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 872,415	$ 4,523,387
Reconciliation of the amounts in the standalone statements of cash flows with the equivalent items reported in the standalone balance sheets as of December 31, 2016 and 2015:		
Cash and cash equivalents in the standalone balance sheets	$ 2,477,746	$ 7,518,687
Bank overdraft	(1,605,331)	(2,995,300)
Cash and cash equivalents in the standalone statements of cash flows	$ 872,415	$ 4,523,387

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

(With Deloitte & Touche audit report dated March 22, 2017) (Concluded)

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

1. GENERAL INFORMATION

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

The shares of the Corporation have been listed on the Taiwan Stock Exchange since December 1974. As of December 31, 2016, the Ministry of Economic Affairs (MOEA), Republic of China owned 20.05% of the Corporation's issued ordinary shares.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the board of directors and authorized for issue on March 22, 2017.

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

a. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Corporation should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the IASB and endorsed by the FSC for application starting from 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
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

(Continued)

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
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.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the Company's accounting policies, except for the following:

1) 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 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.

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

   The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

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

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

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

As of the date the standalone financial statements approved by the board of directors and authorized for issue, the Corporation is in the process of estimating the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on its 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 Corporation has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that amendments to IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the standalone financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
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
Amendments to IFRS 15 "Clarifications to IFRS15 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
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

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

a) 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.

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

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity’s risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the 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.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

2) 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.

When applying IFRS 15, the Corporation 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 satisfies a performance obligation.

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

When IFRS 15 and related amendment are effective, the Corporation 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.

3) IFRS 16 “Leases”

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

Under IFRS 16, if the Corporation is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the standalone balance sheets except for low-value and short-term leases. The Corporation may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the standalone statements of comprehensive income, the Corporation 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 standalone 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 as lessor.

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

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

In determining whether to recognize a deferred tax asset, the Corporation 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 assets for more than its carrying amount if there is sufficient evidence that it is probable that the Corporation 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.

5) Amendments to IAS 40 "Transfers of Investment Property"

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

The Corporation may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. The Corporation is also required to disclose the reclassified amounts and such amounts should be included in the reconciliation of the carrying amount of investment property. Alternatively, the Corporation may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

As of the date the standalone financial statements were authorized for issue, the Corporation is continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

d. Foreign currencies

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

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

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

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

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

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

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

e. Inventories

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

f. Investments in subsidiaries

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

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

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

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

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

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

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

g. Investment in associates

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

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

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

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

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

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

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

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

h. Property, Plant, and Equipment

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

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

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

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

i. Investment Properties

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

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

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

j. Impairment of Tangible and Intangible Assets

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i Available-for-sale financial assets

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

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

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

ii Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

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

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

l. Hedge Accounting

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

1) Fair value hedges

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

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

2) Cash flow hedges

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

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

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

3) Hedges of net investments in foreign operations

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

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

m. Provisions

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

n. Treasury Shares

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

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

o. Revenue Recognition

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

1) Sale of goods

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

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

2) Rendering of services

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

p. Borrowing Costs

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

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

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

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

3) Other long-term employee benefits

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

4) Termination benefits

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax for the year

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Valuation of inventory

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

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

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash on hand	$ 20,705	$ 20,758
Checking accounts and demand deposits	952,867	6,301,057
Cash equivalents		
Time deposits with original maturities less than three months	100,000	1,196,872
Commercial papers with repurchase agreements	1,299,174	-
Bonds with repurchase agreements	105,000	-
	$ 2,477,746	$ 7,518,687

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	**2015**
Current		
Domestic investments		
Listed shares	$ 780,716	$ 1,341,235
Noncurrent		
Domestic investments		
Listed shares	$ 6,835,483	$ 2,171,995
Emerging market shares and unlisted shares	1,287,029	3,256,259
	8,122,512	5,428,254
Foreign investments		
Listed shares	2,434,099	2,223,814
Unlisted shares	4,994,765	4,737,793
	7,428,864	6,961,607
	$ 15,551,376	$ 12,389,861

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 where the percentage of ownership remained unchanged. In June 2015, the Corporation transferred the aforementioned shares to its subsidiary, China Steel Asia Pacific Holdings Pte Ltd. Please refer to Note 12 for details.

In November 2015, due to the merge of Nacional Minerios S.A. into Congonhas Minerios S.A., a newly incorporated company, the Corporation transferred its certificate of entitlement of Nacional Minerios S.A. to the shares of Congonhas Minerios S.A. and acquired 0.41% shareholding. In November 2016, Congonhas Minerios S.A. had been renamed as CSN Mineracao S.A.

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31 2016	December 31 2015
Derivative financial assets for hedging - current		
Foreign exchange forward contracts	$ 32,094	$ 79,125
Derivative financial assets for hedging - noncurrent		
Foreign exchange forward contracts	$ 2,142	$ 36,205
Derivative financial liabilities for hedging - current		
Foreign exchange forward contracts	$ 8,965	$ 26,497
Derivative financial liabilities for hedging - noncurrent		
Foreign exchange forward contracts	$ 6,904	$ 17

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

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
December 31, 2016			
Buy	NTD/USD	2017.05-2020.02	NTD1,258,412/USD40,201
Buy	NTD/EUR	2017.01-2018.10	NTD598,719/EUR17,485
December 31, 2015			
Buy	NTD/USD	2016.02-2018.12	NTD1,112,384/USD37,116
Buy	NTD/EUR	2016.03-2017.10	NTD961,837/EUR26,300
Sell	JPY/NTD	2016.03	JPY300,000/NTD81,675

Movements of derivative financial instruments for hedging were as follows:

	For the Year Ended December 31 2016	For the Year Ended December 31 2015
Balance, beginning of year	$ 88,816	$ 95,958
Recognized in other comprehensive income	(71,295)	(13,242)
Transferred to construction in progress and equipment to be inspected	(1,346)	9,428
Transferred to construction contract	(266)	2,775
Transferred to operating revenues	3,267	(6,103)
Recognized in other gains and losses	(809)	-
Balance, end of year	$ 18,367	$ 88,816

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

	December 31	
	2016	2015
Notes receivable - operating	$ 796,650	$ 641,775
Notes receivable - non-operating	-	-
	796,650	641,775
Less: Allowance for doubtful accounts	-	-
	$ 796,650	$ 641,775
Accounts receivable	$ 3,073,056	$ 1,589,872
Less: Allowance for doubtful accounts	-	-
	$ 3,073,056	$ 1,589,872

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

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

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

	December 31	
	2016	2015
Not past due	$ 3,861,574	$ 2,115,323
1-30 days	8,117	90,538
31-60 days	3	2,969
61-365 days	12	22,817
	$ 3,869,706	$ 2,231,647

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

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

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

Counterparty	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Year - End	Interest Rate on Advances Received (%)	Credit Line
For the Year Ended December 31, 2016						
Mega Bank	$ 2,742,114	$ 8,983,818	$ 8,318,277	$ 3,407,655	1.04-1.68	NT$9 billion
Bank of Taiwan	1,256,796	3,385,315	3,336,700	1,305,411	1.04-1.68	NT$3 billion
Bank of Taiwan	785,395	3,546,130	3,672,916	658,609	1.64-2.61	USD130,000 thousand
Taishin Bank	1,178,084	5,675,101	4,908,262	1,944,923	1.29-1.99	USD110,000 thousand
CTBC Bank	118,633	1,364,966	930,788	552,811	1.29-1.59	USD30,000 thousand
	$ 6,081,022	$ 22,955,330	$ 21,166,943	$ 7,869,409		
For the Year Ended December 31, 2015						
Mega Bank	$ 3,674,474	$ 8,669,361	$ 9,601,721	$ 2,742,114	1.14-1.51	NT$9 billion
Bank of Taiwan	1,736,174	3,855,241	4,334,619	1,256,796	1.15-1.51	NT$3 billion
Bank of Taiwan	357,521	3,044,488	2,616,614	785,395	1.46-1.56	USD100,000 thousand
Taishin Bank	-	2,008,681	830,597	1,178,084	1.28-1.35	USD60,000 thousand
CTBC Bank	-	118,633	-	118,633	1.34	USD30,000 thousand
	$ 5,768,169	$ 17,696,404	$ 17,383,551	$ 6,081,022		

10. INVENTORIES

	December 31	
	2016	2015
Finished goods	$ 8,771,483	$ 7,469,599
Work in progress	15,474,003	11,277,168
Raw materials	8,971,344	11,511,625
Supplies	3,378,187	4,259,504
Raw materials and supplies in transit	5,791,353	3,029,857
By-products	120,091	92,786
	$ 42,506,461	$ 37,640,539

The cost of inventories recognized as operating costs for the years ended December 31, 2016 and 2015 was NT$143,177,939 thousand and NT$145,200,189 thousand, respectively.

Movements of provision for loss on inventories were as follows:

	For the Year Ended December 31	
	2016	2015
Balance, beginning of year	$ 7,256,610	$ 4,372,965
Add: Recognized	7,132,459	10,080,202
Less: Sold	10,051,739	7,196,557
Balance, end of year	$ 4,337,330	$ 7,256,610

11. DEBT INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	December 31	
	2016	2015
Unlisted preference shares - overseas		
East Asia United Steel Corporation (EAUS) - Preference A	$ 1,837,425	$ 1,818,091

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 acquired 10,000 shares of preference A. The Corporation thus has a stable supply of slab from this joint venture. The Corporation signed the long-term purchase agreement with EAUS and promised to purchase certain amount of slabs annually. The Corporation also signed a contract with the subsidiary Chung Hung Steel Corporation Ltd. (CHSC) to transfer the purchasing right of slabs from EAUS, and the Corporation receives royalty on this contract based on the volume purchased by CHSC. The amount of royalty income for the years ended December 31, 2016 and 2015 was NT$119,440 thousand and NT$115,658 thousand, respectively (recognized as other income). As of December 31, 2016 and 2015, the amount of royalty receivable was NT$33,026 thousand and NT$31,527 thousand (recognized as other receivables).

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.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2016	2015
Investments in subsidiaries	$ 205,297,618	$ 196,956,155
Investments in associates	3,247,923	3,425,244
	$ 208,545,541	$ 200,381,399

a. Investments in subsidiaries

	December 31			
	2016		2015	
	Amount	% of Owner - ship	Amount	% of Owner - ship
Listed companies				
Chung Hung Steel Corporation Ltd. (CHSC)	$ 3,874,362	41	$ 3,185,392	41
China Steel Chemical Corporation (CSCC)	1,950,504	29	2,003,375	29
China Steel Structure Co., Ltd. (CSSC)	1,326,140	33	1,410,151	33
China Ecotek Corporation (CEC)	1,246,732	45	1,267,207	45
CHC Resources Corporation (CHC)	760,007	20	804,861	20
	9,157,745		8,670,986	
Less: Shares held by subsidiaries accounted for as treasury shares	2,043,880		2,044,682	
	7,113,865		6,626,304	

(Continued)

	December 31			
	2016		2015	
	Amount	**% of Owner - ship**	**Amount**	**% of Owner - ship**
Unlisted companies				
Dragon Steel Corporation (DSC)	$ 99,354,903	100	$ 97,585,417	100
China Steel Asia Pacific Holdings Pte Ltd. (CSAPH)	39,218,733	100	30,191,571	100
CSC Steel Australia Holdings Pty Ltd. (CSCAU)	16,566,147	100	16,772,503	100
China Steel Express Corporation (CSE)	11,812,497	100	10,872,594	100
C. S. Aluminum Corporation (CSAC)	8,943,205	100	9,218,405	100
China Steel Sumikin Vietnam Joint Stock Company (CSVC)	7,438,362	56	7,551,639	56
Gains Investment Corporation (GIC)	6,693,670	100	7,241,995	100
China Prosperity Development Corporation (CPDC)	3,688,033	100	4,155,720	100
China Steel Corporation India Pvt Ltd. (CSCI)	2,217,610	100	2,848,099	100
China Steel Global Trading Corporation (CSGT)	1,890,621	100	2,962,214	100
Kaohsiung Rapid Transit Corporation (KRTC)	1,292,762	43	1,260,321	43
China Steel Resources Corporation (CSRC)	990,395	100	986,382	100
China Steel Machinery Corporation (CSMC)	948,625	74	1,638,156	74
CSC Precision Metal Industrial Corporation (CSCPM)	860,415	100	871,991	100
White Biotech Corporation (WBC)	793,307	87	808,390	87
Info-Champ Systems Corporation (ICSC)	740,772	100	940,267	100
China Steel Security Corporation (CSS)	526,323	100	541,985	100
Himag Magnetic Corporation (HMC)	394,815	69	390,199	69
CSC Solar Corporation (CSCSC)	329,316	55	-	-
China Steel Management Consulting Corporation (CSMCC)	16,204	100	24,965	100
	204,716,715		196,862,813	
Less: Shares held by subsidiaries accounted for as treasury shares	6,532,962		6,532,962	
	198,183,753		190,329,851	
	$ 205,297,618		$ 196,956,155	

(Concluded)

In June 2015, the Corporation transferred its shares of Formosa Ha Tinh (Cayman) Limited (originally recognized as available-for-sale financial assets, with 5% shareholding) with cash payment to CSAPH, which increased its investment in CSAPH by NT$5,240,353 thousand (USD174,284 thousand) where the percentage of ownership remained unchanged.

The Corporation continuously invested in CSAPH amounting to NT$19,857,500 thousand (USD612,900 thousand) in 2015. The subsidiary CSAPH invested USD610,000 thousand in Formosa Ha Tinh (Cayman) Limited in August 2015 where the total shareholding increased from 5% to 19%. In January 2016, the Corporation invested in CSAPH amounting to NT$11,063,857 thousand (USD329,135 thousand), and the CSAPH invested all of the capital injection in Formosa Ha Tinh (Cayman) Limited where the total shareholding increased from 19% to 25%. As a result, the investment was reclassified from available-for-sale financial assets to investments accounted for using equity method. In addition, the Corporation continuously invested in CSAPH amounting to NT$32,493 thousand (USD1,000 thousand) in May 2016 and CSAPH invested all of the capital injection in HC&C Auto Parts Co., Ltd. and acquired 10% of the shareholding.

In July 2015, the Corporation invested additional NT$783,749 thousand (USD25,526 thousand) to acquire 45,920 thousand common shares of CSVC, which increased the total shareholding from 51% to 56%.

In July 2015, the Corporation invested additional NT$229,216 thousand to acquire 9,966 thousand common share of Himag Magnetic Corp., which increased the total shareholding from 50% to 69%.

In July 2015, the Corporation increased 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 of the consolidated financial statements for the year ended December 31, 2016 for detail.

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

In September 2016, the Corporation invested NT$330,000 thousand and started a joint venture with its subsidiaries to establish CSCSC, which acquiring 55% of the shareholding. The main business of the company is solar power generation.

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

	December 31	
	2016	**2015**
CSCC	$ 8,185,675	$ 7,325,835
CHSC	$ 5,547,048	$ 2,767,697
CEC	$ 2,542,545	$ 3,290,352
CHC	$ 2,370,382	$ 2,679,562
CSSC	$ 1,419,515	$ 1,286,540

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

b. Investments in associates

	December 31			
	2016		**2015**	
	Amount	**% of Owner - ship**	**Amount**	**% of Owner - ship**
Honley Auto. Parts Co., Ltd. (HAPC)	$ 722,718	38	$ 778,319	49
Taiwan Rolling Stock Co., Ltd. (TRSCL)	699,342	36	609,393	36
Eminent II Venture Capital Corporation (EVCC Ⅱ)	644,183	46	823,683	46
Kaohsiung Arena Development Corporation (KADC)	492,320	18	485,389	18
Hsin Hsin Cement Enterprise Corp. (HHCEC)	363,905	31	363,181	31
Dyna Rechi Co., Ltd. (DRC)	309,402	25	350,588	25
TaiAn Technologies Corporation (TTC)	16,053	17	14,691	17
	$ 3,247,923		$ 3,425,244	

In June 2015, the Corporation increased NT$260,866 thousand investment in TRSCL and acquired 24,610 thousand common shares, which increased the total shareholding from 19% to 36%. As the result, the investment in TRSCL was reclassified from available-for-sale financial assets to investments in associates.

In October 2015, the Corporation invested additional NT$540,000 thousand 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 decreased to 38%.

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

	For the Year Ended December 31	
	2016	**2015**
The Corporation's share of		
Net profit for the year	$ 31,752	$ 32,703
Other comprehensive income	(212,670)	118,325
Total comprehensive income	$ (180,918)	$ 151,028

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

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

13. OTHER FINANCIAL ASSETS

	December 31	
	2016	**2015**
Current		
Pledged time deposits (Note 29)	$ 5,650,000	$ 5,650,000
Hedging foreign-currency deposits	872,457	854,939
Time deposits with original maturities more than three months	100,000	100,000
	$ 6,622,457	$ 6,604,939
Noncurrent		
Deposits for projects	$ 1,073,565	$ 148,307

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation purchased foreign-currency deposits and entered into foreign exchange forward contracts. As of December 31, 2016 and 2015, the balance of the foreign-currency deposits, which were designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT$872,457 thousand (USD21,382 thousand and EUR5,395 thousand) and NT$854,939 thousand (USD18,625 thousand and EUR6,789 thousand) . As of December 31, 2016 and 2015, cash outflows would be expected from aforementioned contracts for the period through 2017 and through 2016, respectively.

Movements of hedging foreign-currency deposits were as follows:

	For the Year Ended December 31	
	2016	**2015**
Balance, beginning of year	$ 854,939	$ 612,957

(Continued)

	For the Year Ended December 31	
	2016	2015
Increase	$ 16,429	$ 236,200
Recognized in other comprehensive income	12,917	9,789
Transferred to construction in progress and equipment to be inspected	(11,828)	(4,007)
Balance, end of year	$ 872,457	$ 854,939

(Concluded)

14. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2016

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

For the Year Ended December 31, 2015

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost									
Balance at January 1, 2015	$ 48,187,066	$ 4,716,932	$ 64,616,352	$ 348,041,441	$ 1,963,248	$ 5,647,564	$ 6,922,694	$ 7,702,062	$ 487,797,359
Additions	998,366	-	225,308	2,388,855	125,908	412,614	731,170	4,065,858	8,948,079
Disposals	-	-	(2,326)	(1,479,202)	(42,230)	(206,606)	(706,379)	(125,537)	(2,562,280)
Reclassification	(74,073)	-	(16,199)	(255,297)	60	255,975	-	-	(89,534)
Balance at December 31, 2015	$ 49,111,359	$ 4,716,932	$ 64,823,135	$ 348,695,797	$ 2,046,986	$ 6,109,547	$ 6,947,485	$ 11,642,383	$ 494,093,624
Accumulated depreciation									
Balance at January 1, 2015	$ -	$ 4,334,698	$ 29,576,411	$ 259,651,550	$ 1,485,919	$ 4,704,612	$ 2,758,308	$ -	$ 302,511,498
Depreciation	-	57,994	2,029,282	15,080,697	128,257	412,640	866,937	-	18,575,807
Disposals	-	-	(1,349)	(1,460,926)	(41,840)	(203,334)	(706,379)	-	(2,413,828)
Reclassification	-	-	(614)	-	-	-	-	-	(614)
Balance at December 31, 2015	$ -	$ 4,392,692	$ 31,603,730	$ 273,271,321	$ 1,572,336	$ 4,913,918	$ 2,918,866	$ -	$ 318,672,863
Carrying amount at December 31, 2015	$ 49,111,359	$ 324,240	$ 33,219,405	$ 75,424,476	$ 474,650	$ 1,195,629	$ 4,028,619	$ 11,642,383	$ 175,420,761

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

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

(Continued)

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

15. INVESTMENT PROPERTIES

For the Year Ended December 31, 2016

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

For the Year Ended December 31, 2015

	Land	Buildings	Total
Cost			
Balance at January 1, 2015	$ 5,461,545	$ 1,213,528	$ 6,675,073
Additions	594,606	-	594,606
Transferred from property, plant and equipment	74,073	15,461	89,534
Balance at December 31, 2015	$ 6,130,224	$ 1,228,989	$ 7,359,213
Accumulated depreciation			
Balance at January 1, 2015	$ -	$ 172,745	$ 172,745
Depreciation	-	22,817	22,817
Transferred from property, plant and equipment	-	614	614
Balance at December 31, 2015	$ -	$ 196,176	$ 196,176
Carrying amount at December 31, 2015	$ 6,130,224	$ 1,032,813	$ 7,163,037

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

Buildings	
Main structure	10-60 years

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

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

	December 31	
	2016	2015
Fair value	$ 24,547,890	$ 16,926,954
Depreciation rate (%)	1.90-3.60	1.90-3.60
Discount rate (%)	0.99-2.56	0.99-2.56

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

16. BORROWINGS

a. Short-term borrowings and bank overdraft

	December 31	
	2016	2015
Unsecured loans - interest at 0.35%-0.55% p.a. and 0.42%-0.44% p.a. as of December 31, 2016 and 2015, respectively	$ 5,700,000	$ 7,400,000
Bank overdraft (Note 29) - interest at 0.14%-0.36% p.a. and 0.35%-0.85% p.a. as of December 31, 2016 and 2015, respectively	1,605,331	2,995,300
Loans from related parties (Note 28) - interest at 0.49%-0.50% p.a. and 0.48%-0.50% p.a. as of December 31, 2016 and 2015, respectively	1,540,000	830,000
Letters of credit - interest at 0% p.a. and 0.45% p.a. as of December 31, 2016 and 2015, respectively	6,178	241,579
	$ 8,851,509	$ 11,466,879

b. Short-term bills payable - As of December 31, 2015

	Amount
Commercial paper - interest at 0.29%-0.43% p.a.	$ 12,850,000
Less: Unamortized discounts	2,986
	$ 12,847,014

The above commercial paper was unsecured.

c. Long-term bills payable - As of December 31, 2016

	Amount
Commercial paper - interest at 0.41%-0.72% p.a.	$ 5,900,000
Less: Unamortized discounts	645
	$ 5,899,355

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

d. Long-term borrowings

	December 31	
	2016	2015
Unsecured loans		
Due on various dates through June 2019, interest at 0.31%-2.81% p.a. and 0.40%-3.59% p.a. as of December 31, 2016 and 2015, respectively	$ 16,201,252	$ 22,555,348

(Continued)

	December 31	
	2016	2015
Syndicated bank loans		
Banks of Taiwan and other banks		
Repayable in several installments from February 2020, USD 500,000 thousand and USD180,000 thousand loans with interest at 2.42% p.a. and 1.72% p.a. as of December 31, 2016 and 2015, respectively	$ 16,125,000	$ 5,908,500
Mizuho Bank and other banks		
Repayable in August 2018 (USD 150,000 thousand), interest at 1.97%-1.99% p.a. and 1.38%-1.42% p.a. as of December 31, 2016 and 2015, respectively	4,837,500	4,923,750
	37,163,752	33,387,598
Less: Syndicated loan fee	17,578	23,742
Current portion	4,195,825	9,087,829
	$ 32,950,349	$ 24,276,027

(Concluded)

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

The amount of USD933,548 thousand, JPY10.38 billion and AUD180,194 thousand (NT$37,163,752 thousand), which is included in the above bank loans and syndicated bank loans as of December 31, 2016 and the amount of USD722,740 thousand, JPY10.38 billion and AUD284,876 thousand (NT$33,387,598 thousand), which is included in the above bank loans as of December 31, 2015 were used 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.

17. BONDS PAYABLE

	December 31	
	2016	2015
7-year unsecured bonds - issued at par in:		
October 2011; repayable in October 2017 and October 2018; interest at 1.57% p.a., payable annually	$ 10,400,000	$ 10,400,000
August 2012; repayable in August 2018 and August 2019; interest at 1.37% p.a., payable annually	5,000,000	5,000,000
July 2013; repayable in July 2019 and July 2020; interest at 1.44% p.a., payable annually	6,300,000	6,300,000

(Continued)

	December 31	
	2016	2015
January 2014; repayable in January 2020 and January 2021; interest at 1.75% p.a., payable annually	$ 6,900,000	$ 6,900,000
10-year unsecured bonds - issued at par in:		
August 2012; repayable in August 2021 and August 2022; interest at 1.50% p.a., payable annually	15,000,000	15,000,000
July 2013; repayable in July 2022 and July 2023; interest at 1.60% p.a., payable annually	9,700,000	9,700,000
January 2014; repayable in January 2023 and January 2024; interest at 1.95% p.a., payable annually	7,000,000	7,000,000
15-year unsecured bonds - issued at par in:		
July 2013; repayable 30% in July 2026 and July 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	3,600,000	3,600,000
January 2014; repayable 30% in January 2027 and January 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	9,000,000	9,000,000
5-year unsecured bonds - issued at par in:		
October 2011; repayable in October 2015 and October 2016; interest at 1.36% p.a., payable annually	-	4,650,000
	72,900,000	77,550,000
Less: Issuance cost of bonds payable	43,256	53,864
Current portion	5,199,253	4,649,075
	$ 67,657,491	$ 72,847,061

(Concluded)

18. OTHER PAYABLES

	December 31	
	2016	2015
Salaries and incentive bonus	$ 4,320,325	$ 3,369,980
Purchase of equipment	3,047,339	2,724,080
Employee compensation and remuneration of directors and supervisors	1,345,116	335,479
Sales returns and discounts	1,327,779	1,821,580
Consignment payable	1,014,575	21,639
Interest payable	824,247	832,528
Outsourced repair and construction	523,851	538,778
Others	2,525,932	2,312,548
	$ 14,929,164	$ 11,956,612

19. PROVISIONS - CURRENT

	December 31	
	2016	2015
Onerous contracts (a)	$ 2,404,802	$ 1,699,678
Sales discounts (b)	-	-
	$ 2,404,802	$ 1,699,678

	Onerous Contracts	Sales Discounts	Total
Balance at January 1, 2016	$ 1,699,678	$ -	$ 1,699,678
Recognized	6,552,255	700,350	7,252,605
Paid	(5,847,131)	(700,350)	(6,547,481)
Balance at December 31, 2016	$ 2,404,802	$ -	$ 2,404,802
Balance at January 1, 2015	$ 1,459,275	$ -	$ 1,459,275
Recognized	3,424,768	525,000	3,949,768
Paid	(3,184,365)	(525,000)	(3,709,365)
Balance at December 31, 2015	$ 1,699,678	$ -	$ 1,699,678

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

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

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2016	2015
Present value of defined benefit obligation	$ 23,398,429	$ 23,883,562
Fair value of plan assets	(18,525,309)	(19,750,838)
Deficit	4,873,120	4,132,724
Net defined benefit liabilities - recognized in other payables	(87,294)	(75,422)
Net defined benefit liabilities	$ 4,785,826	$ 4,057,302

Movements of net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2016	$ 23,883,562	$ (19,750,838)	$ 4,132,724
Service cost			
Current service cost	637,677	-	637,677
Interest expense (income)	298,545	(250,194)	48,351
Recognized in profit or loss	936,222	(250,194)	686,028
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	115,049	115,049
Actuarial loss - changes in demographic assumptions	2,587	-	2,587
Actuarial loss - changes in financial assumptions	12,209	-	12,209
Actuarial loss - experience adjustments	527,264	-	527,264
Recognized in other comprehensive income	542,060	115,049	657,109
Contributions from the employer	-	(546,185)	(546,185)
Benefits paid	(1,985,114)	1,929,587	(55,527)
Contributions of employee returning to the Corporation	21,699	(22,728)	(1,029)
	(1,963,415)	1,360,674	(602,741)
Balance at December 31, 2016	$ 23,398,429	$ (18,525,309)	$ 4,873,120
Balance at January 1, 2015	$ 23,770,963	$ (19,871,893)	$ 3,899,070
Service cost			
Current service cost	659,370	-	659,370
Interest expense (income)	377,052	(321,344)	55,708
Recognized in profit or loss	1,036,422	(321,344)	715,078
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(210,518)	(210,518)
Actuarial loss - changes in demographic assumptions	148	-	148

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Actuarial loss - changes in financial assumptions	$ 13,729	$ -	$ 13,729
Actuarial loss - experience adjustments	360,327	-	360,327
Recognized in other comprehensive income	374,204	(210,518)	163,686
Contributions from the employer	-	(591,929)	(591,929)
Benefits paid	(1,317,819)	1,263,609	(54,210)
Contributions of employee returning to the Corporation	19,792	(18,763)	1,029
	(1,298,027)	652,917	(645,110)
Balance at December 31, 2015	$ 23,883,562	$ (19,750,838)	$ 4,132,724

(Concluded)

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

	For the Year Ended December 31	
	2016	2015
Operating costs	$ 508,582	$ 510,405
Operating expenses	177,281	204,234
Others	165	439
	$ 686,028	$ 715,078

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

1) Investment risk

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

2) Interest risk

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

3) Salary risk

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

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

	December 31	
	2016	2015
Discount rate (%)	0.875	1.250
Expected rate of salary increase (%)	1.500	1.875
Turnover rate (%)	0.000-0.200	0.000-0.200

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

	December 31	
	2016	2015
Discount rate		
0.25% increase	$ (355,068)	$ (379,383)
0.25% decrease	$ 365,295	$ 390,518
Expected rate of salary increase		
0.25% increase	$ 356,100	$ 380,192
0.25% decrease	$ (347,906)	$ (371,234)

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

	December 31	
	2016	2015
The expected contributions to the plan for the next year	$ 548,354	$ 529,410
The average duration of the defined benefit obligation	6.4 years	6.8 years

21. EQUITY

a. Share capital

	December 31	
	2016	2015
Numbers of shares authorized (in thousands)	17,000,000	17,000,000
Shares authorized	$ 170,000,000	$ 170,000,000
Numbers of shares issued and fully paid (in thousands)		
Ordinary shares (in thousands)	15,734,861	15,734,861
Preference shares (in thousands)	38,268	38,268
	15,773,129	15,773,129
Shares issued		
Ordinary shares	$ 157,348,610	$ 157,348,610
Preference shares	382,680	382,680
	$ 157,731,290	$ 157,731,290

1) Ordinary shares

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

2) Preference shares

Preference shareholders have the following entitlements or rights:

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

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

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

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

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

3) Overseas depositary receipts

In May 1992, February 1997, October 2003 and August 2011, for the purpose of working capital expansion and in accordance with the instruction of the MOEA, the largest shareholder of the Corporation, the Corporation issued 126,512,550 units of GDR. The depositary receipts then increased by 6,924,354 units resulting from the capital increase out of retained earnings. Each unit represents 20 shares of the Corporation’s ordinary shares and the issued GDRs account for the Corporation’s ordinary shares totaling 2,668,738,370 shares (including 290 fractional shares). Under relevant regulations, the GDR holders may also request the conversion to the shares represented by the GDR. The foreign investors may also request the reissuance of such depositary receipts within the originally approved units. As of December 31, 2016 and 2015, the outstanding depositary receipts were 1,055,002 units and 1,323,346 units, equivalent to 21,100,350 ordinary shares (including 310 fractional shares) and 26,467,230 ordinary shares (including 310 fractional shares), which represented 0.13% and 0.17% of the outstanding ordinary shares, respectively.

b. Capital surplus

	December 31	
	2016	**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
Treasury share transactions	301,230	301,230
Others	8,099	8,099
	31,464,095	31,464,095
May be used to offset deficits only (see 2 below)		
Treasury share transactions	5,880,812	5,721,747
Share of change in equity of subsidiaries	441,368	418,043
Share of change in equity of associates	21,191	8,142
	6,343,371	6,147,932
	$ 37,807,466	$ 37,612,027

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

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

c. Retained earnings and dividend policy

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

1) 10% as legal reserve;

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

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

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

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

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 of directors and supervisors and the actual appropriations, please refer to f. Employee benefits in Note 23.

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

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

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

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

The appropriations of earnings for 2015 and 2014 had been approved in the shareholders' meeting in June 2016 and 2015, respectively. The appropriations and dividends per share 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

The appropriations of earnings for 2016 had been proposed by the Corporation's board of directors on March 22, 2017. The appropriations and dividends per share were as follows:

	Appropriations of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 1,603,837	
Special reserve	(2,130,614)	
Preference shares		
Cash dividends	53,575	$ 1.40
Ordinary shares		
Cash dividends	13,374,632	$ 0.85

The appropriations of earnings for 2016 are subject to the resolution of the shareholders' meeting to be held in June 2017.

d. Special reserves

	For the Year Ended December 31	
	2016	2015
Balance, beginning of year	$ 27,132,983	$ 27,086,283
Appropriation in respect of		
The difference between market value and 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	(253)	(349)
Balance, end of year	$ 29,786,846	$ 27,132,983

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2016	2015
Balance, beginning of year	$ 1,198,796	$ 732,469
Exchange differences arising on translating the net assets of foreign operations	(1,819,963)	165,080
Gains and losses on hedging instruments designated in hedges of the net assets of foreign operations	952,457	228,208

(Continued)

	For the Year Ended December 31	
	2016	2015
Share of exchange difference of subsidiaries and associates accounted for using the equity method	$ (363,338)	$ 73,039
Balance, end of year	$ (32,048)	$ 1,198,796

(Concluded)

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

	For the Year Ended December 31	
	2016	2015
Balance, beginning of year	$ 6,573,348	$ 9,283,354
Unrealized gains and losses on available-for-sale financial assets	3,048,382	(903,166)
Reclassified to profit or loss on disposal of available-for-sale financial assets	(603,519)	(1,857,244)
Impairment loss on available-for-sale financial assets	488,299	416,000
Share of unrealized gains and losses on available-for-sale financial assets of subsidiaries and associates accounted for using the equity method	(855,937)	(365,596)
Balance, end of year	$ 8,650,573	$ 6,573,348

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

	For the Year Ended December 31	
	2016	2015
Balance, beginning of year	$ 152,264	$ 146,192
Fair value changes of hedging instruments	(58,378)	(3,453)
Income tax relating to fair value changes	9,924	587
Fair value changes of hedging instruments transferred to profit or loss	2,458	(6,103)
Income tax relating to amounts transferred to profit or loss	(418)	1,038
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	(13,440)	8,196
Income tax relating to amounts transferred to adjust carrying amount of hedged items	2,285	(1,394)
Share of cash flow hedge of subsidiaries and associates accounted for using the equity method	(32,514)	7,201
Balance, end of year	$ 62,181	$ 152,264

f. Treasury shares

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

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

For the year ended December 31, 2015, a total of 523 thousand shares of the Corporation held by its subsidiaries were sold for proceeds of NT$13,325 thousand. The proceeds of treasury shares sold, calculated by shareholding percentage, amounted to NT$8,556 thousand, and after deducting book values, resulted in the amounts of NT$707 thousand, recorded as deduction of capital surplus. As of December 31, 2016 and 2015, the market values of the treasury shares calculated by combined holding percentage were NT$7,840,025 thousand and NT$5,710,213 thousand, respectively.

22. OPERATING REVENUES

	For the Year Ended December 31	
	2016	2015
Revenues from the sale of goods	$ 163,894,831	$ 156,105,004
Revenues from the rendering of services	1,590,451	1,810,123
Other revenues	3,441,793	2,994,337
	$ 168,927,075	$ 160,909,464

23. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

a. Other income

	For the Year Ended December 31	
	2016	2015
Rental income	$ 395,808	$ 307,160
Dividend income	350,156	222,530
Interest income	124,145	166,372
Royalty income	119,479	116,158
Others	333,349	256,261
	$ 1,322,937	$ 1,068,481

b. Other gains and losses

	For the Year Ended December 31	
	2016	2015
Net foreign exchange gain	$ 187,062	$ 503,659
Gain on disposal of investments	603,519	1,857,244
Impairment loss on financial assets	(488,299)	(416,000)
Loss on disposal of property, plant and equipment	(21,862)	(22,915)
Other losses	(314,649)	(278,020)
	$ (34,229)	$ 1,643,968

The components of net foreign exchange gain were as follows:

	For the Year Ended December 31	
	2016	2015
Foreign exchange gain	$ 888,972	$ 1,503,934
Foreign exchange loss	(701,910)	(1,000,275)
Net exchange gain	$ 187,062	$ 503,659

c. Finance costs

	For the Year Ended December 31	
	2016	2015
Interest of bonds payable	$ 1,281,429	$ 1,427,072
Interest of short-term borrowings and bank overdraft	780,590	485,165
Interest of bills payable	59,060	56,778
Total interest expense for financial liabilities measured at amortized cost	2,121,079	1,969,015
Other interest expense	-	13,623
Less: Amounts included in the cost of qualifying assets	131,027	96,505
	$ 1,990,052	$ 1,886,133

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2016	**2015**
Capitalized amounts	$ 131,027	$ 96,505
Capitalized annual rates (%)	1.25-1.57	1.30-1.62

d. Depreciation and amortization

	For the Year Ended December 31	
	2016	**2015**
Property, plant and equipment	$ 18,387,885	$ 18,575,807
Investment properties	21,832	22,817
Intangible assets	10,951	11,071
	$ 18,420,668	$ 18,609,695
An analysis of depreciation by function		
Operating costs	$ 17,428,786	$ 17,703,229
Operating expenses	958,919	872,218
Others	22,012	23,177
	$ 18,409,717	$ 18,598,624
An analysis of amortization by function		
Operating costs	$ 10,923	$ 11,012
Operating expenses	28	59
	$ 10,951	$ 11,071

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2016	**2015**
Direct operating expenses of investment properties that generated rental income	$ 53,529	$ 50,709

f. Employee benefits

	For the Year Ended December 31	
	2016	**2015**
Short-term employee benefits		
Salaries	$ 16,980,848	$ 14,819,975
Labor and health insurance	914,804	960,389
Others	477,983	450,019
	18,373,635	16,230,383
Post-employment benefits		
Defined contribution plans	206,846	180,150

(Continued)

	For the Year Ended December 31	
	2016	2015
Defined benefit plans (Note 20)	$ 686,028	$ 715,078
	892,874	895,228
Termination benefits	88,947	68,817
	$ 19,355,456	$ 17,194,428
An analysis by function		
Operating costs	$ 15,728,465	$ 14,208,736
Operating expenses	3,468,832	2,826,380
Others	158,159	159,312
	$ 19,355,456	$ 17,194,428

(Concluded)

As of December 31, 2016 and 2015, the Corporation's number of employees were 10,287 and 10,251, respectively, and the headcount basis was the same as the basis of employee benefits expenses.

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 of 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 of directors and supervisors.

The employees' compensation and remuneration of directors and supervisors (all in cash) for the years ended December 31, 2016 and 2015 which have been approved by the Corporation's board of directors in March 2017 and 2016, respectively, were as follows:

Amount

	For the Year Ended December 31	
	2016	2015
Employees' compensation	$ 1,320,926	$ 330,925
Remuneration of directors and supervisors	24,767	6,205

Accrual Rate

	For the Year Ended December 31	
	2016	2015
Employees' compensation (%)	6.82	3.82
Remuneration of directors and supervisors (%)	0.13	0.07

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

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

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders' meeting in June 2015. The bonus to employees and remuneration of directors and supervisors were NT$1,587,490 thousand and NT$29,765 thousand, respectively. There was no difference between the actual amounts of bonus to employees and remuneration of directors and supervisors paid and the amounts recognized in the standalone financial statements for the year ended December 31, 2014.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the board of directors in 2016 and 2017 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax were as follows:

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	$ 1,550,757	$ 305,780
Income tax on unappropriated earnings	-	542,755
In respect of prior years	242,076	(748,584)
Deferred tax		
In respect of the current year	204,180	(59,337)
In respect of prior years	(2,171)	663,516
Write-down in the current year	-	7,463
	$ 1,994,842	$ 711,593

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

	For the Year Ended December 31	
	2016	2015
Profit before income tax	$ 18,033,211	$ 8,316,314
Income tax expense calculated at the statutory rate	$ 3,065,646	$ 1,413,773
Non-deductible expenses in determining taxable income	8,868	19,805
Other permanent differences	-	40,347
Tax-exempt income	(1,311,022)	(1,064,788)
Income tax on unappropriated earnings	-	542,755
Investment credits in respect of the current year	(8,555)	(162,694)
Adjustments for prior years' tax in respect of the current year	239,905	(85,068)
Write-down of deferred tax assets	-	7,463
Income tax expense recognized in profit or loss	$ 1,994,842	$ 711,593

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

As the status of appropriations of earnings for 2016 is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2016	2015
Current tax		
Reversal of special reserve due to disposal of property, plant and equipment	$ 64	$ 89
Deferred tax		
Reversal of special reserve due to disposal of property, plant and equipment	(64)	(89)
	$ -	$ -

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

	For the Year Ended December 31	
	2016	2015
Fair value changes of cash flow hedges	$ (9,924)	$ (587)
Fair value changes of hedging instruments in cash flow hedges transferred to profit or loss	418	(1,038)
Remeasurement on defined benefit plan	(111,708)	(27,827)
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	(2,285)	1,394
	$ (123,499)	$ (28,058)

d. Current tax

	December 31	
	2016	2015
Current tax liabilities		
Income tax payable	$1,529,584	$ 822,723

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2016

Deferred tax assets	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Balance, End of Year
Temporary differences					
Unrealized loss on inventories	$ 1,233,624	$ (496,278)	$ -	$ -	$ 737,346
Defined benefit pension plan	702,563	14,159	111,708	-	828,430
Impairment loss on financial assets	43,350	83,011	-	-	126,361
Provision	288,945	119,871	-	-	408,816
Unrealized gain on the transactions with subsidiaries and associates	125,143	65,373	-	-	190,516

(Continued)

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Balance, End of Year
Unrealized settlement loss on foreign exchange forward for hedging	$ 93,805	$ (8,566)	$ -	$ -	$ 85,239
Estimated preferential severance pay	28,989	(8,775)	-	-	20,214
Foreign investment loss	264,405	197,018	-	-	461,423
Others	59,135	18,994	-	-	78,129
	2,839,959	(15,193)	111,708	-	2,936,474
Investment credits	301,020	(301,020)	-	-	-
	$ 3,140,979	$ (316,213)	$ 111,708	$ -	$ 2,936,474
Deferred tax liabilities					
Temporary differences					
Land value increment tax	$ 10,011,916	$ -	$ -	$ -	$ 10,011,916
Difference between tax reporting and financial reporting - depreciation methods	782,383	(113,049)	-	-	669,334
Unrealized exchange gains, net	51,991	2,679	-	-	54,670
Unrealized gain on revaluation increment	32,932	-	-	(64)	32,868
Unrealized gain on cash flow hedge	24,847	-	(11,791)	-	13,056
Others	21,569	(3,834)	-	-	17,735
	$ 10,925,638	$ (114,204)	$ (11,791)	$ (64)	$ 10,799,579

(Concluded)

For the Year Ended December 31, 2015

	Balance, Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Balance, End of Year
Deferred tax assets					
Temporary differences					
Unrealized loss on inventories	$ 743,404	$ 490,220	$ -	$ -	$ 1,233,624
Defined benefit pension plan	662,842	11,894	27,827	-	702,563
Impairment loss on financial assets	511,881	(468,531)	-	-	43,350
Provision	248,076	40,869	-	-	288,945
Unrealized gain on the transactions with subsidiaries and associates	163,508	(38,365)	-	-	125,143
Unrealized settlement loss on foreign exchange forward for hedging	101,686	(7,881)	-	-	93,805
Estimated preferential severance pay	42,910	(13,921)	-	-	28,989
Foreign investment loss	-	264,405	-	-	264,405
Others	70,595	(11,460)	-	-	59,135
	2,544,902	267,230	27,827	-	2,839,959
Investment credits	1,439,649	(1,138,629)	-	-	301,020
	$ 3,984,551	$ (871,399)	$ 27,827	$ -	$ 3,140,979
Deferred tax liabilities					
Temporary differences					
Land value increment tax	$ 10,011,916	$ -	$ -	$ -	$ 10,011,916
Difference between tax reporting and financial reporting - depreciation methods	888,050	(105,667)	-	-	782,383
Foreign investment income	162,814	(162,814)	-	-	-
Unrealized exchange gains, net	49,880	2,111	-	-	51,991
Unrealized gain on revaluation increment	33,021	-	-	(89)	32,932
Unrealized gain on cash flow hedge	25,078	-	(231)	-	24,847
Others	14,956	6,613	-	-	21,569
	$ 11,185,715	$ (259,757)	$ (231)	$ (89)	$ 10,925,638

f. Integrated income tax

	December 31 2016	December 31 2015
Unappropriated earnings		
Generated before January 1, 1998	$ 15,954	$ 15,954
Generated on and after January 1, 1998	17,180,087	13,307,894
	$ 17,196,041	$ 13,323,848
Imputation credit accounts (ICA)	$ 484,021	$ 1,247,908

	For the Year Ended December 31 2016 (Expected)	For the Year Ended December 31 2015
Creditable ratio for distribution of earnings (%)	11.84	19.73

g. Income tax assessments

The Corporation's income tax returns through 2011 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 December 2016, the Corporation's appeal to Supreme Administrative Court was dismissed; the Corporation has recognized the related additional tax payable in prior year.

25. EARNINGS PER SHARE

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

Net profit for the year

	For the Year Ended December 31 2016	For the Year Ended December 31 2015
Net profit for the year	$ 16,038,369	$ 7,604,721
Less: Dividends on preference shares	53,575	53,575
Net profit used in computation of basic earnings per share	$ 15,984,794	$ 7,551,146

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

	For the Year Ended December 31 2016	For the Year Ended December 31 2015
Weighted average number of ordinary shares in computation of basic earnings per share	15,416,854	15,416,780
Effect of dilutive potential ordinary shares:		
Employees' compensation	56,949	49,883
Weighted average number of ordinary shares used in computation of diluted earnings per share	15,473,803	15,466,663

Preference shares were not included in the calculation of diluted earnings per share for the years ended December 31, 2016 and 2015 because of their anti-dilutive effect.

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

26. CAPITAL MANAGEMENT

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

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

27. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

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

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 15,869	$ -	$ 15,869
December 31, 2015				
Available-for-sale financial assets				
Domestic listed shares	$ 3,513,230	$ -	$ -	$ 3,513,230
Foreign listed shares	2,223,814	-	-	2,223,814
Domestic emerging market shares and unlisted shares	-	-	3,256,259	3,256,259
Foreign unlisted shares	-	-	4,737,793	4,737,793
	$ 5,737,044	$ -	$ 7,994,052	$ 13,731,096
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 115,330	$ -	$ 115,330
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 26,514	$ -	$ 26,514

(Concluded)

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2016 and 2015.

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

	For the Year Ended December 31	
	2016	2015
Balance, beginning of year	$ 7,994,052	$ 14,156,654
Recognized in profit or loss - other gains and losses	(488,299)	(404,683)
Recognized in other comprehensive income - unrealized gains and losses on available-for-sale financial assets	2,478,780	(225,462)
Purchases	193,268	462,930
Disposal	-	(275,261)
Capital reduction	(2,267)	(541,925)
Transfer out of Level 3	(3,893,740)	-
Reclassification	-	(5,178,201)
Balance, end of year	$ 6,281,794	$ 7,994,052

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

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

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

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

b) For domestic unlisted shares, 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.

	December 31	
	2016	**2015**
Long-term pre-tax operating income rate (%)	19.13-51.68	22.60
Discount rate (%)	6.52-8.24	8.00

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

	December 31	
	2016	**2015**
Long-term pre-tax operating income rate		
Increase 1%	$ 104,370	$ 105,137
Decrease 1%	$ (124,143)	$ (137,863)
Discount rate		
Increase 1%	$ (511,318)	$ (186,562)
Decrease 1%	$ 637,710	$ 238,551

c. Categories of financial instruments

	December 31	
	2016	**2015**
Financial assets		
Derivative instruments in designated hedge accounting relationships	$ 34,236	$ 115,330
Loans and receivables 1)	24,287,988	25,752,733
Available-for-sale financial assets	16,332,092	13,731,096

(Continued)

	December 31			
	2016		2015	
Financial liabilities				
Derivative instruments in designated hedge accounting relationships	$	15,869	$	26,514
Measured at amortized cost 2)		146,507,246		150,911,682

(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 (including loans to related parties), debts investments with no active market, refundable deposits and other financial assets.

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

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

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

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

	USD Impact			AUD Impact		
	For the Year Ended December 31			For the Year Ended December 31		
	2016	2015		2016	2015	
Pre-tax profit or loss	$ 30,640	$ (48,903)	i	$ (46)	$ (125)	i
Pre-tax equity	294,173	231,126	ii	41,958	76,722	ii

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

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

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

	December 31	
	2016	2015
Fair value interest rate risk		
Financial liabilities	$ 72,856,744	$ 90,343,150
Cash flow interest rate risk		
Financial liabilities	51,897,038	44,830,735

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2016 and 2015 would have been lower/higher by NT$518,970 thousand and NT$448,307 thousand, respectively.

c) Other price risk

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

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2016 and 2015 would have been higher/lower by NT$100,503 thousand and NT$57,370 thousand, respectively, as a result of the fair value changes of available-for-sale financial assets.

2) Credit risk

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

Corporation.

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

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

3) Liquidity risk

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

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

	Less Than 1 Year	**1-5 Years**	**Over 5 Years**	**Total**
December 31, 2016				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 19,216,365	$ -	$ -	$ 19,216,365
Variable interest rate liabilities	13,983,728	39,922,061	-	53,905,789
Fixed interest rate liabilities	7,145,324	34,599,345	38,813,783	80,558,452
Financial guarantee liabilities	4,108,256	197,622	12,998,655	17,304,533
	$ 44,453,673	$ 74,719,028	$ 51,812,438	$ 170,985,139
December 31, 2015				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 13,538,731	$ -	$ -	$ 13,538,731
Variable interest rate liabilities	21,174,863	24,951,943	-	46,126,806
Fixed interest rate liabilities	19,509,114	29,319,520	50,501,531	99,330,165
Financial guarantee liabilities	6,214,376	4,103,125	-	10,317,501
	$ 60,437,084	$ 58,374,588	$ 50,501,531	$ 169,313,203

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

28. TRANSACTIONS WITH RELATED PARTIES

a. Operating revenues

Account Items	Related Parties Types	For the Year Ended December 31 2016	2015
Revenues from sales of goods	Subsidiaries	$ 32,947,522	$ 21,182,392
	The Corporation as key management personnel of other related parties	2,504,955	2,490,444
	Supervisors of the Corporation	866,217	1,472,772
	Associates of the Corporation	682,840	540,277
		$ 37,001,534	$ 25,685,885

Sales to related parties were made under normal terms applied to similar transactions in the market except for terms of sales to CSCI and CSVC which were telegraphic transfer within about 90 days after shipment date (receivables were collected under factoring agreements after shipment date since November 2015 and June 2015, respectively), for terms of sales to Qingdao China Steel Precision Metals Co., Ltd. and United Steel Engineering and Construction Co., Ltd. which were telegraphic transfer within about 60 days after shipment date and term of sales to some subsidiaries without similar transactions with other unrelated parties.

b. Purchase of goods

Related Parties Types	For the Year Ended December 31 2016	2015
Subsidiaries	$ 18,039,767	$ 22,095,079
Associates of the Corporation	159,181	146,385
	$ 18,198,948	$ 22,241,464

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

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

Account Items	Related Parties Types	December 31 2016	2015
Notes and accounts receivable	Subsidiaries	$ 1,815,229	$ 670,196
	The Corporation as key management personnel of other related parties	324,457	198,399
	Associates of the Corporation	170	-

(Continued)

Account Items	Related Parties Types	December 31 2016	December 31 2015
	Supervisors of the Corporation	$ -	$ 16,550
		$ 2,139,856	$ 885,145

(Concluded)

No guarantee had been received for receivables from related parties. For the years ended December 31, 2016 and 2015, no impairment loss was recognized for receivables from related parties.

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

Account Items	Related Parties Types	December 31 2016	December 31 2015
Accounts payable	Subsidiaries	$ 946,383	$ 340,304
	Associates of the Corporation	23,005	17,149
		$ 969,388	$ 357,453

The outstanding accounts payable to related parties are unsecured.

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

Related Parties Types	December 31 2016	December 31 2015
Subsidiaries	$ 7,211,809	$ 5,890,000

The Corporation provided short-term loans to its subsidiaries, with the interest rate calculated at the latest 30-day average rate of the Corporation's short-term loans in the same currencies from ordinary financial institutions. As of December 31, 2016 and 2015, the interest rate was 0.45%-2.40% p.a. and 0.47%-0.48% p.a., respectively.

Loans to the Corporation's subsidiaries were unsecured loans with interest income of NT$51,146 thousand and NT$63,627 thousand for the years ended December 31, 2016 and 2015, respectively.

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

Related Parties Types	December 31 2016	December 31 2015
Subsidiaries	$ 1,540,000	$ 830,000

The rate of loans from subsidiaries is calculated at the latest 30-day average rate of the Corporation's short-term loans in the same currencies from ordinary financial institutions and adjusted based on the circumstances. As of December 31, 2016 and 2015, the interest rate was 0.49%-0.50% p.a. and 0.48%-0.50% p.a., respectively.

Loans from the Corporation's subsidiaries were unsecured loans and with interest expense of NT$6,807 thousand and NT$5,433 thousand for the years ended December 31, 2016 and 2015, respectively.

g. Disposal of property, plant and equipment - For the year ended December 31, 2015

The Corporation sold property, plant and equipment to its subsidiary, with the disposal price of NT$125,537 thousand. The price was agreed by the Corporation and its subsidiary with no disposal gains or losses recognized.

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

Related Parties Types	**Account Item**	**Number of Shares (In Thousands)**	**Investee**	**Price**
The Corporation as key management personnel of other related parties	Investments accounted for using equity method	24,610	TRSCL	$ 260,866

The acquisition price is based on the net value of TRSCL.

i. Other related parties transactions

1) The Corporation signed brokerage contract with its subsidiaries. For the years ended December 31, 2016 and 2015, the commission revenue was NT$462,107 thousand and NT$402,563 thousand, respectively.

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

	December 31	
Related Parties Types	**2016**	**2015**
Subsidiaries	$ 1,014,575	$ 21,639

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

	For the Year Ended December 31	
Related Parties Types	**2016**	**2015**
Subsidiaries	$ 938,041	$ 1,114,021
Associates of the Corporation	320,531	3,625
The Corporation as key management personnel of other related parties	3,908	590,326
Others	44	60
	$ 1,262,524	$ 1,708,032

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

Related Parties Types	For the Year Ended December 31 2016	2015
Subsidiaries	$ 6,842,612	$ 6,195,287
Others	5,154	28,523
	$ 6,847,766	$ 6,223,810

4) Capital expenditures

Related Parties Types	For the Year Ended December 31 2016	2015
Subsidiaries	$ 4,647,561	$ 3,638,832

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

	December 31 2016	2015
Subsidiaries	$ 1,244,035	$ 1,067,877

5) The Corporation participated "Qianzhen residential building project" conducted by the subsidiary CPDC, who provided and sold the lands for the above project. In June 2015, referring to the appraisal report provided by a real estate appraiser, the Corporation bought the lands from the subsidiary CPDC with NT$594,105 thousand and recognized as investment properties.

6) As of December 31, 2016 and 2015, guarantees provided to the related parties for procurement and investment compliance were as follow:

Related Party Types	December 31 2016	2015
Associates		
Amount endorsed	$ 27,251,250	$ -
Amount utilized	(12,400,125)	-
	$ 14,851,125	$ -
Subsidiaries		
Amount endorsed	$ 4,108,256	$ 7,825,729
Amount utilized	(4,108,256)	(7,825,729)
	$ -	$ -
The Corporation as key management personnel of other related parties		
Amount endorsed	$ 807,392	$ 2,491,772
Amount utilized	(796,152)	(2,491,772)
	$ 11,240	$ -

j. Compensation of key management personnel

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

	For the Year Ended December 31	
	2016	**2015**
Short-term employee benefits	$ 87,813	$ 64,451
Post-employment benefits	1,107	1,337
	$ 88,920	$ 65,788

29. ASSETS PLEDGED AS COLLATERAL OR SECURITY

As of December 31, 2016 and 2015, time deposits pledged as collateral for bank overdraft was NT$5,650,000 thousand.

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2016 were as follows:

a. The Corporation provided letters of credits for NT$4,998,209 thousand guaranteed by financial institutions for several construction and lease contracts.

b. Unused letters of credit for importation of materials and machinery amounted to NT$3.7 billion.

c. Property purchase and construction contracts for NT$3.1 billion were signed but not yet recorded.

d. The Corporation entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, Russia, Japan, Philippines, Vietnam, and Indonesia and domestic companies with contract terms of 1 to 10 years. Contracted annual purchases of 7,060,000 metric tons of coal, 14,900,000 metric tons of iron ore, and 2,350,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of December 31, 2016 were USD1.611 billion (including 6,320,000 metric tons of coal, 3,970,000 metric tons of iron ore, and 740,000 metric tons of limestone).

e. In December 2011, the subsidiary CHSC entered into a syndicated credit facility agreement with Bank of Taiwan and 11 other banks for NT$16 billion credit line. Under the agreement, the Corporation and its related parties should collectively hold at least 30% of CHSC's issued shares and control CHSC's operation. As of December 31, 2016, the Corporation held 41% equity of CHSC and held over half of the seats in the board of directors and controlled its operations.

f. In July 2012, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 17 other banks for a NT$35 billion credit line; in February 2008, DSC entered into another syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT$51.7 billion credit line. Under the agreements, the Corporation and its related parties should collectively hold at least 80% and 40% of DSC's issued shares and hold half or more of the seats in the board of directors. As of December 31, 2016, the Corporation held 100% equity of DSC and held all of the seats in the board of directors.

g. In October 2012, the subsidiary CSVC entered into a syndicated credit facility agreement with Mega Bank and 11 other banks for a USD246,000 thousand credit line. In addition, the subsidiary CSVC continually entered into short-term financing contracts with Standard Chartered Bank and other banks for a USD40,000 thousand credit line. Under the agreements, the Corporation should hold at least 51% of CSVC's issued shares and hold half or more of the seats in the board of directors. As of

December 31, 2016, the Corporation held 56% equity of CSVC and over half of the seats in the board of directors.

h. In June 2016, August 2014, May 2014 and January 2013, the subsidiary CSCI entered into short-term financing contracts with Bank BNP Paribas for INR1 billion short-term credit lines, Credit Agricole Corporate and Investment Bank for INR0.9 billion credit lines and CTBC Bank for INR0.4 billion credit lines as well as USD110,000 thousand syndicated credit facility agreement. The syndicated credit facility agreement has been re-sign, with the credit line remained unchanged. Under the agreements, the Corporation should hold at least 60%, 60%, 75% and 75% of CSCI's issued shares and hold half, half, two-thirds and two-thirds or more of the seats in the board of directors, respectively. If CSCI expands or invites new strategic investors, the Corporation should hold at least 60% of CSCI's issued shares and hold half or more of the seats in the board of directors. As of December 31, 2016, the Corporation held 100% equity of CSCI and all of the seats in the board of directors.

i. Starting from February 2016, the subsidiary Changzhou China Steel Precision Materials Corporation (CCSPMC) entered into several credit facility agreements with several banks for total amount of USD32,000 thousand (or the equal amount in RMB, the credit line remained unchanged) and RMB152,000 thousand. Under the agreements, the Corporation and its subsidiaries should collectively hold over 50% of the CCSPMC's equity and half of the seats in the board of directors and supervisors. As of December 31, 2016, the subsidiary CSAPH held 70% equity of CCSPMC and three-quarters of the seats in the board of directors and supervisors.

j. In April 2014, the subsidiary Qingdao China Steel Precision Metal Co., Ltd. (QCSPMC) entered into comprehensive credit agreements with Bank of Tokyo-Mitsubishi UFJ (Qingdao) for USD10,000 thousand credit lines. Under the agreements, the Corporation and its subsidiaries should collectively hold at least 70% of the QCSPMC's issued shares and half of the seats in the board of directors. As of December 31, 2016, the subsidiaries CSAPH and CSGT collectively held 70% equity of QCSPMC and four-fifths of the seats in the board of directors.

k. In January 2016 and May 2015, 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 thousand (or the equal amount in EUR, the credit line remained unchanged) and USD 5,000 thousand short and medium term credit line. 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 December 31, 2016, the Corporation indirectly held 38% equity of CCCA and one seat in the board of directors.

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

m. Starting from March 2015, the subsidiary United Steel Engineering and Construction Co., Ltd. entered into short-term financing contracts with CTBC Bank, Standard Chartered Bank (China) and ANZ Bank (China) for USD10,000 thousand, USD12,000 thousand and USD10,000 thousand credit lines (or the equal amount in RMB, the credit line remained unchanged). Under the agreements, the Corporation and its subsidiaries should collectively hold 100% of United Steel Engineering and Construction Co., Ltd.'s issued shares and all of the seats in the board of directors. As of December 31, 2016, the subsidiary CSAPH and CSGT collectively held 100% equity of United Steel Engineering and Construction Co., Ltd. and all of the seats in the board of directors.

n. The amount utilized for guarantees provided to related parties and investees of co-investment for procurement and investment compliances was NT$17,304,533 thousand.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands of New Taiwan Dollars)
December 31, 2016			
Monetary financial assets			
JPY	$ 6,854,064	0.2756	$ 1,888,980
USD	58,131	32.2500	1,874,880
AUD	199	23.2850	4,627
Non-monetary financial assets			
Available-for-sales financial assets			
USD	82,871	32.2500	2,672,590
JPY	8,832,000	0.2756	2,434,099
MYR	255,987	6.9050	1,767,588
Investments accounted for using equity method			
USD	1,447,829	32.2500	46,657,095
AUD	711,451	23.2850	16,566,147
INR	4,656,887	0.4762	2,217,610
Monetary financial liabilities			
USD	1,065,309	32.2500	34,356,217
AUD	180,194	23.2850	4,195,825
JPY	10,782,013	0.2756	2,974,049
December 31, 2015			
Monetary financial assets			
USD	233,671	32.8250	7,669,950
JPY	6,987,924	0.2727	1,905,607
AUD	524	23.9850	12,517
Non-monetary financial assets			
Available-for-sales financial assets			
JPY	8,154,800	0.2727	2,223,814
USD	60,420	32.8250	1,983,286
MYR	236,080	7.3425	1,733,416
KRW	36,337,771	0.0281	1,021,091

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands of New Taiwan Dollars)
Investments accounted for using equity method			
USD	$ 1,149,832	32.8250	$ 37,743,210
AUD	725,295	23.9850	16,772,503
INR	5,742,134	0.4960	2,848,099
Monetary financial liabilities			
USD	788,787	32.8250	25,892,268
AUD	319,876	23.9850	7,672,234
JPY	10,534,508	0.2727	2,872,760
			(Concluded)

For the years ended December 31, 2016 and 2015, realized and unrealized net foreign exchange gains were NT$187,062 thousand and NT$503,659 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies.

32. SEGMENT INFORMATION

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