China Steel Corporation and Subsidiaries

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

Deloitte.

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INDEPENDENT AUDITORS' REPORT

China Steel Corporation

Opinion

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

In our opinion and the audit reports issued by other independent accountants (refer to other matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters of the Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2016 are stated as follows:

<u>Acquisition of Material Associates</u>

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 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.

<u>Impairment Assessment on Available-For-Sale Financial Assets</u>

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 and its subsidiaries' total assets. The related accounting approach and impairment assessment is as disclosed in Note 4 to the Corporation and its subsidiaries' 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 consolidated financial statements as of December 31, 2016 and for the year then ended were based on financial statements audited by other independent auditors. Such investments accounted for using the equity method amounted to NT$34,874,658 thousand, representing 5% of the Corporation and its subsidiaries' total assets, as of December 31, 2016, and the share of comprehensive income amounted to loss NT$969,122 thousand, representing 5% of the Corporation and its subsidiaries' total comprehensive income, for the year ended December 31, 2016.

We have also audited the standalone financial statements of China Steel Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation and its subsidiaries' ability to continue as a going concern. If **we**

conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation and its subsidiaries to cease to continue as a going concern.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 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 consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2016 Amount	%	December 31, 2015 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 15,467,768	2	$ 20,334,823	3
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,288,349	1	3,441,885	-
Available-for-sale financial assets - current (Notes 4, 5 and 8)	2,806,737	-	3,839,902	1
Derivative financial assets for hedging - current (Notes 4 and 10)	36,784	-	123,828	-
Notes receivable (Notes 4 and 11)	1,233,769	-	1,206,786	-
Notes receivable - related parties (Notes 4, 11 and 33)	384,078	-	258,005	-
Accounts receivable, net (Notes 4 and 11)	11,463,575	2	10,578,187	2
Accounts receivable - related parties (Notes 4, 11 and 33)	499,185	-	448,197	-
Amounts due from customers for construction contracts (Notes 4 and 12)	8,472,037	1	8,767,343	1
Other receivables (Notes 4 and 33)	1,382,410	-	1,453,760	-
Current tax assets (Note 28)	139,482	-	95,004	-
Inventories (Notes 4, 5 and 13)	79,489,138	12	68,906,548	10
Other financial assets - current (Notes 4, 16 and 34)	11,833,708	2	12,191,202	2
Other current assets	3,558,170	1	3,496,706	1
Total current assets	140,055,190	21	135,142,176	20
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 8)	26,306,913	4	50,284,593	8
Held-to-maturity financial assets - noncurrent (Notes 4 and 9)	222,669	-	285,963	-
Derivative financial assets for hedging - noncurrent (Notes 4 and 10)	3,354	-	41,713	-
Debt investments with no active market - noncurrent (Notes 4, 14 and 19)	1,932,814	-	2,014,061	-
Investments accounted for using equity method (Notes 4, 15 and 30)	49,528,952	7	15,207,682	2
Property, plant and equipment (Notes 4, 17 and 34)	430,849,587	64	448,688,581	66
Investment properties (Notes 4, 18 and 34)	10,316,142	2	10,108,189	2
Intangible assets (Notes 4 and 30)	2,488,714	-	2,404,617	-
Deferred tax assets (Notes 4 and 28)	5,372,981	1	5,558,156	1
Refundable deposits (Note 4)	566,022	-	479,287	-
Other financial assets - noncurrent (Notes 4, 16 and 34)	3,393,174	-	2,663,786	-
Other noncurrent assets (Notes 24 and 33)	5,085,281	1	5,260,212	1
Total noncurrent assets	536,066,603	79	542,996,840	80
TOTAL	$ 676,121,793	100	$ 678,139,016	100

LIABILITIES AND EQUITY	December 31, 2016 Amount	%	December 31, 2015 Amount	%
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft (Notes 19 and 34)	$ 35,905,740	5	$ 34,386,947	5
Short-term bills payable (Note 19)	16,632,100	2	31,641,286	5
Financial liabilities at fair value through profit or loss - current (Notes 4 and 7)	4,941	-	1,525	-
Derivative financial liabilities for hedging - current (Notes 4 and 10)	37,609	-	29,428	-
Notes payable	851,631	-	555,486	-
Accounts payable (Note 21)	12,484,269	2	7,898,460	1
Accounts payable - related parties (Notes 21 and 33)	536,544	-	256,131	-
Amounts due to customers for construction contracts (Notes 4 and 12)	3,853,724	1	4,115,170	1
Other payables (Notes 22 and 33)	21,437,649	3	19,351,699	3
Current tax liabilities (Note 28)	2,129,043	-	1,621,208	-
Provisions - current (Notes 4 and 23)	4,324,106	1	3,158,369	-
Current portion of bonds payable (Notes 4 and 20)	5,212,668	1	4,696,735	1
Current portion of long-term bank borrowings (Notes 19 and 34)	16,210,014	2	23,561,520	4
Other current liabilities	3,530,170	1	3,092,890	-
Total current liabilities	123,150,208	18	134,366,854	20
NONCURRENT LIABILITIES				
Derivative financial liabilities for hedging - noncurrent (Notes 4 and 10)	36,065	-	57,412	-
Bonds payable (Notes 4 and 20)	95,037,294	14	94,842,610	14
Long-term bank borrowings (Notes 19 and 34)	70,329,355	10	83,128,236	12
Long-term bills payable (Note 19)	36,626,165	6	24,459,879	4
Provisions - noncurrent (Notes 4 and 23)	815,694	-	828,923	-
Deferred tax liabilities (Notes 4 and 28)	12,261,289	2	12,417,475	2
Net defined benefit liabilities (Notes 4 and 24)	6,901,619	1	5,967,987	1
Other noncurrent liabilities	1,384,411	-	1,344,807	-
Total noncurrent liabilities	223,391,892	33	223,047,329	33
Total liabilities	346,542,100	51	357,414,183	53
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 25)				
Share capital				
Ordinary shares	157,348,610	23	157,348,610	23
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	23	157,731,290	23
Capital surplus	37,807,466	6	37,612,027	5
Retained earnings				
Legal reserve	59,934,379	9	59,173,907	9
Special reserve	29,786,846	4	27,132,983	4
Unappropriated earnings	17,196,041	3	13,323,848	2
Total retained earnings	106,917,266	16	99,630,738	15
Other equity	8,680,706	1	7,924,408	1
Treasury shares	(8,576,842)	(1)	(8,577,644)	(1)
Total equity attributable to owners of the Corporation	302,559,886	45	294,320,819	43
NON-CONTROLLING INTERESTS	27,019,807	4	26,404,014	4
Total equity	329,579,693	49	320,724,833	47
TOTAL	$ 676,121,793	100	$ 678,139,016	100

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

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 26, 33 and 38)	$ 293,055,804	100	$ 285,053,876	100
OPERATING COSTS (Notes 13, 27 and 33)	253,332,496	87	263,652,456	92
GROSS PROFIT	39,723,308	13	21,401,420	8
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	-	-	89	-
REALIZED GROSS PROFIT	39,723,308	13	21,401,331	8
OPERATING EXPENSES				
Selling and marketing expenses	4,950,440	2	4,649,447	2
General and administrative expenses	7,165,255	2	6,676,319	2
Research and development expenses	2,175,992	1	1,960,034	1
Total operating expenses	14,291,687	5	13,285,800	5
PROFIT FROM OPERATIONS	25,431,621	8	8,115,531	3
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 27 and 33)	1,471,380	-	1,759,579	-
Other gains and losses (Notes 27 and 33)	(523,311)	-	3,179,750	1
Finance costs (Note 27)	(3,816,641)	(1)	(3,752,097)	(1)
Share of the profit of associates	(663,882)	-	202,847	-
Total non-operating income and expenses	(3,532,454)	(1)	1,390,079	-
PROFIT BEFORE INCOME TAX	21,899,167	7	9,505,610	3
INCOME TAX (Notes 4 and 28)	2,711,843	1	1,886,191	-
NET PROFIT FOR THE YEAR	19,187,324	6	7,619,419	3
OTHER COMPREHENSIVE INCOME (Notes 4, 24, 25 and 28)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(1,166,886)	-	(490,525)	-

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss	$ 182,490	-	$ 76,869	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	(1,827,100)	(1)	(927,721)	-
Unrealized gains and losses on available-for-sale financial assets	1,900,382	1	(2,679,096)	(1)
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(164,285)	-	(19,026)	-
Share of the other comprehensive income (loss) of associates	(186,690)	-	997,447	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	86,036	-	(32,953)	-
Other comprehensive income for the period, net of income tax	(1,176,053)	-	(3,075,005)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 18,011,271	6	$ 4,544,414	2
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 16,038,369	6	$ 7,604,721	3
Non-controlling interests	3,148,955	1	14,698	-
	$ 19,187,324	7	$ 7,619,419	3
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 15,950,850	5	$ 5,073,036	2
Non-controlling interests	2,060,421	1	(528,622)	-
	$ 18,011,271	6	$ 4,544,414	2
EARNINGS PER SHARE (Note 29)				
Basic	$ 1.04		$ 0.49	
Diluted	$ 1.03		$ 0.49	

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

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation: Share Capital			Retained Earnings			Other Equity							
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge	Total Other Equity	Treasury Shares	Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2015	$ 157,348,610	$ 382,680	$ 37,217,876	$ 56,957,880	$ 27,086,283	$ 24,106,715	$ 732,469	$ 9,283,354	$ 146,192	$ 10,162,015	$ (8,587,461)	$ 304,674,598	$ 29,969,636	$ 334,644,234
Appropriation of 2014 earnings (Note 25)														
Legal reserve	-	-	-	2,216,027	-	(2,216,027)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	47,049	(47,049)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$1.0per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	(15,734,861)	-	(15,734,861)
Cash dividends to preference shareholders - NT$1.4per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(349)	349	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2015	-	-	-	-	-	7,604,721	-	-	-	-	-	7,604,721	14,698	7,619,419
Other comprehensive income for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(294,078)	466,327	(2,710,006)	6,072	(2,237,607)	-	(2,531,685)	(543,320)	(3,075,005)
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	-	7,310,643	466,327	(2,710,006)	6,072	(2,237,607)	-	5,073,036	(528,622)	4,544,414
Disposal of the Corporation's shares held by subsidiaries	-	-	(707)	-	-	-	-	-	-	-	9,263	8,556	4,769	13,325
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	318,021	-	-	-	-	-	-	-	-	318,021	193,679	511,700
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(3,235,448)	(3,235,448)
Adjustment of other equity	-	-	76,837	-	-	(42,347)	-	-	-	-	554	35,044	-	35,044
BALANCE AT DECEMBER 31, 2015	157,348,610	382,680	37,612,027	59,173,907	27,132,983	13,323,848	1,198,796	6,573,348	152,264	7,924,408	(8,577,644)	294,320,819	26,404,014	320,724,833
Appropriation of 2015 earnings (Note 25)														
Legal reserve	-	-	-	760,472	-	(760,472)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	2,654,116	(2,654,116)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.5 per share	-	-	-	-	-	(7,867,430)	-	-	-	-	-	(7,867,430)	-	(7,867,430)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(253)	253	-	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2016	-	-	-	-	-	16,038,369	-	-	-	-	-	16,038,369	3,148,955	19,187,324
Other comprehensive income for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(843,817)	(1,230,844)	2,077,225	(90,083)	756,298	-	(87,519)	(1,088,534)	(1,176,053)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	15,194,552	(1,230,844)	2,077,225	(90,083)	756,298	-	15,950,850	2,060,421	18,011,271
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	159,065	-	-	-	-	-	-	-	-	159,065	96,945	256,010
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,541,573)	(1,541,573)
Adjustment of other equity	-	-	36,374	-	-	12,981	-	-	-	-	802	50,157	-	50,157
BALANCE AT DECEMBER 31, 2016	$ 157,348,610	$ 382,680	$ 37,807,466	$ 59,934,379	$ 29,786,846	$ 17,196,041	$ (32,048)	$ 8,650,573	$ 62,181	$ 8,680,706	$ (8,576,842)	$ 302,559,886	$ 27,019,807	$ 329,579,693

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

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED 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	$ 21,899,167	$ 9,505,610
Adjustments for:		
Depreciation expense	35,691,883	35,116,060
Amortization expense	371,594	339,665
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(38,984)	98,790
Finance costs	3,816,641	3,752,097
Interest income	(317,940)	(426,374)
Dividend income	(574,258)	(403,048)
Share of the profit of associates	581,025	(281,595)
Loss (gain) on disposal of property, plant and equipment	(335,742)	72,143
Gain on disposal of intangible assets	(2,741)	(2,318)
Gain on disposal of investments	(1,288,242)	(2,317,857)
Impairment loss recognized on financial assets	770,842	405,022
Increase (decrease) in provision for loss on inventories	(3,970,141)	4,559,013
Impairment loss recognized on (reversal of) non-financial assets	45,168	(1,652,414)
Recognition of provisions	8,665,856	4,377,661
Others	80,617	14,578
Changes in operating assets and liabilities		
Financial instruments held for trading	(296,414)	881,219
Notes receivable	(26,983)	36,981
Notes receivable - related parties	(126,073)	(95,803)
Accounts receivable	(930,908)	330,976
Accounts receivable - related parties	(50,988)	286,794
Amounts due from customers for construction contracts	295,306	(1,453,861)
Other receivables	38,119	46,880
Inventories	(6,612,449)	7,927,512
Other current assets	(61,464)	2,265,716
Notes payable	296,145	(829,296)
Notes payable - related parties	-	(88)
Accounts payable	4,585,809	(1,005,060)
Accounts payable - related parties	280,413	(433,492)
Amounts due to customers for construction contracts	(261,446)	(1,287,868)
Other payables	2,591,463	(413,757)
Provisions	(7,522,566)	(5,224,959)
Other current liabilities	(166,259)	(187,549)
Net defined benefit liabilities	(50,764)	50,430
Cash generated from operations	57,375,686	54,051,808
Income taxes paid	(2,226,223)	(4,776,794)
Net cash generated from operating activities	55,149,463	49,275,014

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2016	**2015**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	$ (3,263,329)	$ (5,727,876)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	3,714,862	6,578,485
Acquisition of available-for-sale financial assets	(2,570,588)	(23,053,113)
Proceeds from disposal of available-for-sale financial assets	4,266,220	5,321,509
Proceeds from the capital reduction on available-for-sale financial assets	16,840	567,347
Purchases of debt investments with no active market	(24,269)	(45,441)
Proceeds from disposal of debt investments with no active market	120,419	949,226
Acquisition of held-to-maturity financial assets	(19,480)	(55,753)
Proceeds from disposal of held-to-maturity financial assets	77,236	-
Acquisition of investments accounted for using equity method	(11,100,850)	(1,242,940)
Proceeds from disposal of investments accounted for using equity method	178,384	-
Net cash outflow on acquisition of subsidiaries	-	(105,382)
Acquisition of property, plant and equipment	(19,618,793)	(25,119,118)
Proceeds from disposal of property, plant and equipment	895,675	109,749
Increase in refundable deposits	(86,735)	(42,454)
Acquisition of intangible assets	(382,402)	(122,687)
Acquisition of investment properties	(339,112)	(390,207)
Decrease (increase) in other financial assets	(289,219)	1,220,484
Decrease in other noncurrent assets	424,793	176,918
Interest received	332,908	431,312
Dividends received from associates	289,575	353,829
Dividends received from others	558,902	403,048
Net cash used in investing activities	(26,818,963)	(39,793,064)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	286,529,045	235,755,883
Repayments of short-term borrowings	(283,521,183)	(232,763,733)
Increase (decrease) in short-term bills payable	(15,009,186)	11,529,190
Issuance of bonds payable	5,400,000	9,996,610
Repayments of bonds payable	(4,699,300)	(8,313,002)
Proceeds from long-term bank borrowings	57,902,133	47,721,329
Repayments of long-term bank borrowings	(76,915,897)	(49,248,241)
Increase in long-term bills payable	179,932,318	187,707,326
Decrease in long-term bills payable	(167,766,032)	(183,266,859)
Increase in other noncurrent liabilities	45,656	278,482
Dividends paid to owners of the Corporation	(7,815,051)	(15,590,415)
Disposal of the Corporation's shares by subsidiaries	-	13,325
Interest paid	(4,032,834)	(4,021,824)

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2016	**2015**
Decrease in non-controlling interests	$ (1,541,573)	$ (3,235,448)
Net cash used in financing activities	(31,491,904)	(3,437,377)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(553,340)	350,710
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,714,744)	6,395,283
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	17,054,940	10,659,657
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 13,340,196	$ 17,054,940
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2016 and 2015:		
Cash and cash equivalents in the consolidated balance sheets	$ 15,467,768	$ 20,334,823
Bank overdraft	(2,127,572)	(3,279,883)
Cash and cash equivalents in the consolidated statements of cash flows	$ 13,340,196	$ 17,054,940

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

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

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

1. GENERAL INFORMATION

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

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

As of December 31, 2016, the Ministry of Economic Affairs (MOEA), Republic of China owned 20.05 % of the Corporation's issued ordinary shares.

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

2. APPROVAL OF FINANCIAL STATEMENTS

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

3. APPLICATION OF NEW AND AMENDED 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 Financial Supervisory Commission (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 and its subsidiaries 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

(Continued)

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
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
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

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

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

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

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 Corporation and its subsidiaries' 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 and its subsidiaries are required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively from January 1, 2017.

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

   The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed 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 and its subsidiaries are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Corporation and its subsidiaries have significant transaction. If the transaction or balance with a specific related party is 10% or more of the Corporation and its subsidiaries 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 consolidated financial statements were reported to the board of directors for issue, the Corporation and its subsidiaries are in the process of estimating the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on their financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

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

The Corporation and its subsidiaries have 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 consolidated 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 (Note1)
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 IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
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 and its subsidiaries' debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

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

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

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

Impairment of financial assets

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

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

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the Corporation and its subsidiaries' risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

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

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

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

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

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

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

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

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

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

4) IFRS 16 "Leases"

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

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

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

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

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

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

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

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

The amendments clarify that the Corporation and its subsidiaries 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 and its subsidiaries 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 and its subsidiaries are 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 and its subsidiaries may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

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

c. Classification of current and noncurrent assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

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

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

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

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

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

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

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

d. Basis of consolidation

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

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

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

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2016	Percentage of Ownership (%) December 31, 2015	Additional Descriptions
China Steel Corporation	China Steel Express Corporation (CSE)	Ocean freight forwarding and bulk shipping transportation	100	100	
	C. S. Aluminium Corporation (CSAC)	Production and sale of aluminum and other non-ferrous metal	100	100	
	Gains Investment Corporation (GIC)	General investment	100	100	
	China Prosperity Development Corporation (CPDC)	Land and commercial real estate sale, rental and development service	100	100	
	China Steel Asia Pacific Holdings Pte Ltd (CSAPH)	Investment holding company	100	100	
	China Steel Global Trading Corporation (CSGT)	Steel product agency and trading service	100	100	
	China Steel Machinery Corporation	Manufacture and sale of machinery and equipment for railroad, transportation and generator	74	74	Direct and indirect ownerships amounted to 100%
	China Steel Security Corporation	Guard security and system security	100	100	
	Info-Champ Systems Corporation (ICSC)	Design and sale of IT hardware and software	100	100	
	CSC Steel Australia Holdings Pty Ltd. (CSCAU)	Investment holding company	100	100	
	Himag Magnetic Corporation	Manufacture and sale of magnetic material, special usage chemicals and ferric iron oxide	69	69	Direct and indirect ownerships amounted to 88%
	Dragon Steel Corporation (DSC)	Manufacture and sale of steel product	100	100	
	China Steel Management Consulting Corporation	Business management consultant	100	100	
	China Ecotek Corporation (CEC)	Electrical engineering and co-generation	45	45	Refer to 1) below
	China Steel Chemical Corporation (CSCC)	Production and sale of coal chemistry and specialty chemicals	29	29	Refer to 1) below
	Chung Hung Steel Corporation Ltd. (CHSC)	Manufacture and sale of steel product	41	41	Refer to 1) below
	CHC Resources Corporation (CHC)	Manufacture and sale of slag powder and blast furnace cement, and waste disposal	20	20	Direct and indirect ownerships amounted to 36%, and refer to 1) below
	China Steel Structure Co., Ltd. (CSSC)	Design, manufacture and sale of steel structure	33	33	Direct and indirect ownerships amounted to 37%, and refer to 1) below
	China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Manufacture and sale of steel product	56	56	
	China Steel Corporation India Pvt. Ltd. (CSCI)	Manufacture and sale of steel product (electromagnetic steel coil)	100	100	
	Kaohsiung Rapid Transit Corporation (KRTC)	Operation of mass rapid transit	43	43	Direct and indirect ownerships amounted to 50%
	China Steel Resources Corporation	Manufacture of other non-metallic mineral products	100	100	
	CSC Precision Metal Industrial Corporation	Industry of metal rolling and extrusion	100	100	
	Eminent Venture Capital Corporation (EVCC)	General investment	-	-	Indirect ownership was 55%
	White Biotech Corporation (WBC)	Biology introduction and development	87	87	Increased investment and included in the consolidated entities in July 2015. Refer to Note 30.
	CSC Solar Corporation	Electricity generation	55	-	Investment in September 2016. Direct and indirect ownerships amounted to 100%
China Steel Express Corporation	CSE Transport Corporation (Panama) (CSEP)	Ocean freight forwarding	100	100	
	CSEI Transport Corporation (Panama) (CSEIP)	Ocean freight forwarding	100	100	
	Transyang Shipping Pte. Ltd. (TSP)	Ocean freight forwarding	51	51	
	Transglory Investment Corporation (TIC)	General investment	50	50	Direct and indirect ownerships amounted to 100%
	Kaohsiung Port Cargo Handling Services Corporation	Cargo Stevedoring	66	66	
C.S. Aluminium Corporation	ALU Investment Offshore Corporation	Industry investment	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2016	Percentage of Ownership (%) December 31, 2015	Additional Descriptions
ALU Investment Offshore Corporation	United Steel International Development Corp.	General investment	65	65	Direct and indirect ownerships amounted to 79%
United Steel International Development Corp.	Ningbo Huayang Aluminium-Tech Co., Ltd.	Manufacture and sale of aluminum alloy material	100	100	
Gains Investment Corporation	Eminence Investment Corporation	General investment	100	100	
	Gainsplus Asset Management Inc.	General investment	100	100	
	Winning Investment Corporation (WIC)	General investment	49	49	Direct and indirect ownerships amounted to 58%
	Mentor Consulting Corporation	Consulting service of management	100	100	
	Betacera Inc. (BETA)	Manufacture and trading of electronic ceramics	48	48	Refer to 1) below
	Universal Exchange Inc.	Wholesale of information software and electronic information supply service	64	64	Direct and indirect ownerships amounted to 99%
	Thintech Materials Technology Co., Ltd. (TMTC)	Manufacture and sale of metal sputter targets	32	32	Direct and indirect ownerships amounted to 40%, and refer to 2) below
Eminence Investment Corporation	Shin-Mau Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Gau Ruel Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%
	Ding Da Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Chiun Yu Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%
Shin-Mau Investment Corporation	Horng Chyuan Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
	Chii Yih Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
Gau Ruel Investment Corporation	Lih Ching Loong Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
	Sheng Lih Dar Investment Corporation	General investment	4	4	Direct and indirect ownerships amounted to 100%
Ding Da Investment Corporation	Jiing Cherng Fa Investment Corporation	General investment	4	4	Direct and indirect ownerships amounted to 100%
Betacera Inc.	Lefkara Ltd.	Electronic ceramics trading	100	100	
Lefkara Ltd.	Shang Hai Xike Ceramic Electronic Co., Ltd.	Electronic ceramics trading	100	100	
	Betacera (Su Zhou) Co., Ltd.	Manufacture and sale of electronic ceramics	100	100	
	Suzhou Betacera Technology Co., Ltd.	Manufacture and sale of life-saving equipment for aviation and shipping	100	100	
Thintech Materials Technology Co., Ltd.	Thintech International Limited	International trading and investment service	100	100	
	Thintech Global Limited	International trading and investment service	100	100	
	Thintech United Limited	International trading and investment service	100	100	
Thintech International Limited	Nantong Zhongxing Materials Technology Co., Ltd. (NZMTCL)	Manufacture and development of new compound metal material and vacuum sputtering targets	47	47	Refer to 1) below
Thintech Global Limited	Taicang Thintech Materials Co., Ltd.	Process and sale of targets and electro conductive slurry	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2016	Percentage of Ownership (%) December 31, 2015	Additional Descriptions
Thintech United Limited	Thintech United Metal Resources (Taicang) Co., Ltd.	Refining, sale and process of metal	84	84	
China Prosperity Development Corporation	CK Japan Co., Ltd.	Real estate sale and rental	80	80	Direct and indirect ownerships amounted to 100%
China Steel Asia Pacific Holdings Pte Ltd	CSC Steel Holdings Berhad (CSHB)	Investment holding company	46	46	Refer to 1) below
	Changzhou China Steel Precision Materials Co., Ltd. (CCSPMC)	Manufacture and sale of titanium-nickel alloy and non-ferrous metal	70	70	
	China Steel Precision Metals - Qingdao., Ltd.	Steel cutting and processing	60	60	Direct and indirect ownerships amounted to 70%
	United Steel International Co., Ltd.	General investment	80	80	Direct and indirect ownerships amounted to 100%
	CSC Bio-Coal Sdn. Bhd.	Manufacture bio-coal from bio-mass	100	100	Acquired 100% shareholdings from CSHB in August 2015.
CSC Steel Holdings Berhad	CSC Steel Sdn. Bhd. (CSCSSB)	Manufacture and sale of steel product	100	100	
	Group Steel Corp. (M) Sdn. Bhd.	Manufacture and sale of steel product	100	100	
CSC Steel Sdn. Bhd.	Constant Mode Sdn. Bhd.	General investment	100	100	
United Steel International Co., Ltd.	United Steel Engineering and Construction Co., Ltd.	Steel cutting and processing	100	100	
China Steel Global Trading Corporation	Chung Mao Trading (SAMOA) Co., Ltd.	Investment and trading service	100	100	
	CSGT (Singapore) Pte. Ltd.	Steel product agency and trading service	100	100	
	Chung Mao Trading (BVI) Co., Ltd.	Steel product agency and trading service	65	53	
	Wabo Global Trading Corporation	Steel product agency and trading service	44	44	Direct and indirect ownerships amounted to 50%
	CSGT International Corporation	Investment and trading service	100	100	
Chung Mao Trading (SAMOA) Co., Ltd.	CSGT (Shanghai) Co., Ltd.	Steel product agency and trading service	100	100	
Chung Mao Trading (BVI) Co., Ltd.	CSGT Hong Kong Limited	Steel product agency and trading service	100	100	
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company	Steel cutting and processing	54	54	Direct and indirect ownerships amounted to 60%
	CSGT Trading India Private Limited	Steel product agency and trading service	99	99	Direct and indirect ownerships amounted to 100%
Wabo Global Trading Corporation	CSGT Japan Co., Ltd.	Steel product agency and trading service	100	100	
China Steel Machinery Corporation	China Steel Machinery Holding Corporation	General investment	100	100	
	China Steel Machinery Vietnam Co., Ltd.	Installation and technology service of machinery and equipment	100	100	
	China Steel Machinery Corporation India Private Limited	Manufacture of machinery	99	99	Direct and indirect ownerships amounted to 100%
China Steel Machinery Holding Corporation	CSMC (Shanghai) Global Trading Co., Ltd.	Wholesale and retail trade	100	100	
China Steel Security Corporation	Steel Castle Technology Corporation	Firefighting equipment wholesaling	100	100	
	China Steel Management and Maintenance for Buildings Corporation	Building management	100	100	
Info-Champ Systems Corporation	Info-Champ System (B.V.I)	Information service	100	100	
Info-Champ System (B.V.I)	Wuham InfoChamp I.T. Co., Ltd.	Software programming	100	100	
CSC Steel Australia Holdings Pty Ltd.	CSC Sonoma Pty. Ltd.	Coal investment	100	100	
Himag Magnetic Corporation	Himag Magnetic (Belize) Corporation	Magnetic powder trading	100	100	
	MagnPower Corporation	Permanent magnetic ferrite	55	55	
China Ecotek Corporation	CEC International Co.	General investment	100	100	
	CEC Development Co.	General investment	100	100	
	CEC Holding Co., Ltd.	General investment and holdings	100	100	
	China Ecotek Construction Corporation	Construction, interior design and decoration, and retail and wholesale of building materials	100	100	
CEC International Co.	China Ecotek India Private Limited	Planning, maintenance and management of eco-construction and eco-equipment	100	100	
CEC Development Co.	China Ecotek Vietnam Company Ltd. (CEVC)	Engineering design and construction	100	100	
	Xiamen Ecotek PRC Co., Ltd.	Metal materials agency and trading service	100	100	
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	International trading	100	100	
	Ever Wealthy International Corporation	General investment	100	100	
	Formosa Ha Tinh CSCC (Cayman) International Limited	International trading	50	-	Investment in February 2016

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2016	Percentage of Ownership (%) December 31, 2015	Additional Descriptions
Ever Wealthy International Corporation	China Steel Carbon Materials Technology Co., Ltd.	General investment	100	100	
China Steel Carbon Materials Technology Co., Ltd.	Changzhou China Steel New Materials Technology Co., Ltd.	Processing and trading of asphalt mesocarbon microbeads product sorting	100	100	
Chung Hung Steel Corporation Ltd.	Taiwan Steel Corporation (TSC)	Metal smelting	100	100	
	Hung Kao Investment Corporation	General investment	100	100	
	Hung Li Steel Corporation Ltd. (HLSC)	Steel product processing	100	100	
CHC Resources Corporation	Union Steel Development Corp.	Manufacture and trade of metal powder and refractory materials, and gift trading	93	93	
	Pao Good Industrial Co. Ltd.	Slag powder, fly ash and cement dry mixing processing and trading	51	51	
	Yu Cheng Lime Corporation	Manufacture of other non-metallic mineral products and land lease	90	90	
	CHC Resources Vietnam Co. Ltd.	Sale of water quenched slag	85	-	Investment in April 2016
China Steel Structure Co., Ltd.	United Steel Engineering & Construction Corp.	Contract project of civil engineering and construction engineering, and steel structure installation	100	100	
	China Steel Structure Investment Pte Ltd.	General investment	100	100	
United Steel Engineering & Construction Corp.	United Steel Investment Pte Ltd.	General investment	100	100	
	United Steel Construction (Vietnam) Co., Ltd.	Civil engineering construction and other business contract and management	100	100	
	United Steel Development Co., Ltd.	House and construction development and real estate sale and rental business	100	100	
China Steel Structure Investment Pte Ltd.	China Steel Structure Holding Co., Ltd.	General investment	63	63	Direct and indirect ownerships amounted to 100%
China Steel Structure Holding Co., Ltd.	China Steel Structure Investment Co., Ltd.	General investment	100	100	
China Steel Structure Investment Co., Ltd.	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Design, manufacture, installation and consulting of steel structure and steel cutting	100	100	
White Biotech Corporation (WBC)	Renewable Energy Biotech Corp.	Manufacture and sale of alcohol	100	-	Investment in June 2016

(Concluded)

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

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

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

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

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

e. Business combinations

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

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

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

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

f. Foreign currencies

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

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

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

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

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

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

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

g. Inventories

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

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

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

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

h. Investment in associates

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

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

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

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

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

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

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

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

i. Joint operations

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

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

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

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

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

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

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

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

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

j. Property, plant, and equipment

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

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

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

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

k. Investment properties

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

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

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

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

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

l. Goodwill

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

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

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

m. Intangible assets

1) Intangible assets acquired separately

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

2) Intangible assets acquired in a business combination

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

3) Derecognition of intangible assets

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

n. Impairment of tangible and intangible assets

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

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

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

o. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

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

i Financial assets at fair value through profit or loss

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

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

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

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

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

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

ii Held-to-maturity investments

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

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

iii Available-for-sale financial assets

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

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

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

iv Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, the disappearance of an active market for that financial asset because of financial difficulties, or it becoming probable that the borrower will enter bankruptcy or financial re-organization.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

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

<u>Financial liabilities at fair value through profit or loss</u>

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

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

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

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

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

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

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

b) Derecognition of financial liabilities

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

4) Convertible bonds

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

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

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

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

5) Derivative financial instruments

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

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

p. Hedge accounting

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

1) Fair value hedges

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

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

2) Cash flow hedges

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

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

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

3) Hedges of net investments in foreign operations

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

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

q. Provisions

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

r. Treasury shares

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

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

s. Revenue recognition

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

1) Sale of goods

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

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

2) Rendering of services

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

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

t. Construction contracts

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

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

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

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

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

u. Leasing

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

1) The Corporation and its subsidiaries as lessor

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

2) The Corporation and its subsidiaries as lessee

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

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

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

v. Borrowing costs

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

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

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

w. Government grants

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

x. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

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

4) Termination benefits

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

y. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Valuation of inventory

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

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

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	**2015**
Cash on hand	$ 47,111	$ 47,262
Checking accounts and demand deposits	7,267,847	14,741,944

(Continued)

	December 31	
	2016	2015
Cash equivalents (investments with original maturities less than three months)		
Commercial papers with repurchase agreements	$ 3,914,480	$ 362,868
Time deposits	3,503,330	5,162,769
Bonds with repurchase agreements	735,000	19,980
	$ 15,467,768	$ 20,334,823

(Concluded)

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
Financial assets at FVTPL - current		
Financial assets designated as at FVTPL		
Mutual funds	$ 1,359,532	$ 1,754,204
Listed shares	36,488	29,575
Future contracts (a)	899	-
Structured notes	-	66,221
	1,396,919	1,850,000
Financial assets held for trading		
Mutual funds	732,951	549,567
Listed shares	607,426	531,937
Convertible bonds	319,100	264,480
Emerging market shares	231,953	245,455
Foreign exchange forward contracts (b)	-	446
	1,891,430	1,591,885
	$ 3,288,349	$ 3,441,885
Financial liabilities at FVTPL - current		
Financial liabilities designated as at FVTPL		
Call and put options (Note 20)	$ 405	$ 483
Financial liabilities held for trading		
Foreign exchange forward contracts (b)	4,536	613
Futures contracts (a)	-	429
	4,536	1,042
	$ 4,941	$ 1,525

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

Maturity Date	Weight (Kilograms)	Amount (In thousands)
December 31, 2016		
June 15, 2017	1,275	$ 25,046
		(RMB 5,425 thousand)
December 31, 2015		
June 15, 2016	780	12,405
		(RMB 2,484 thousand)

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

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2016			
Sell	HKD/NTD	February 2017	HKD7,500/NTD30,734
Sell	USD/NTD	January 2017-March 2017	USD7,634/NTD241,717
December 31, 2015			
Buy	NTD/USD	January 2016	NTD24,353/USD750
Sell	USD/NTD	February 2016	USD2,127/NTD69,692

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Current		
Domestic investments		
Listed shares	$ 2,359,896	$ 2,752,213
Mutual funds	397,759	1,076,845
Unlisted shares	49,082	5,683
	2,806,737	3,834,741
Foreign investments		
Listed shares	-	5,161
	$ 2,806,737	$ 3,839,902
Noncurrent		
Domestic investments		
Emerging market shares and unlisted shares	$ 2,754,165	$ 5,629,981
Listed shares	7,428,757	2,652,081

(Continued)

	December 31	
	2016	2015
Private-placement shares of listed companies	$ 136,042	$ 261,958
	10,318,964	8,544,020
Foreign investments		
Unlisted shares	12,757,612	38,475,777
Listed shares	2,457,207	2,246,269
Certificate of entitlement	773,130	1,018,527
	15,987,949	41,740,573
	$ 26,306,913	$ 50,284,593

(Concluded)

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

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

In November 2015, due to the merge of Nacional Minerios S.A. into Congonhas Minerios S.A., a newly incorporated company, the Corporation transferred its certificates 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.

9. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	December 31	
	2016	2015
Structured notes	$ 110,924	$ 176,937
Guarantee debt certificates	84,043	118,376
Corporate bonds	27,702	54,695
	222,669	350,008
Less: Accumulated impairment	-	64,045
	$ 222,669	$ 285,963

10. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2016	2015
Derivative financial assets for hedging - current		
Foreign exchange forward contracts (a)	$ 36,784	$ 123,828

(Continued)

	December 31	
	2016	2015
Derivative financial assets for hedging - noncurrent		
Foreign exchange forward contracts (a)	$ 3,354	$ 41,713
Derivative financial liabilities for hedging - current		
Foreign exchange forward contracts (a)	$ 28,328	$ 29,428
Interest rate swap contracts (b)	9,281	-
	$ 37,609	$ 29,428
Derivative financial liabilities for hedging - noncurrent		
Foreign exchange forward contracts (a)	$ 17,599	$ 512
Interest rate swap contracts (b)	18,466	56,900
	$ 36,065	$ 57,412

(Concluded)

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

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
December 31, 2016			
Buy	NTD/USD	January 2017-February 2020	NTD1,845,189/USD58,454
Buy	NTD/EUR	January 2017-March 2019	NTD983,531/EUR28,130
Buy	NTD/JPY	May 2017-June 2018	NTD140,853/JPY500,540
Buy	NTD/CNY	May 2017	NTD20,736/CNY4,375
Sell	USD/NTD	January 2017-March 2017	USD417/NTD13,321
December 31, 2015			
Buy	NTD/USD	January 2016-December 2018	NTD1,621,235/USD55,564
Buy	NTD/EUR	January 2016-December 2017	NTD1,019,751/EUR27,814
Buy	NTD/JPY	February 2016-December 2019	NTD233,456/JPY863,110
Sell	USD/NTD	April 2016	USD93/NTD3,025
Sell	JPY/NTD	March 2016	JPY300,000/NTD81,675

b. The subsidiary DSC entered into interest rate swap contracts to manage cash flow exposures arising from interest rate fluctuations on bank loans. The outstanding interest rate swap contracts as of December 31, 2016 and 2015 were all as follows:

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

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

	For the Year Ended December 31	
	2016	2015
Balance, beginning of year	$ 78,701	$ 94,574
Recognized in other comprehensive income	(99,678)	(43,926)
Recognized in other gains and losses	(27,235)	18,886
Transferred to construction in progress and equipment to be inspected	11,409	12,495
Transferred to operating revenues	3,267	(6,103)
Transferred to construction contract	-	2,775
Balance, end of year	$ (33,536)	$ 78,701

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

	December 31	
	2016	2015
Notes receivable		
Operating	$ 1,617,847	$ 1,464,791
Non-operating	-	-
	1,617,847	1,464,791
Less: Allowance for doubtful accounts	-	-
	$ 1,617,847	$ 1,464,791
Accounts receivable	$ 12,042,400	$ 11,060,591
Less: Allowance for doubtful accounts	79,640	34,207
	$ 11,962,760	$ 11,026,384

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

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

The aging of notes and accounts receivable was as follows:

	December 31	
	2016	2015
Not past due	$ 12,809,916	$ 11,731,716
1 to 30 days	365,801	401,367

(Continued)

	December 31	
	2016	2015
31-60 days	$ 179,756	$ 84,037
61-365 days	156,229	218,239
More than 365 days	68,905	55,816
	$ 13,580,607	$ 12,491,175

(Concluded)

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

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

	December 31	
	2016	2015
Less than 31 days	$ 365,801	$ 401,367
31-60 days	172,525	80,014
61-365 days	151,389	217,358
More than 365 days	65,846	54,467
	$ 755,561	$ 753,206

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

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

	For the Year Ended December 31	
	2016	2015
Balance, beginning of year	$ 34,207	$ 139,949
Recognition (reversal)	47,025	(79,460)
Write off	(87)	(9,386)
Reclassified to other receivables	-	(5,840)
Effect of foreign currency exchange difference	(1,505)	(11,056)
Balance, end of year	$ 79,640	$ 34,207

Aging analysis of individually impaired accounts receivable was as follows:

	December 31	
	2016	2015
Less than 31 days	$ -	$ -
31-60 days	7,231	4,023
61-365 days	4,840	881
More than 365 days	3,059	1,349
	$ 15,130	$ 6,253

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

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

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

For the years ended December 31, 2016 and 2015, the related information for the Corporation, CHSC and CSAC's sale of accounts receivable was as follows. Advances received at year-end dominated in US Dollars were converted to NT Dollars at the closing rate.

Counterparty	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Year - End	Interest Rate on Advances Received (%)	Credit Line
For the Year Ended December 31, 2016						
Mega Bank	$ 985,460	$ 3,114,118	$ 3,000,032	$ 1,099,546	1.19	NT$3 billion
Mega Bank	2,742,114	8,983,818	8,318,277	3,407,655	1.04-1.68	NT$9 billion
Bank of Taiwan	-	147,712	40,801	106,911	2.07	USD30,000 thousand
Bank of Taiwan	1,256,796	3,385,315	3,336,700	1,305,411	1.04-1.68	USD3 billion
Bank of Taiwan	785,395	3,546,130	3,672,916	658,609	1.64-2.61	USD130,000 thousand
Taishin Bank	1,178,084	5,675,101	4,908,262	1,944,923	1.29-1.99	USD110,000 thousand
CTBC Bank	118,633	1,364,966	930,788	552,811	1.29-1.59	USD30,000 thousand
	$ 7,066,482	$ 26,217,160	$ 24,207,776	$ 9,075,866		
For the Year Ended December 31, 2015						
Mega Bank	$ 5,095,755	$ 12,095,366	$ 13,463,547	$ 3,727,574	1.14-1.51	NT$12 billion
Mega Bank	25,855	16,745	42,600	-	-	USD1,200 thousand
Bank of Taiwan	1,736,174	3,855,241	4,334,619	1,256,796	1.15-1.51	NT$3 billion
Bank of Taiwan	357,521	3,044,488	2,616,614	785,395	1.46-1.56	USD0.1 billion
HSBC Bank	10,906	19,591	30,497	-	-	USD2,000 thousand
Taipei Fubon Bank	-	45,280	45,280	-	0.87-0.90	USD3,000 thousand
Taishin Bank	-	2,008,681	830,597	1,178,084	1.28-1.35	USD60,000 thousand
CTBC Bank	-	118,633	-	118,633	1.34	USD30,000 thousand
	$ 7,226,211	$ 21,204,025	$ 21,363,754	$ 7,066,482		

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

	December 31	
	2016	2015
Amounts due from customers for construction contracts		
Construction costs incurred plus recognized profits less recognized losses to date	$ 51,910,226	$ 50,028,682

(Continued)

	December 31	
	2016	2015
Less: Progress billings	$ 43,438,189	$ 41,261,339
Amounts due from customers for construction contracts	$ 8,472,037	$ 8,767,343

Amounts due to customers for construction contracts		
Progress billings	$ 27,629,282	$ 27,035,621
Less: Construction costs incurred plus recognized profits less recognized losses to date	23,775,558	22,920,451
Amounts due to customers for construction contracts	$ 3,853,724	$ 4,115,170
Retentions receivable	$ 1,131,990	$ 1,109,694
Retentions payable	$ 2,575,200	$ 2,452,654

(Concluded)

13. INVENTORIES

	December 31	
	2016	2015
Work in progress	$ 21,410,134	$ 17,927,894
Finished goods	19,679,031	16,266,596
Raw materials	19,618,052	18,721,826
Supplies	10,064,257	11,007,947
Raw materials and supplies in transit	6,914,867	3,787,021
Buildings and lands under construction	1,462,463	891,662
Lands held for construction	142,688	142,688
Others	197,646	160,914
	$ 79,489,138	$ 68,906,548

The cost of inventories recognized as operating costs for the years ended December 31, 2016 and 2015 was NT$207,788,337 thousand and NT$220,257,360 thousand, respectively.

Movements of provision for loss on inventories were as follows:

	For the Year Ended December 31	
	2016	2015
Balance, beginning of year	$ 10,469,050	$ 5,923,626
Recognized	8,281,614	14,322,289
Sold	(12,251,755)	(9,763,276)
Effect of foreign currency exchange difference	(18,718)	(13,589)
Balance, end of year	$ 6,480,191	$ 10,469,050

14. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31 2016	December 31 2015
Noncurrent		
Unlisted preference shares - overseas		
East Asia United Steel Corporation (EAUS) - Preference A	$ 1,837,425	$ 1,818,091
Subordinated financial bonds	24,351	124,428
Bonds	71,038	71,542
	$ 1,932,814	$ 2,014,061

In May 2003, the Corporation signed a slab production joint-venture contract with Sumitomo Metal Industries, Ltd. (renamed as Nippon Steel & Sumitomo Metal Corp. in October 2012) and Sumitomo Corporation. In July 2003, the joint venture company EAUS was established. The Corporation invested JPY10 billion in EAUS to acquire 10,000 shares of preference A. The Corporation thus has a stable supply of slab from this joint venture. The Corporation 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 CHSC to transfer the purchasing right of slabs from EAUS, and the Corporation receives royalty on this contract based on the volume purchased by CHSC.

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

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31 2016	December 31 2015
Material associates		
Formosa Ha Tinh (Cayman) Limited	$ 34,874,658	$ -
7623704 Canada Inc.	8,738,490	8,823,606
Associates that are not individually material	5,915,804	6,384,076
	$ 49,528,952	$ 15,207,682

a. Material associates

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

The summarized financial information below represent amounts shown in the financial statements of Formosa Ha Tinh (Cayman) Limited prepared in accordance with IFRSs, which were converted to the functional currency and adjusted for the purposes of applying equity method. As of December 31, 2016, the Corporation has completed the calculation of the difference between the cost of the investment and the Corporation’s shave of the net fair value of Formosa Ha Tinh (Cagman) Limited’s identifiable assets and liabilities.

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

	For the Year Ended December 31, 2016
Net loss for the period	$ (3,132,536)
Total comprehensive income for the period	$ (3,132,536)
Comprehensive income attributable to the Corporation and its subsidiaries	$ (969,122)

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

	December 31	
	2016	2015
Current assets	$ 134,511	$ 329,119
Noncurrent assets	35,474,697	36,108,458
Current liabilities	(38)	(481,561)
Equity	$ 35,609,170	$ 35,956,016
Percentage of the Corporation and its subsidiaries' ownership (%)	25	25
Equity attributable to the Corporation and its subsidiaries (carrying amount of the investment)	$ 8,738,490	$ 8,823,606

	For the Year Ended December 31	
	2016	2015
Net profit for the year	$ 1,014,821	$ 709,856
Total comprehensive income for the year	$ 1,440,686	$ 4,603,222

(Continued)

	For the Year Ended December 31	
	2016	2015
Dividends received from 7623704 Canada Inc.	$ 179,564	$ 240,137
Equity attributable to the Corporation and its subsidiaries (carrying amount of the investment)	$ 344,997	$ 1,120,535

(Concluded)

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

	For the Year Ended December 31	
	2016	2015
The Corporation and its subsidiaries' share of		
Net profit for the year	$ 147,607	$ 116,492
Other comprehensive income	(291,197)	42,015
Total comprehensive income	$ (143,590)	$ 158,507

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

	December 31	
	2016	2015
Chateau International Development Co., Ltd.	$ 869,182	$ 894,129

The investments accounted for using equity method as of December 31, 2016 and 2015, and the Corporation and its subsidiaries' share of profit and other comprehensive income of those investments for the years ended December 31, 2016 and 2015, were based on the associates' audited financial statements for the same period.

16. OTHER FINANCIAL ASSETS

	December 31	
	2016	2015
Current		
Pledged time deposits	$ 6,327,109	$ 6,564,721
Time deposits with original maturities more than three months	3,098,858	3,197,755
Hedging foreign-currency deposits	2,407,725	2,428,316
Deposits for projects	16	410
	$ 11,833,708	$ 12,191,202
Noncurrent		
Deposits for projects	$ 1,090,454	$ 203,312
Pledged time deposits	279,024	422,214
Time deposits with original maturities more than three months	23,696	38,260
Pledged receivables	2,000,000	2,000,000
	$ 3,393,174	$ 2,663,786

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation and its subsidiaries purchased foreign-currency deposits and entered into foreign exchange forward contracts. As of December 31, 2016 and 2015, the balance of the foreign-currency deposits, which consist of those designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT$2,407,725 thousand (JPY1.17 billion, RMB118,463 thousand, USD37,820 thousand, EUR9,040 thousand and GBP332 thousand), NT$2,428,316 thousand (JPY0.55 billion, RMB43,214 thousand, USD48,755 thousand, EUR11,777 thousand and GBP786 thousand), respectively. As of December 31, 2016 and 2015 cash outflows would be expected from aforementioned contracts for the periods from 2017 and 2015 to 2016, respectively.

Movements of hedging foreign-currency deposits were as follows:

	For the Year Ended December 31	
	2016	2015
Balance, beginning of year	$ 2,438,316	$ 1,918,252
Increase	52,079	494,331
Recognized in other comprehensive income	(57,849)	17,602
Transferred to construction in progress and equipment to be inspected	(24,821)	(1,869)
Balance, end of year	$ 2,407,725	$ 2,428,316

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

17. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2016

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

For the year ended December 31, 2015

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2015	$ 61,194,127	$ 4,877,697	$ 112,387,766	$ 587,056,811	$ 28,944,254	$ 15,946,643	$ 10,398,069	$ 322,270	$ 34,452,787	$ 855,580,424
Additions	2,194,786	147,194	8,451,253	19,428,647	4,425,950	1,005,048	1,156,261	-	(13,000,032)	23,809,107
Disposals	(17,035)	-	(69,791)	(1,885,107)	(91,531)	(334,811)	(821,030)	-	-	(3,219,305)

(Continued)

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

(Concluded)

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

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

The subsidiary CHSC bought farmlands for warehousing at the Jia Xing Section and Quing Shui Section of the Gangshan District in Kaohsiung City. However, certain regulations prohibit CHSC from registering the title of these farmlands in CHSC’s name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with CHSC in freely changing the land title to CHSC or to other name of other under CHSC instructions. Meanwhile, the land had been pledged to CHSC as collateral. As of December 31, 2016 and 2015, the book value of the farmlands was NT$66,753 thousand, recorded as land.

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

18. INVESTMENT PROPERTIES

For the year ended December 31, 2016

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

For the year ended December 31, 2015

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

(Continued)

	Land	Buildings	Total
Transfer from property, plant and equipment	$ -	$ 16,096	$ 16,096
Effect of foreign currency exchange difference	-	591	591
Balance at December 31, 2015	$ 222,057	$ 854,091	$ 1,076,148
Carrying amount at December 31, 2015	$ 7,998,724	$ 2,109,465	$ 10,108,189

(Concluded)

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

Buildings	
Main structure	2-60 years

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

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

The fair value of the investment properties was arrived at on the basis of valuation carried out in January 2013, September 2013, December 2014, March 2015, April 2015, September 2015, November 2015, December 2015 and December 2016 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	$ 25,137,693	$ 25,043,429
Depreciation rate (%)	1.20-2.00	1.20-2.00
Discount rate (%)	2.11-4.14	1.55-4.14

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

19. BORROWINGS

a. Short-term borrowings and bank overdraft

	December 31	
	2016	2015
Unsecured loans - interest at 0.35%-8.52% p.a. and 0.42%-9.40% p.a. as of December 31, 2016 and 2015, respectively	$ 31,384,879	$ 28,700,798
Bank overdraft - interest at 0.14%-8.35% p.a. and 0.35%-2.75% p.a. as of December 31, 2016 and 2015, respectively	2,127,572	3,279,883
Letters of credit - interest at 0.93%-1.85% p.a. and 0.45%-1.48% p.a. as of December 31, 2016 and 2015, respectively	2,088,590	2,378,709
Secured loans (Note 34) - interest at 4.35% p.a. and 5.5% p.a. as of December 31, 2016 and 2015, respectively	304,699	27,557
	$ 35,905,740	$ 34,386,947

Starting from February 2016, the subsidiary 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 credit line. Under the agreements, the Corporation and its subsidiaries should collectively hold 50% of the CCSPMC's equity and over 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.

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

In June 2016, August 2014 and May 2014, the subsidiary CSCI entered into short-term financing contracts with Bank BNP Paribas for INR1 billion credit line, Credit Agricole Corporate and Investment Bank for INR0.9 billion credit lines and CTBC Bank for INR0.4 billion credit lines. Under the agreements, the Corporation and its related parties should collectively hold at least 60%, 60% and 75% of CSCI's issued shares and hold half, half and two-thirds or more of the seats in the board of directors, respectively. If CSCI expands or invites new strategic investors, the Corporation and its related parties should collectively hold at least 60% of CSCI's issued shares and hold half or more of the seats in the board of directors. As of December 31, 2016, the Corporation held 100% equity of CSCI and all of the seats in the board of directors.

Starting from August 2013, the subsidiary CSVC continuously entered into short-term financing contracts with Standard Chartered Bank and other banks for USD40,000 thousand credit lines. Under the agreements, the Corporation should hold at least 51% of CSVC's issued shares and majority of the seats in the board of directors. As of December 31, 2016, the Corporation held 56% equity of CSVC and over half of the seats in the board of directors.

b. Short-term bills payable

	December 31	
	2016	2015
Commercial paper - interest at 0.40%-1.00% p.a. and 0.29%-1.10% p.a. as of December 31, 2016 and 2015, respectively	$ 16,639,000	$ 31,650,000
Less: Unamortized discounts	6,900	8,714
	$ 16,632,100	$ 31,641,286

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

c. Long-term borrowings

	December 31	
	2016	2015
Syndicated bank loans		
Bank of Taiwan and other banks loan to CHSC		
Repayable in 13 equal semiannual installments from March 2013 to March 2019, interest all at 1.58% p.a. as of December 31, 2016 and 2015, respectively	$ 2,672,308	$ 3,749,231
Repayable in March 2019 with a revolving credit, interest at 1.58% p.a. as of December 31, 2016 and 2015, respectively	2,250,000	6,750,000
Bank of Taiwan and other banks loan to DSC		
Repayable in 14 equal semiannual installments from January 2012 to July 2018, interest at 1.11% p.a. and 1.24% p.a. as of December 31, 2016 and 2015, respectively	13,053,540	19,583,540
Repayable in 10 equal semiannual installments from June 2015 to December 2019, repaid in June 2016, interest at 1.58% p.a. as of December 31, 2015	-	8,624,000
Bank of Taiwan and other banks loan to the Corporation		
Repayable in several installments from February 2020, 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 loan to the Corporation		
Repayable in August 2018, interest at 1.97%-1.99% p.a., 1.38%-1.42% p.a. as of December 31, 2016 and 2015, respectively	4,837,500	4,923,750
Mega Bank and other banks loan to CSVC		
Repayable in 10 semiannual installments from September 2015 to March 2020, interest all at 2.25% p.a. as of December 31, 2016 and 2015, respectively	3,453,975	3,929,152
Chinatrust Commercial Bank and other banks loan to CSCI		
Repayable in 5 semiannual installments from June 2017 to June 2019, interest at 3.00% p.a. and 2.13% p.a. as of December 31, 2016 and 2015, respectively	3,559,603	3,618,747

(Continued)

	December 31	
	2016	**2015**
Mortgage loans (Note 34)		
Due on various dates through April 2032, interest at 1.22%-2.02% p.a. and 0.84%-1.67% p.a. as of December 31, 2016 and 2015, respectively	$ 9,968,040	$ 9,626,064
Unsecured loans		
Due on various dates through August 2022, interest at 0.31%-2.81% p.a. and 0.40%-3.59% p.a. as of December 31, 2016 and 2015, respectively	30,664,227	40,069,787
	86,584,193	106,782,771
Less: Syndicated loan fee	44,824	93,015
Current portion	16,210,014	23,561,520
	$ 70,329,355	$ 83,128,236

(Concluded)

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

   The amounts referring to the above financial ratios and criteria should be based on audited annual financial statements. If CHSC breaches the agreements, it should take remedial measures within half a year from the next day of the financial statements' declaration date; otherwise, the interest rate needs to be adjusted in accordance with the agreement. The tangible net worth of CHSC 2015 standalone financial statements is lower than 50% of its share capital-outstanding ordinary shares, it should take remedial measures within half year from the next day of the financial statements issued; otherwise, the interest rate needs to be adjusted in accordance with the agreement. As of December 31, 2016, the Company was in compliance with the agreement. As of December 31, 2016, the Corporation directly held 41% equity of CHSC and held half of the seats in the board of directors and controlled its operation.

2) In July 2012, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 17 other banks for a NT$35 billion credit line, which consists of NT$30 billion secured loans with a non-revolving credit line and NT$5 billion secured commercial paper with a revolving credit line; in February 2008, DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT$51.7 billion credit line. As of December 31, 2016, all secured commercial paper (recognized as long-term bills payable) were used. Under the agreements, the Corporation and its associates should collectively hold at least 80% and 40% of DSC's issued shares and hold half or more of the seats in the board of directors. Starting from 2012, DSC should meet some financial ratios and criteria.

   The figures referring to the above financial ratios and criteria should be based on audited annual financial statements. If DSC breaches the financial ratios or the agreements, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare DSC's outstanding principal and interest to maturity as due, and request DSC to immediately settle. DSC was in compliance with the syndicated credit facility agreement based on its financial statements of 2016 and 2015. As of December 31, 2016, the Corporation held 100% equity of DSC and all of the seats in the board of directors.

3) In October 2012, the subsidiary CSVC entered into a syndicated credit facility agreement with Mega Bank and 11 other banks for a USD246,000 thousand credit line, which consists of USD126,000 thousand long-term borrowings with a non-revolving credit line and USD120,000 thousand short-term borrowings for operation with a revolving credit line. Under the agreements, the Corporation should hold at least 51% of CSVC's issued shares and majority of the seats in the board of directors. Starting from 2015, CSVC should meet some financial ratios and criteria based on the syndicated credit facility agreement. CSVC was not in compliance with the syndicated credit facility agreement based on its 2015 audited financial statement; however, the syndicated loan agreement had been revised and the interest rate will be adjusted in accordance with revised agreement. As a result, the impact is immaterial to CSVC. As of December 31, 2016, the Company was in compliance with the agreement. As of December 31, 2016, the Corporation held 56% equity of CSVC and over half of the seats in the board of directors.

4) In January 2013, the subsidiary CSCI entered into a syndicated credit facility agreement with CTBC Bank and 9 other banks for a USD110,000 thousand credit line. Under the agreement, the Corporation should collectively hold at least 75% of CSCI's issued shares and hold two-thirds or more of the seats in the board of directors. If CSCI expands or invites new strategic investors, the Corporation should collectively hold at least 60% of CSCI's issued shares and hold half of the seats or more of the seats in the board of directors. CSCI should meet some financial ratios and criteria required by the syndicated credit facility agreement based on unreviewed financial statements for the six months ended September 30 and audited annual financial statements. The audited financial statements (the reporting period from April 1, 2015 to March 31, 2016) of CSCI breached the agreements; however, CSCI had received the written agreement from syndicated banks to waive the related responsibility on violation of financial covenants on March 31, 2016 and the waiver letter lasted until September 30, 2016. The syndicated credit facility agreement has been re-sign in November 2016. As of December 31, 2016, the Corporation held 100% equity of CSCI and held all of the seats in the board of directors.

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

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

d. Long-term bills payable

	December 31	
	2016	**2015**
Commercial paper - interest at 0.41%-1.05% p.a. and 0.45%-1.16% p.a. as of December 31, 2016 and 2015, respectively	$ 31,640,000	$ 19,470,000

(Continued)

	December 31	
	2016	2015
Secured commercial paper in syndicated bank loans - interest at 0.97% p.a. and 1.05% p.a. as of December 31, 2016 and 2015, respectively	$ 5,000,000	$ 5,000,000
	36,640,000	24,470,000
Less: Unamortized discounts	13,835	10,121
	$ 36,626,165	$ 24,459,879

(Concluded)

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

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

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

20. BONDS PAYABLE

	December 31	
	2016	2015
5-year unsecured bonds - issued at par by the Corporation in:		
October 2011; repayable in October 2015 and 2016; interest at 1.36% p.a., payable annually	$ -	$ 4,650,000
5-year unsecured bonds - issued at par by DSC in:		
June 2014; repayable in June 2018 and 2019; interest at 1.40% p.a., payable annually	7,000,000	7,000,000
June 2015; repayable in June 2019 and 2020; interest at 1.45% p.a., payable annually	7,500,000	7,500,000
June 2016; repayable in June 2020 and 2021; interest at 0.89% p.a., payable annually	5,400,000	-
7-year unsecured bonds - issued at par by the Corporation in:		
October 2011; repayable in October 2017 and 2018; interest at 1.57% p.a., payable annually	10,400,000	10,400,000
August 2012; repayable in August 2018 and 2019; interest at 1.37% p.a., payable annually	5,000,000	5,000,000
July 2013; repayable in July 2019 and 2020; interest at 1.44% p.a., payable annually	6,300,000	6,300,000
January 2014; repayable in January 2020 and 2021; interest at 1.75% p.a., payable annually	6,900,000	6,900,000
7-year unsecured bonds - issued at par by DSC in:		
June 2014; repayable in June 2020 and 2021; interest at 1.75% p.a., payable annually	5,000,000	5,000,000
June 2015; repayable in June 2021 and 2022 respectively; interest at 1.72% p.a., payable annually	2,500,000	2,500,000

(Continued)

	December 31	
	2016	2015
10-year unsecured bonds - issued at par by the Corporation in:		
August 2012; repayable in August 2021 and 2022; interest at 1.50% p.a., payable annually	$ 15,000,000	$ 15,000,000
July 2013; repayable in July 2022 and 2023; interest at 1.60% p.a., payable annually	9,700,000	9,700,000
January 2014; repayable in January 2023 and 2024; interest at 1.95% p.a., payable annually	7,000,000	7,000,000
15-year unsecured bonds - issued at par by the Corporation in:		
July 2013; repayable 30% in July 2026 and 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	3,600,000	3,600,000
January 2014; repayable 30% in January 2027 and 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	9,000,000	9,000,000
Liability component of secured domestic convertible bonds - issued by TMTC	14,000	48,300
Liability component of unsecured domestic convertible bonds - issued by TMTC	-	15,000
	100,314,000	99,613,300
Less: Issuance cost of bonds payable	43,256	53,865
Unamortized discount on bonds payable	20,782	20,090
Current portion	5,212,668	4,696,735
	$ 95,037,294	$ 94,842,610

(Concluded)

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

In September 2013, the subsidiary TMTC issued NT$100,000 thousand of 5-year unsecured domestic convertible bonds at par from September 2013 to September 2018. From one month after the issuance date to 10 days before the maturity date, bondholders may request TMTC to convert the bonds into its ordinary shares (except for the related book closure period). On the repurchase dates, two years, three years and four years after the issuance date, bondholders may request TMTC to repurchase the bonds at their face value plus interest (2.5156%, 3.7971% and 5.0945% of face value for two years, three years and four years, respectively, yield to put 1.25%) by cash in five trading days. From one month after the issuance date to 40 days before the maturity date, if the closing price of TMTC's shares on the Taipei Exchange is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of initial issued bonds, TMTC may redeem the remaining bonds at their face value by cash in five trading days after the redemption date. As of December 31, 2016, bondholders exercised the put option and the convertible bonds at par amounted to NT$30,500 thousand had been cancelled. Thus, TMTC paid NT$31,267 thousand. As of December 31, 2016, the convertible bonds with NT$85,000 thousand face value have been converted into NT$21,975 thousand ordinary share capital.

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

21. ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

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

22. OTHER PAYABLES

	December 31	
	2016	2015
Salaries and incentive bonus	$ 7,820,606	$ 6,573,677
Purchase of equipment	2,788,624	3,311,688
Employee compensation and remuneration of directors and supervisors	1,708,289	680,799
Sales returns and discounts	1,492,872	1,631,598
Interest payable	1,091,405	1,079,578
Outsourced repair and construction	1,084,736	1,047,075
Others	5,451,117	5,027,284
	$ 21,437,649	$ 19,351,699

23. PROVISIONS

	December 31	
	2016	2015
Current		
Onerous contracts (a)	$ 3,750,118	$ 2,611,156
Construction warranties (b)	463,355	491,899
Sale returns and discounts (c)	24,415	-
Others	86,218	55,314
	$ 4,324,106	$ 3,158,369
Noncurrent		
Provision for stabilization funds (d)	$ 802,859	$ 793,851
Others	12,835	35,072
	$ 815,694	$ 828,923

	Onerous Contracts	Construction Warranties	Sale Returns and Discounts	Provision for Stabilization Funds	Others	Total
Balance at January 1, 2016	$ 2,611,156	$ 491,899	$ -	$ 793,851	$ 90,386	$ 3,987,292
Recognized	7,897,571	1,331	745,506	9,218	21,448	8,675,074
Paid	(6,758,609)	(29,875)	(721,091)	(210)	(12,781)	(7,522,566)
Balance at December 31, 2016	$ 3,750,118	$ 463,355	$ 24,415	$ 802,859	$ 99,053	$ 5,139,800
Balance at January 1, 2015	$ 3,177,583	$ 582,371	$ 586	$ 983,466	$ 83,506	$ 4,827,512
Recognized	4,353,251	1,551	10	7,078	22,849	4,384,739
Paid	(4,919,678)	(92,023)	(596)	(196,693)	(15,969)	(5,224,959)
Balance at December 31, 2015	$ 2,611,156	$ 491,899	$ -	$ 793,851	$ 90,386	$ 3,987,292

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

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

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

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

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

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

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

	December 31	
	2016	**2015**
Present value of defined benefit obligation	$ 29,668,411	$ 29,823,879
Fair value of plan assets	(22,698,162)	(23,812,775)
Deficit	6,970,249	6,011,104
Net defined benefit liabilities - recognized as other payables, other current assets or other noncurrent assets	(68,630)	(43,117)
Net defined benefit liability	$ 6,901,619	$ 5,967,987

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	$ 29,823,879	$ (23,812,775)	$ 6,011,104
Service cost			
Current service cost	779,771	-	779,771
Past service cost and loss on settlements	(728)	-	(728)
Interest expense (income)	382,390	(307,944)	74,446
Recognized in profit or loss	1,161,433	(307,944)	853,489
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	148,758	148,758
Actuarial loss - changes in demographic assumptions	77,748	-	77,748
Actuarial loss - changes in financial assumptions	174,432	-	174,432
Actuarial loss - experience adjustments	765,948		765,948
Recognized in other comprehensive income	1,018,128	148,758	1,166,886
Contributions from the employer	-	(950,818)	(950,818)
Contributions of employee returning	9,010	(22,728)	(13,718)
Benefits paid	(2,343,882)	2,247,426	(96,456)
Others	(157)	(81)	(238)
	(2,335,029)	1,273,799	(1,061,230)
Balance at December 31, 2016	$ 29,668,411	$ (22,698,162)	$ 6,970,249
Balance at January 1, 2015	$ 29,354,071	$ (23,797,205)	$ 5,556,866

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Service cost			
Current service cost	$ 800,533	$ -	$ 800,533
Past service cost and loss on settlements	4,077	-	4,077
Interest expense (income)	473,723	(390,734)	82,989
Recognized in profit or loss	1,278,333	(390,734)	887,599
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(248,062)	(248,062)
Actuarial loss - changes in demographic assumptions	97,030	-	97,030
Actuarial loss - changes in financial assumptions	199,553	-	199,553
Actuarial loss - experience adjustments	442,004	-	442,004
Recognized in other comprehensive income	738,587	(248,062)	490,525
Contributions from the employer	-	(839,500)	(839,500)
Contributions of employee returning	7,611	(18,763)	(11,152)
Benefits paid	(1,554,971)	1,481,568	(73,403)
Others	248	(79)	169
	(1,547,112)	623,226	(923,886)
Balance at December 31, 2015	$ 29,823,879	$ (23,812,775)	$ 6,011,104

(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	$ 626,116	$ 631,130
Operating expenses	225,339	253,803
Others	2,034	2,666
	$ 853,489	$ 887,599

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

1) Investment risk

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

2) Interest risk

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

3) Salary risk

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

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

	December 31	
	2016	2015
Discount rate (%)	0.875-1.500	1.000-1.750
Expected rate of salary increase (%)	1.500-3.250	1.875-3.250
Turnover rate (%)	0.000-24.000	0.000-17.500

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	$ (519,225)	$ (530,184)
0.25% decrease	$ 543,690	$ 547,546
Expected rate of salary increase		
0.25% increase	$ 519,320	$ 532,809
0.25% decrease	$ (505,343)	$ (518,573)

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	$ 751,385	$ 772,585
The average duration of the defined benefit obligation	5.0-17.0 years	5.9-17.7 years

25. EQUITY

a. Share capital

	December 31 2016	December 31 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 and 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 transferred to capital when the Corporation has no deficit (limited to a certain percentage of the Corporation's paid-in capital and once a year).

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

c. Retained earnings and dividend policy

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

1) 10% as legal reserve;

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

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

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

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting in June 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation, particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation. For information about the accrual basis of the employees' compensation and remuneration of directors and supervisors and the actual appropriations, please refer to h. Employee benefits in Note 27.

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

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

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

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

The appropriations of earnings for 2015 and 2014 had been approved in the shareholders’ meeting on June 2016 and June 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	2,645,116	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 foreign operations	(2,264,151)	(640,089)
Income tax relating to exchange differences arising on translating the net assets of foreign operations	21,170	(25,730)
Gains and losses on hedging instruments designated in hedges of the net assets of foreign operations	952,456	228,208
Share of exchange difference of associates accounted for using the equity method	59,681	903,938
Balance, end of year	$ (32,048)	$ 1,198,796

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	2,640,007	(1,058,161)
Income tax relating to unrealized gains and losses on available-for-sale financial assets	9,427	(2,392)
Reclassified to profit or loss on disposal of available-for-sale financial assets	(971,208)	(2,239,556)
Income tax relating to the amounts reclassified to profit or loss on disposal of available-for-sale financial assets	-	583
Impairment on available for-sale financial assets	613,540	484,482
Share of unrealized gains and losses on available-for-sale financial assets of associates accounted for using the equity method	(214,541)	105,038
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 instrument	(107,454)	(3,731)
Income tax relating to fair value changes	22,980	3,745
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	(9,216)	13,401
Income tax relating to amounts transferred to adjust carrying amount of hedged items	1,567	(2,278)
Balance, end of year	$ 62,181	$ 152,264

f. Treasury shares

	Thousand Shares			December 31	
Purpose of Treasury Shares	**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. 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, respectively.

g. Non-controlling interests

	For the Year Ended December 31	
	2016	2015
Balance, beginning of year	$ 26,404,014	$ 29,969,636
Attributable to non-controlling interests:		
Share of net profit for the year	3,148,955	14,698
Exchange difference on translating foreign operations	(515,405)	(515,840)
Income tax relating to exchange difference on translating foreign operations	11,788	(4,158)
Unrealized gains and losses on available-for-sale financial assets	(381,957)	134,139
Income tax relating to unrealized gain on available-for-sale financial assets	16,133	(4,220)
Fair value changes of cash flow hedges	(50,073)	(22,593)
Income tax relating to cash flow hedges	3,389	459
Remeasurement on defined benefit plans	(157,270)	(138,640)
Income tax relating to remeasurement on defined benefit plans	16,690	19,062
Share of other comprehensive income of associates accounted for using the equity method	(31,830)	(11,529)
Non-controlling interest arising from acquisition of subsidiaries	381,814	(147,358)
Acquisition of non-controlling interests in subsidiaries	(16,421)	(708,247)
Dividend distributed by subsidiaries	(2,029,248)	(2,601,499)
Others	219,228	420,104
Balance, end of year	$ 27,019,807	$ 26,404,014

26. OPERATING REVENUES

	For the Year Ended December 31	
	2016	2015
Revenues from the sale of goods	$ 263,932,828	$ 257,740,370
Construction contract revenues	19,760,229	18,147,093
Freight and service revenues	7,254,353	6,718,202
Other revenues	2,108,394	2,448,211
	$ 293,055,804	$ 285,053,876

27. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

	For the Year Ended December 31	
	2016	2015
Dividends income	$ 433,634	$ 299,521
Interest income	317,940	426,374

(Continued)

	For the Year Ended December 31	
	2016	2015
Rental income	$ 122,968	$ 132,285
Insurance claim income	43,299	182,563
Others	553,539	718,836
	$ 1,471,380	$ 1,759,579

(Concluded)

b. Other gains and losses

	For the Year Ended December 31	
	2016	2015
Gain on disposal of investments	$ 822,674	$ 1,878,802
Net foreign exchange gain	65,866	515,076
Gain (loss) arising on financial assets at fair value through profit or loss	30,720	(6)
Reversals of impairment losses recognized on investment property (Note 18)	-	1,612,081
Impairment loss on financial assets	(596,784)	(425,037)
Loss on disposal of property, plant and equipment	(371,274)	(72,143)
Other losses	(474,513)	(329,023)
	$ (523,311)	$ 3,179,750

The components of net foreign exchange gain were as follows:

	For the Year Ended December 31	
	2016	2015
Foreign exchange gain	$ 1,688,239	$ 2,263,417
Foreign exchange loss	(1,622,373)	(1,748,341)
Net exchange gains	$ 65,866	$ 515,076

c. Finance costs

	For the Year Ended December 31	
	2016	2015
Total interest expense	$ 4,037,507	$ 4,098,319
Less: Amounts included in the cost of qualifying assets	220,866	346,222
	$ 3,816,641	$ 3,752,097

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2016	2015
Capitalized amounts	$ 220,866	$ 346,222
Capitalized annual rates (%)	0.53-1.63	0.63-1.62

d. (Reversal of) impairment loss on financial assets

	For the Year Ended December 31	
	2016	2015
Available-for-sale financial assets	$ 620,817	$ 484,482
Investments accounted for using equity method	103,000	-
Accounts receivable	47,025	(79,460)
	$ 770,842	$ 405,022
An analysis of (reversal of) impairment loss on financial assets by function		
Operating costs	$ 127,033	$ 59,445
Selling and marketing expenses	47,025	(79,460)
Others gains and losses	596,784	425,037
	$ 770,842	$ 405,022

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

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	$ 45,168	$ 16,560
Investment properties	-	(1,668,974)
	$ 45,168	$ (1,652,414)
An analysis of (reversal of) impairment loss on non-financial assets by function		
Operating costs	$ 45,452	$ (56,893)
Operating expenses	(284)	16,560
Others gains and losses	-	(1,612,081)
	$ 45,168	$ (1,652,414)

f. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	$ 35,610,832	$ 35,035,738
Investment properties	81,051	80,322
Intangible assets	275,947	250,740
Others	95,647	88,925
	$ 36,063,477	$ 35,455,725
An analysis of depreciation by function		
Operating costs	$ 34,123,879	$ 33,696,528
Operating expenses	1,544,252	1,395,300
Others	23,752	24,232
	$ 35,691,883	$ 35,116,060

(Continued)

	For the Year Ended December 31	
	2016	2015
An analysis of amortization by function		
Operating costs	$ 214,057	$ 200,292
Operating expenses	152,741	138,166
Others	4,796	1,207
	$ 371,594	$ 339,665

(Concluded)

g. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2016	2015
Direct operating expenses of investment properties that generated from rental income	$ 173,181	$ 150,593

h. Employee benefits

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits		
Salaries	$ 30,441,763	$ 27,593,294
Labor and health insurance	1,902,650	1,922,348
Others	1,326,544	1,146,755
	33,670,957	30,662,397
Post-employment benefits		
Defined contribution plans	699,625	644,058
Defined benefit plans (Note 24)	853,489	887,599
	1,553,114	1,531,657
Termination benefits	89,689	76,289
	$ 35,313,760	$ 32,270,343
Analysis of employee benefits by function		
Operating costs	$ 28,213,232	$ 25,916,597
Operating expenses	6,604,868	5,885,360
Others	495,660	468,386
	$ 35,313,760	$ 32,270,343

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 consolidated financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated 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 consolidated financial statements for the year ended December 31, 2014.

Information on the employees' compensation and remuneration of directors and supervisors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

The numbers of employees of the Corporation and its subsidiaries combined were about 26,639 and 26,369 as of December 31, 2016 and 2015, respectively.

28. INCOME TAX

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	$ 2,484,969	$ 1,758,034
Income tax on unappropriated earnings	121,761	563,755
In respect of prior years	(203,193)	(757,552)
Deferred tax		
In respect of the current year	297,486	(363,613)
In respect of prior years	10,820	685,567
	$ 2,711,843	$ 1,886,191

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

	For the Year Ended December 31	
	2016	2015
Profit before income tax	$ 21,899,167	$ 9,505,610
Income tax expense calculated at the statutory rate	$ 4,123,151	$ 2,722,124
Non-deductible expenses in determining taxable income	19,929	34,016
Tax-exempt income	(642,138)	(1,209,752)
Others	(70,195)	(15,544)
Additional income tax under the Alternative Minimum Tax Act	9,411	74,069
Income tax on unappropriated earnings	121,761	563,755
Unrecognized deductible temporary differences	(275,429)	(514,183)
Unrecognized loss carryforwards	(184,812)	504,589
Unrecognized investment credits	(197,462)	(200,898)
In respect of prior years	(192,373)	(71,985)
	$ 2,711,843	$ 1,886,191

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

As the status of appropriations of earnings for 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
Recognized in other comprehensive income:		
Translation of foreign operations	$ (32,958)	$ 29,888
Unrealized gains and losses on available-for-sale financial asset	(25,560)	6,612
Fair value changes of cash flow hedges	(26,369)	(4,204)
Remeasurement on defined benefit plans	(182,490)	(76,869)
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	(1,567)	2,278

(Continued)

	For the Year Ended December 31	
	2016	2015
Fair value changes of hedging instruments in cash flow hedges transferred to profit or loss	$ 418	$ (1,038)
Disposal of available-for-sale financial assets	-	(583)
	$ (268,526)	$ (43,916)

(Concluded)

d. Current tax

	December 31	
	2016	2015
Current tax assets		
Tax refund receivable	$ 132,124	$ 40,778
Prepaid income tax	7,358	54,226
	$ 139,482	$ 95,004
Current tax liabilities		
Income tax payable	$ 2,129,043	$ 1,621,208

e. Deferred tax assets and liabilities

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

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2016

Deferred tax assets	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Others	Closing Balance
Temporary differences							
Defined benefit plan and Estimated preferential severance pay	$ 972,213	$ (20,179)	$ 161,837	$ -	$ 4,217	$ -	$ 1,118,088
Unrealized loss on inventories	1,660,471	(621,274)	-	-	(456)	-	1,038,741
Provisions	538,871	190,551	-	-	-	-	729,422
Impairment loss on financial assets	43,350	83,011	-	-	-	-	126,361
Unrealized loss on construction	100,823	(45,190)	-	-	-	-	55,633
Difference between tax reporting and financial reporting - revenue recognition	165,665	(2,216)	-	-	-	-	163,449
Unrealized gain on the transactions with subsidiaries and associates	129,848	64,511	-	-	-	-	194,359
Unrealized settlement loss on foreign exchange forward for hedging	93,805	(8,566)	-	-	-	-	85,239
Foreign investment loss	292,666	226,743	-	-	-	-	519,409
Others	967,159	(108,457)	88,492		641	-	947,835
	4,964,871	(241,066)	250,329	-	4,402	-	4,978,536
Tax losses	273,917	115,968	-	-	(5,104)	-	384,781
Investment credits	319,368	(309,704)	-	-	-	-	9,664
	$ 5,558,156	$ (434,802)	$ 250,329	$ -	$ (702)	$ -	$ 5,372,981

(Continued)

	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Exchange Differences	Others	Closing Balance
Deferred tax liabilities							
Temporary differences							
Land value increment tax	$ 10,240,123	$ -	$ -	$ -	$ -	$ -	$ 10,240,123
Difference between tax reporting and financial reporting - depreciation methods	932,354	(115,535)	-	-	(8,744)	-	808,075
Foreign investment income	928,890	36,031	6,947	-	1,074	-	972,942
Others	316,108	(46,992)	(25,144)	(64)	(3,759)	-	240,149
	$ 12,417,475	$ (126,496)	$ (18,197)	$ (64)	$ (11,429)	$ -	$ 12,261,289

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

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

	December 31 2016	December 31 2015
Loss carryforwards	$ 14,588,271	$ 16,220,888
Investment credits		
Purchase of machinery and equipment	$ 2,126,423	$ 2,321,002
Deductible temporary differences	$ 568,999	$ 577,375

The unrecognized loss carryforwards will expire from 2017 to 2026.

The unrecognized investment credits will expire in 2017.

g. Information about unused investment credits

As of December 31, 2016, investment credits were comprised of:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 2,126,423	2017
Statute for Encouragement of Private Participation in Transportation Infrastructure Projects	Transportation Infrastructure	$ 9,664	2019

Loss carryforwards as of December 31, 2016 comprised of:

Unused Amount	Expiry Year
$ 15,866,248	2017-2026

h. Integrated income tax

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

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

i. Income tax assessments

The Corporation's income tax returns through 2011 and the subsidiaries' income tax returns through 2011 to 2015 have been assessed by the tax authorities. The Corporation disagreed with the tax authorities' assessment of its 2010 tax return and filed for administrative appeal. In December 2016, the Corporation's appeal to the Supreme Administrative Court was dismissed; the Corporation had recognized related assessed tax payable in prior year.

29. EARNINGS PER SHARE

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

Net profit for the year

	For the Year Ended December 31	
	2016	2015
Net profit for the year attributable to owners of the Corporation	$ 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	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 the 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.

30. BUSINESS COMBINATIONS

a. Subsidiaries acquired

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

The Corporation acquired WBC through participating in its capital increase in 2015, which increased the Corporation's total equity in White Biotech Corporation from 18% to 87%. As a result, the investment was reclassified from investment in associates to investment in subsidiaries.

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

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

c. Non-controlling interests

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

d. Intangible assets arising on acquisition

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

31. CAPITAL MANAGEMENT

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

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

32. FINANCIAL INSTRUMENTS

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

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

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity investments	$ 222,669	$ 197,485	$ 285,963	$ 261,745

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

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

1) Fair value hierarchy

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

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities for hedging				
Interest rate swap contracts	$ -	$ 27,747	$ -	$ 27,747
Foreign exchange forward contracts	-	45,927	-	45,927
	$ -	$ 73,674	$ -	$ 73,674
December 31, 2015				
Financial assets at fair value through profit or loss				
Mutual funds	$ 2,303,771	$ -	$ -	$ 2,303,771
Listed shares	561,512	-	-	561,512
Convertible bonds	264,480	-	-	264,480
Emerging market shares	-	-	245,455	245,455
Structure notes	-	66,221	-	66,221
Foreign exchange forward contract	-	446	-	446
	$ 3,129,763	$ 66,667	$ 245,455	$ 3,441,885
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 39,494,304	$ 39,494,304
Domestic emerging market shares and unlisted shares	-	-	5,635,664	5,635,664
Domestic listed shares	5,404,294	-	-	5,404,294
Foreign listed shares	2,251,430	-	-	2,251,430
Mutual funds	1,076,845	-	-	1,076,845
Private-placement shares of listed companies	-	261,958	-	261,958
	$ 8,732,569	$ 261,958	$ 45,129,968	$ 54,124,495
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 165,541	$ -	$ 165,541
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ 613	$ -	$ 613
Call and put options	-	483	-	483
Futures contracts	-	429	-	429
	$ -	$ 1,525	$ -	$ 1,525
Derivative financial liabilities for hedging				
Interest rate swap contracts	$ -	$ 56,900	$ -	$ 56,900
Foreign exchange forward contracts	-	29,940	-	29,940
	$ -	$ 86,840	$ -	$ 86,840

(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

	Financial Assets at Fair Value Through Profit or Loss	Available-for-sale Financial Assets	Total
For the year ended December 31, 2016			
Balance, beginning of year	$ 245,455	$ 45,129,968	$ 45,375,423
Recognized in profit or loss	(13,502)	(343,550)	(357,052)
Recognized in other comprehensive income - unrealized gains and losses on available-for-sale financial assets	-	1,884,679	1,884,679
Purchase	-	539,720	539,720
Reclassification	-	(25,194,760)	(25,194,760)
Transfer out of Level 3	-	(4,458,702)	(4,458,702)
Disposal	-	(525,987)	(525,987)
Capital reduction	-	(14,040)	(14,040)
Effect of foreign currency exchange difference	-	(683,339)	(683,339)
Balance, end of year	$ 231,953	$ 16,333,989	$ 16,565,942
For the year ended December 31, 2015			
Balance, beginning of year	$ 276,613	$ 26,629,214	$ 26,905,827
Recognized in profit or loss	(31,158)	(420,073)	(451,231)
Recognized in other comprehensive income - unrealized gains and losses on available-for-sale financial assets	-	(575,888)	(575,888)
Purchase	-	20,032,375	20,032,375
Disposal	-	(468,108)	(468,108)
Capital reduction	-	(554,265)	(554,265)
Reclassification	-	246,683	246,683
Transfer into Level 3	-	30,020	30,020
Transfer out of Level 3	-	(118,190)	(118,190)
Effect of foreign currency exchange difference	-	328,200	328,200
Balance, end of year	$ 245,455	$ 45,129,968	$ 45,375,423

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

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

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

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

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

c) For other foreign unlisted shares, fair values were measured under income approach and calculated by the present value of the expected returns by using discounted cash flow model. Significant unobservable inputs were as follows; if the long-term 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		
Fair value through profit or loss		
Designated as at fair value through profit or loss	$ 1,396,919	$ 1,850,000
Held for trading	1,891,430	1,591,885
Derivative instruments in designated hedge accounting relationships	40,138	165,541
Held-to-maturity investments	222,669	285,963
Loans and receivables 1)	48,156,503	51,628,094
Available-for-sale financial assets	29,113,650	54,124,495
Financial liabilities		
Fair value through profit or loss		
Held for trading	4,536	1,042
Designated as at fair value through profit or loss	405	483
Derivative instruments in designated hedge accounting relationships	73,674	86,840
Measured at amortized cost 2)	311,543,875	325,253,462

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

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

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

	USD Impact			JPY Impact		
	For the Year Ended December 31			For the Year Ended December 31		
	2016	2015		2016	2015	
Pre-tax profit or loss	$ 28,583	$(40,170)	i	$ 11,181	$ 9,454	i
Pre-tax equity	288,872	223,345	ii	(2,346)	(1,513)	ii

	AUD Impact			RMB Impact		
	For the Year Ended December 31			For the Year Ended December 31		
	2016	2015		2016	2015	
Pre-tax profit or loss	$ (256)	$ (356)	i	$ (8,872)	$(13,215)	i
Pre-tax equity	41,958	76,722	ii	(5,647)	(2,159)	ii

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

ii. These were attributable to other financial assets, which were designated as hedging instruments in cash flow hedges, and borrowings, which were designated as hedging instruments in net investments in foreign operations hedges.

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

b) Interest rate risk

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

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

	December 31	
	2016	2015
Fair value interest rate risk		
Financial liabilities	$ 116,882,062	$ 131,180,631
Cash flow interest rate risk		
Financial liabilities	159,071,274	165,536,582

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation and its subsidiaries' pre-tax profit would have been lower/higher by NT$1,590,713 thousand and NT$1,655,366 thousand, respectively, for the years ended December 31, 2016 and 2015.

c) Other price risk

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

If equity prices had been 1% higher/lower, the pre-tax profit for the years ended December 31, 2016 and 2015 would have been higher/lower by NT$27,364 thousand and NT$28,653 thousand, respectively, as a result of the fair value changes of financial assets at fair value through profit or loss, and the pre-tax other comprehensive income for the year ended December 31, 2016 and 2015 would have been higher/lower by NT$127,797 thousand and NT$89,945 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

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

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

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

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

As of December 31, 2016 and 2015, the maximum credit risk of off-balance-sheet guarantees and amount provided to investees of co-investment for procurement compliance was NT$13,196,277 thousand and NT$2,491,772 thousand.

3) Liquidity risk

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

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

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

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
December 31, 2016				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 33,114,877	$ 1,103,811	$ -	$ 34,218,688
Variable interest rate liabilities	53,965,318	106,590,665	2,721,873	163,277,856
Fixed interest rate liabilities	24,184,220	61,814,679	40,085,283	126,084,182
Financial guarantee liabilities	-	197,622	12,998,655	13,196,277
	$ 111,264,415	$ 169,706,777	$ 55,805,811	$ 336,777,003
December 31, 2015				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 26,716,047	$ 266,151	$ -	$ 26,982,198
Variable interest rate liabilities	60,868,212	104,633,944	4,326,170	169,828,326
Fixed interest rate liabilities	38,695,303	47,483,128	55,609,781	141,788,212
Financial guarantee liabilities	2,491,772	-	-	2,491,772
	$ 128,771,334	$ 152,383,223	$ 59,935,951	$ 341,090,508

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

33. TRANSACTIONS WITH RELATED PARTIES

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

a. Operating revenues

Account Items	Related Parties Types	For the Year Ended December 31 2016	2015
Revenues from sales of goods	Associates	$ 3,447,408	$ 677,332
	The Corporation and its subsidiaries as key management personnel of other related parties	3,228,028	3,320,845

(Continued)

Account Items	Related Parties Types	For the Year Ended December 31 2016	2015
	Other related parties as key management personnel of subsidiaries	$ 1,653,382	$ 2,168,045
	Other related parties as supervisors of the Corporation and its subsidiaries	866,217	1,472,772
	Others	28,874	73,322
		$ 9,223,909	$ 7,712,316
Construction contract revenues	Associates	$ 1,249,956	$ 356,516
	Other related parties as key management personnel of subsidiaries	160,991	1,416,009
	The Corporation and its subsidiaries as key management personnel of other related parties	8,853	363,416
		$ 1,419,800	$ 2,135,941

(Concluded)

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

b. Purchase of goods

Related Parties Types	For the Year Ended December 31 2016	2015
Companies with significant influence over subsidiaries	$ 4,088,285	$ 1,770,244
Associates	295,461	199,708
Other related parties as key management personnel of subsidiaries	275,046	261,610
Others	7,508	7,704
	$ 4,666,300	$ 2,239,266

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

c. Receivables from related parties

Account Items	Related Parties Types	For the Year Ended December 31 2016	2015
Notes and accounts receivable	The Corporation and its subsidiaries as key management personnel of other related parties	$ 475,496	$ 353,971
	Other related parties as key management personnel of subsidiaries	280,145	290,424
	Associates	127,622	45,258
	Others	-	16,549
		$ 883,263	$ 706,202

d. Payables to related parties

Account Items	Related Parties Types	For the Year Ended December 31 2016	2015
Accounts payable	Companies with significant influence over subsidiaries	$ 453,353	$ 199,274
	Associates	44,998	27,588
	Other related parties as key management personnel of subsidiaries	30,174	21,696
	Others	8,019	7,573
		$ 536,544	$ 256,131

The outstanding payables to related parties were unsecured.

e. Others

Account Items	Related Parties Types	For the Year Ended December 31 2016	2015
Service and other revenues	Other related parties as key management personnel of subsidiaries	$ 105,075	$ 108,715
	The Corporation and its subsidiaries as key management personnel of other related parties	4,086	674,758
	Others	501,038	40,297
		$ 610,199	$ 823,770

Account Items	Related Parties Types	December 31 2016	2015
Other receivables	Associates	$ 232,692	$ 9,068
	Others	28	-
		$ 232,720	$ 9,068
Other payables	Associates	$ 598,693	$ 6
	The Corporation as key management personnel of other related parties	37,919	471
	Companies with significant influence over subsidiaries	10,932	23,194
	Other related parties as key management personnel of subsidiaries	9,193	12,839
	Others	11,353	8,623
		$ 668,090	$ 45,133

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

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

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

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

Related Parties Types	For the Year Ended December 31 2016	2015
Associates		
Amount endorsed	$ 27,251,250	$ -
Amount utilized	(12,400,125)	-
	$ 14,851,125	$ -
The Corporation as key management personnel of others		
Amount endorsed	$ 807,392	$ 2,491,772
Amount utilized	(796,152)	(2,491,772)
	$ 11,240	$ -

h. Compensation of key management personnel

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

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

34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	December 31	
	2016	2015
Net property, plant and equipment	$ 124,349,476	$ 121,602,388
Time deposits	6,606,133	6,986,935
Shares (a.)	5,814,935	3,875,405
Net investment properties	1,511,854	1,537,613
Pledged receivables (b.)	2,000,000	2,000,000
	$ 140,282,398	$ 136,002,341

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

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

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 19, significant commitments and contingencies of the Corporation and its subsidiaries as of December 31, 2016 were as follows:

a. The Corporation and its subsidiaries provided letters of credits for NT$7.5 billion guaranteed by financial institutions for several construction, lease contracts and payment. Guarantee notes for NT$76.3 billion were provided to banks and owners for loans, purchase agreements and warranties.

b. Unused letters of credit for importation of materials and machinery amounted to NT$8.1 billion.

c. Property purchase and construction contracts for NT$5.9 billion were signed but not yet recorded.

d. Construction contracts for NT$41.8 billion were not yet being completed.

e. The Corporation and its subsidiaries entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, Mozambique, Russia, Japan, Philippines, Vietnam, Indonesia and domestic companies with contract terms of 1 to 10 years. Contracted annual purchases of 10,310,000 metric tons of coal, 22,720,000 metric tons of iron ore, and 3,400,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of December 31, 2016 were USD 2.5 billion (including 8,610,000 metric tons of coal, 8,880,000 metric tons of iron ore, and 1,020,000 metric tons of limestone).

f. 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 equal amount in EUR, the total credit line remained unchanged) and USD5,000 thousand import loan commitment. Under the agreement, the Corporation and its associates should collectively hold at least 38% and 30% of CCCA's issued shares and one seat in the board of directors. As of December 31, 2016, the Corporation indirectly held 38% equity of CCCA and one seat in the board of directors.

g. In November 2014, the associate Honley Auto. Parts Co., Ltd. (HAPC) entered into credit facility agreements 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 agreement, the Corporation and its associates should collectively hold at least 30% of HAPC's issued shares and two seats in the board of directors. As of December 31, 2016, the Corporation held 38% equity of HAPC and two seats in the board of directors.

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2016	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary financial assets				
USD	$ 244,290	32.2500	(USD:NTD)	$ 7,878,362
USD	18,827	6.9851	(USD:RMB)	607,164
USD	10,039	1.3850	(USD:AUD)	323,762
USD	8,914	4.6705	(USD:MYR)	287,483
USD	3,883	24,807.6923	(USD:VND)	125,226
JPY	7,729,021	0.2756	(JPY:NTD)	2,130,118
RMB	304,794	4.6170	(RMB:NTD)	1,407,236
EUR	10,559	33.9000	(EUR:NTD)	357,942
VND	1,035,080,000	0.00004	(VND:USD)	1,335,253
Non-monetary financial assets				
Available-for-sales financial assets				
USD	93,665	32.2500	(USD:NTD)	3,020,686
JPY	8,832,000	0.2756	(JPY:NTD)	2,434,099
MYR	255,987	6.9050	(MYR:NTD)	1,767,588
KRW	20,541,000	0.0270	(KRW:NTD)	554,607
RMB	80,198	4.6170	(RMB:NTD)	370,272

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Associate accounted for using equity method				
USD	$ 1,081,385	32.2500	(USD:NTD)	$ 34,874,658
USD	270,963	1.3850	(USD:AUD)	8,738,490
Monetary financial liabilities				
USD	1,107,225	32.2500	(USD:NTD)	35,708,001
USD	110,000	67.724	(USD:INR)	3,547,500
USD	24,279	6.985	(USD:RMB)	782,986
USD	21,709	24,807.6923	(USD:VND)	700,127
USD	9,133	4.671	(USD:MYR)	294,536
AUD	180,194	23.2850	(AUD:NTD)	4,195,825
JPY	11,053,025	0.2756	(JPY:NTD)	3,046,214
December 31, 2015				
Monetary financial assets				
USD	417,063	32.8250	(USD:NTD)	13,690,091
USD	23,966	1.3686	(USD:AUD)	786,676
USD	18,055	6.5716	(USD:RMB)	592,644
USD	4,301	23,446.4286	(USD:VND)	141,177
USD	3,441	4.4705	(USD:MYR)	112,941
JPY	7,595,738	0.2727	(JPY:NTD)	2,071,358
RMB	252,243	4.9950	(RMB:NTD)	1,259,956
EUR	13,209	35.8800	(EUR:NTD)	473,938
VND	231,629,211	0.00004	(VND:USD)	325,439
Non-monetary financial assets				
Available-for-sales financial assets				
USD	70,331	32.8250	(USD:NTD)	2,308,609
JPY	8,154,800	0.2727	(JPY:NTD)	2,223,814
MYR	236,080	7.3425	(MYR:NTD)	1,733,416
KRW	36,337,771	0.0281	(KRW:NTD)	1,021,091
Associate accounted for using equity method				
USD	268,800	1.3686	(USD:AUD)	8,823,606
Monetary financial liabilities				
USD	804,600	32.8250	(USD:NTD)	26,411,008
USD	92,033	6.5716	(USD:RMB)	3,020,980
USD	110,000	66.1794	(USD:INR)	3,610,750
USD	18,368	23,446.4286	(USD:VND)	602,945
AUD	319,876	23.9850	(AUD:NTD)	7,672,234
JPY	10,718,095	0.2727	(JPY:NTD)	2,922,824

(Concluded)

The total realized and unrealized foreign exchange gains were NT$65,866 thousand and NT$515,076 thousand for the years ended December 31, 2016 and 2015, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of each entity.

37. SEGMENT INFORMATION

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

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

a. Segment revenues and operating results

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

	Steel	Others	Adjustment and Elimination	Total
For the year ended December 31, 2016				
Revenues from external customers	$ 230,821,150	$ 62,234,654	$ -	$ 293,055,804
Inter-segment revenues	60,496,533	40,341,630	(100,838,163)	-
Segment revenues	$ 291,317,683	$ 102,576,284	$(100,838,163)	$ 293,055,804
Segment profit	$ 18,553,416	$ 6,655,435	$ 222,770	$ 25,431,621
Interest income	205,861	174,635	(62,556)	317,940
Financial costs	(3,346,114)	(507,080)	36,553	(3,816,641)
Share of the profit of associates	5,839,250	458,136	(6,961,268)	(663,882)
Other non-operating income and expenses	1,004,649	322,026	(696,546)	630,129
Profit before income tax	22,257,062	7,103,152	(7,461,047)	21,899,167
Income tax	(1,842,915)	(833,029)	(35,899)	(2,711,843)
Net profit for the year	$ 20,414,147	$ 6,270,123	$ (7,496,946)	$ 19,187,324
For the year ended December 31, 2015				
Revenues from external customers	$ 222,779,762	$ 62,274,114	$ -	$ 285,053,876
Inter-segment revenues	50,500,144	42,536,092	(93,036,236)	-
Segment revenues	$ 273,279,906	$ 104,810,206	$ (93,036,236)	$ 285,053,876
Segment profit	$ 2,246,671	$ 7,072,786	$ (1,203,926)	$ 8,115,531
Interest income	250,892	247,673	(72,191)	426,374
Financial costs	(3,420,484)	(373,685)	42,072	(3,752,097)
Share of the profit of associates	2,509,495	1,282,402	(3,589,050)	202,847
Other non-operating income and expenses	4,437,510	722,128	(646,683)	4,512,955
Profit before income tax	6,024,084	8,951,304	(5,469,778)	9,505,610
Income tax	(1,076,908)	(859,167)	49,884	(1,886,191)
Net profit for the year	$ 4,947,176	$ 8,092,137	$ (5,419,894)	$ 7,619,419

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

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

b. Segment total assets and liabilities

	December 31	
	2016	2015
Segment assets		
Steel	$ 728,761,785	$ 725,576,274
Others	237,849,833	225,713,075
Adjustment and elimination	(290,489,825)	(273,150,333)
Consolidated total assets	$ 676,121,793	$ 678,139,016
Segment liabilities		
Steel	$ 293,415,373	$ 302,903,168
Others	73,719,248	70,199,106
Adjustment and Elimination	(20,592,521)	(15,688,091)
Consolidated total liabilities	$ 346,542,100	$ 357,414,183

c. Revenues from major products and services

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

	For the Year Ended December 31	
	2016	2015
Steel products	$ 234,621,561	$ 225,757,645
Non-ferrous materials	28,975,673	31,316,093
Construction contract revenues	19,760,229	18,147,093
Freight and service revenues	7,254,353	6,718,202
Others	2,443,988	3,114,843
	$ 293,055,804	$ 285,053,876

d. Geographical information

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

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

	Revenues from External Customers		Noncurrent Assets	
	For the Year Ended December 31		December 31	
	2016	2015	2016	2015
Taiwan	$ 258,526,517	$ 256,098,503	$ 404,952,118	$ 420,756,701
Vietnam	16,569,248	12,264,881	18,030,115	19,592,808
Malaysia	7,727,096	7,970,797	1,988,172	1,888,608
China	5,965,053	5,416,148	3,952,537	4,592,024
India	1,935,617	944,910	5,557,033	6,042,066
Others	2,332,273	2,358,637	14,259,749	13,589,392
	$ 293,055,804	$ 285,053,876	$ 448,739,724	$ 466,461,599

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

e. Information about major customers

No revenue from any individual customer exceeds 10% of the Corporation and its subsidiaries' total revenues for the years ended December 31, 2016 and 2015.