China Steel Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2011 and 2010 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
China Steel Corporation

We have reviewed the accompanying consolidated balance sheets of China Steel Corporation (the "Corporation") and its subsidiaries as of June 30, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements of the Corporation and its subsidiaries for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

July 22, 2011

<u>Notice to Readers</u>

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

For the convenience of readers, the accountants' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language accountants' review report and consolidated financial statements shall prevail.

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2011 AND 2010
(Amounts In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2011		2010	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 16,332,957	3	$ 20,297,766	4
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 32)	5,492,767	1	11,016,706	2
Available-for-sale financial assets - current (Notes 2, 6 and 32)	5,602,224	1	5,938,760	1
Hedging derivative assets - current (Notes 2, 7 and 32)	17,153	-	433,517	-
Notes receivable, net (Notes 8, 27 and 33)	2,039,205	-	1,729,953	-
Accounts receivable, net (Notes 2, 3, 8, 27 and 33)	9,741,182	2	9,116,501	2
Other receivables	1,715,436	-	1,759,857	-
Other financial assets - current (Notes 2, 14 and 32)	4,865,736	1	1,840,419	1
Inventories (Notes 2, 9 and 27)	112,593,183	19	71,549,432	14
Deferred income tax assets - current (Notes 2 and 29)	2,657,680	1	1,795,493	1
Restricted assets - current (Notes 4 and 34)	6,002,398	1	5,680,827	1
Others	4,709,359	1	6,690,273	1
Total current assets	171,769,280	30	137,849,504	27
INVESTMENTS				
Financial assets at fair value through profit or loss - noncurrent (Notes 2, 5 and 32)	1,879	-	-	-
Available-for-sale financial assets - noncurrent (Notes 2, 6, 32 and 34)	3,521,583	1	3,089,351	1
Held-to-maturity financial assets - noncurrent (Notes 2, 10 and 32)	169,649	-	279,928	-
Hedging derivative assets - noncurrent (Notes 2, 7 and 32)	11,923	-	166,724	-
Financial assets carried at cost - noncurrent (Notes 2, 11 and 32)	10,456,379	2	8,710,049	2
Bond investments with no active market - noncurrent (Notes 2, 12 and 32)	140,373	-	238,233	-
Investments accounted for by the equity method (Notes 2 and 13)	2,856,736	1	2,843,074	-
Investments in real estate (Note 2)	381,905	-	219,205	-
Prepaid long-term stock investments (Note 11)	-	-	8,127	-
Other financial assets - noncurrent (Notes 2, 14 and 32)	2,464,664	-	1,114,491	-
Total investments	20,005,091	4	16,669,182	3
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7, 14, 15 and 34)				
Land	17,539,757	3	16,549,157	3
Land improvements	4,385,107	1	6,111,262	1
Buildings	75,407,232	13	64,945,150	12
Machinery and equipment	423,565,498	73	385,875,916	75
Transportation equipment	19,093,208	3	20,048,448	4
Other equipment	18,441,548	3	13,458,302	3
Spare parts	9,146,732	2	10,031,295	2
Total cost	567,579,082	98	517,019,530	100
Revaluation increment	42,975,384	7	43,656,295	8
Cost and revaluation increment	610,554,466	105	560,675,825	108
Less: Accumulated depreciation	307,118,234	53	289,863,326	56
Accumulated impairment	428,480	-	1,043,189	-
	303,007,752	52	269,769,310	52
Construction in progress and prepayments for equipment	76,294,561	13	81,814,215	16
Net property, plant and equipment	379,302,313	65	351,583,525	68
INTANGIBLE ASSETS (Notes 2 and 16)	2,169,033	-	1,850,890	-
OTHER ASSETS				
Assets leased to others, net (Notes 2, 17 and 34)	2,977,375	1	434,997	-
Idle assets (Notes 2, 18 and 34)	1,967,439	-	5,267,019	1
Refundable deposits (Note 32)	357,194	-	395,118	-
Deferred income tax assets - noncurrent (Notes 2 and 29)	-	-	1,282,520	1
Restricted assets - noncurrent (Notes 4 and 34)	305,137	-	170,034	-
Deferred charge and others (Note 2)	920,944	-	1,099,500	-
Total other assets	6,528,089	1	8,649,188	2
TOTAL	$ 579,773,806	100	$ 516,602,289	100

	2011		2010	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans and overdraft (Notes 19 and 34)	$ 65,070,648	11	$ 34,863,056	7
Commercial paper payable (Notes 20 and 34)	19,001,514	3	10,596,802	2
Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 32)	1,531	-	11,816	-
Hedging derivative liabilities - current (Notes 2, 7 and 32)	562,512	-	56,411	-
Notes payable (Notes 27 and 33)	781,337	-	782,172	-
Accounts payable (Notes 27 and 33)	11,354,077	2	12,690,621	2
Income tax payable (Notes 2 and 29)	4,110,086	1	3,082,335	1
Accrued expenses (Note 21)	16,061,898	3	14,050,437	3
Dividends payable (Note 28)	30,145,314	5	15,675,959	3
Other payables (Note 2)	9,895,455	2	12,152,375	2
Bonds payable - current portion (Notes 22 and 32)	5,599,499	1	8,098,044	2
Long-term debt - current portion (Notes 23, 32 and 34)	4,943,608	1	5,817,783	1
Restructured loans payable - current portion (Notes 25 and 32)	-	-	400,000	-
Others (Notes 2 and 27)	6,688,076	1	6,988,361	1
Total current liabilities	174,215,555	30	125,266,172	24
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss - noncurrent (Notes 2, 5 and 32)	697	-	-	-
Hedging derivative liabilities - noncurrent (Notes 2, 7 and 32)	113,560	-	307,570	-
Bonds payable (Notes 22 and 32)	29,533,115	5	35,125,475	7
Long-term debt (Notes 23, 32 and 34)	73,599,033	13	61,032,841	12
Long-term notes payable (Notes 24 and 32)	15,469,726	2	5,396,632	1
Restructured loans payable (Notes 25 and 32)	-	-	4,367,010	1
Total long-term liabilities	118,716,131	20	106,229,528	21
RESERVE FOR LAND VALUE INCREMENT TAX (Note 15)	8,673,466	2	8,673,466	2
OTHER LIABILITIES				
Accrued pension cost	563,007	-	524,479	-
Deferred income tax liabilities - noncurrent (Notes 2 and 29)	155,482	-	-	-
Others	930,148	-	981,279	-
Total other liabilities	1,648,637	-	1,505,758	-
Total liabilities	303,253,789	52	241,674,924	47
STOCKHOLDERS' EQUITY OF PARENT COMPANY (Notes 2, 7, 14, 15, 28 and 34)				
Capital stock - NT$10 par value, authorized 17,000,000 thousand shares				
Common shares - issued 13,527,901 thousand shares and 13,094,519 thousand shares as of June 30, 2011 and 2010, respectively	135,279,009	23	130,945,189	25
Preferred shares - issued 38,268 thousand shares	382,680	-	382,680	-
Total capital stock	135,661,689	23	131,327,869	25
Capital surplus	20,125,417	4	19,604,464	4
Retained earnings	82,685,699	14	84,903,315	17
Other equity adjustments				
Unrealized revaluation increment	21,865,924	4	21,912,852	4
Unrealized gain on financial instruments	2,481,703	-	3,040,124	1
Cumulative translation adjustments	(390,033)	-	463,051	-
Net loss not recognized as pension cost	(79,210)	-	(42,243)	-
Treasury stock - 278,842 thousand shares and 285,700 thousand shares as of June 30, 2011 and 2010, respectively	(8,002,155)	(1)	(8,400,279)	(2)
Total other equity adjustments	15,876,229	3	16,973,505	3
Total stockholders' equity of parent company	254,349,034	44	252,809,153	49
MINORITY INTEREST	22,170,983	4	22,118,212	4
Total stockholders' equity	276,520,017	48	274,927,365	53
TOTAL	$ 579,773,806	100	$ 516,602,289	100

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(Amounts In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2011		2010	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES, NET (Notes 2, 5, 33 and 37)	$ 200,403,097	100	$ 163,499,805	100
OPERATING COSTS (Notes 2, 5, 9, 13, 30 and 33)	174,093,743	87	124,243,999	76
GROSS PROFIT	26,309,354	13	39,255,806	24
REALIZED GAIN FROM AFFILIATES	17,772	-	15,226	-
REALIZED GROSS PROFIT	26,327,126	13	39,271,032	24
OPERATING EXPENSES (Note 30)				
Research and development	863,138	-	788,861	-
Selling	2,410,042	1	2,248,721	1
General and administrative	2,870,065	2	2,515,482	2
Total operating expenses	6,143,245	3	5,553,064	3
OPERATING INCOME	20,183,881	10	33,717,968	21
NONOPERATING INCOME AND GAINS				
Interest income (Note 32)	144,314	-	135,510	-
Exchange gain, net (Note 2)	374,904	-	29,490	-
Others (Notes 2, 5, 7, 15 and 33)	449,475	1	243,160	-
Total nonoperating income and gains	968,693	1	408,160	-
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 15 and 32)	950,462	1	627,292	1
Investment loss recognized under equity method, net (Note 13)	44,877	-	406,720	-
Others (Notes 2, 5 and 30)	334,319	-	133,353	-
Total nonoperating expenses and losses	1,329,658	1	1,167,365	1
INCOME BEFORE INCOME TAX	19,822,916	10	32,958,763	20
INCOME TAX (Notes 2 and 29)	3,171,895	2	5,357,202	3
NET INCOME	$ 16,651,021	8	$ 27,601,561	17
ATTRIBUTABLE TO:				

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(Amounts In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2011		2010	
	Amount	**%**	**Amount**	**%**
Stockholders of parent company	$ 15,344,413	8	$ 23,818,359	15
Minority interest	1,306,608	-	3,783,202	2
	$ 16,651,021	8	$ 27,601,561	17

	2011		2010	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 31)				
Basic	$ 1.30	$ 1.16	$ 2.07	$ 1.80
Diluted	$ 1.29	$ 1.14	$ 2.05	$ 1.78

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(Amounts In Thousands of New Taiwan Dollars, Except Dividends Per Share)
(Reviewed, Not Audited)

	Issued			Retained Earnings				Other Equity Items						
	Common Shares	Preferred Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Revaluation Increment	Unrealized Gain on Financial Instruments	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Treasury Stock	Minority Interest	Total Stockholders' Equity
BALANCE, JANUARY 1, 2011	$ 135,279,009	$ 382,680	$ 20,072,476	$ 49,070,526	$ 7,615,701	$ 37,651,735	$ 94,337,962	$ 21,873,940	$ 2,374,377	$ (101,443)	$ (117,015)	$ (8,151,621)	$ 22,652,167	$ 288,602,532
Appropriation of 2010 earnings (Note 28)														
Legal reserve	-	-	-	3,758,683	-	(3,758,683)	-	-	-	-	-	-	-	-
Cash dividends to preferred stockholders - NT$1.99 per share	-	-	-	-	-	(76,153)	(76,153)	-	-	-	-	-	-	(76,153)
Cash dividends to common stockholders - NT$1.99 per share	-	-	-	-	-	(26,920,523)	(26,920,523)	-	-	-	-	-	-	(26,920,523)
Net income for the six months ended June 30, 2011	-	-	-	-	-	15,344,413	15,344,413	-	-	-	-	-	1,306,608	16,651,021
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	226,458	-	-	-	-	226,458
Change in unrealized revaluation increment	-	-	-	-	-	-	-	(7,851)	-	-	-	-	-	(7,851)
Adjustment from changes in equity recognized under equity method	-	-	155	-	-	-	-	(165)	(63,471)	-	37,805	83	-	(25,593)
Foreign exchange loss on translation of foreign-currency financial statements	-	-	-	-	-	-	-	-	-	(383,760)	-	-	-	(383,760)
Foreign exchange gain on hedge of a net investment in a foreign operation	-	-	-	-	-	-	-	-	-	95,170	-	-	-	95,170
Change in unrealized loss on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	(55,661)	-	-	-	-	(55,661)
Disposal of the Corporation's shares held by subsidiaries (Note 28)	-	-	52,786	-	-	-	-	-	-	-	-	149,383	167,909	370,078
Adjustment of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,955,701)	(1,955,701)
BALANCE, JUNE 30, 2011	$ 135,279,009	$ 382,680	$ 20,125,417	$ 52,829,209	$ 7,615,701	$ 22,240,789	$ 82,685,699	$ 21,865,924	$ 2,481,703	$ (390,033)	$ (79,210)	$ (8,002,155)	$ 22,170,983	$ 276,520,017
BALANCE, JANUARY 1, 2010	$ 130,945,189	$ 382,680	$ 19,598,511	$ 47,117,709	$ 7,615,701	$ 19,617,957	$ 74,351,367	$ 21,913,148	$ 4,216,431	$ 183,001	$ (42,133)	$ (8,189,031)	$ 20,430,721	$ 263,789,884
Appropriation of 2009 earnings (Note 28)														
Legal reserve	-	-	-	1,952,817	-	(1,952,817)	-	-	-	-	-	-	-	-
Cash dividends to preferred stockholders - $1.07 per share	-	-	-	-	-	(40,947)	(40,947)	-	-	-	-	-	-	(40,947)
Cash dividends to common stockholders - $1.01 per share	-	-	-	-	-	(13,225,464)	(13,225,464)	-	-	-	-	-	-	(13,225,464)
Net income for the six months ended June 30, 2010	-	-	-	-	-	23,818,359	23,818,359	-	-	-	-	-	3,783,202	27,601,561
Change in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	(598,106)	-	-	-	-	(598,106)
Change in unrealized revaluation increment	-	-	-	-	-	-	-	(296)	-	-	-	-	-	(296)
Adjustment from changes in equity recognized under equity method	-	-	5,953	-	-	-	-	-	(188,280)	-	(110)	-	-	(182,437)
Foreign exchange gain on translation of foreign-currency financial statements	-	-	-	-	-	-	-	-	-	276,828	-	-	-	276,828
Foreign exchange gain on hedge of a net investment in a foreign operation	-	-	-	-	-	-	-	-	-	3,222	-	-	-	3,222
Change in unrealized loss on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	(389,921)	-	-	-	-	(389,921)
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(211,248)	(173,395)	(384,643)
Adjustment of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,922,316)	(1,922,316)
BALANCE, JUNE 30, 2010	$ 130,945,189	$ 382,680	$ 19,604,464	$ 49,070,526	$ 7,615,701	$ 28,217,088	$ 84,903,315	$ 21,912,852	$ 3,040,124	$ 463,051	$ (42,243)	$ (8,400,279)	$ 22,118,212	$ 274,927,365

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(Amounts In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 16,651,021	$ 27,601,561
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	13,126,425	10,550,626
Amortization	148,395	124,848
Deferred income tax	(87,604)	2,537,326
Realized gain from affiliates	(17,772)	(15,226)
Provision for loss on inventories	1,021,746	208,828
Loss on purchase commitments	611,180	325,595
Investment loss recognized under equity method, net	44,940	408,856
Cash dividends received from equity method investees	13,030	10,970
Others	(92,467)	41,622
Net changes in operating assets and liabilities		
Financial instruments held for trading	(46,721)	754,056
Notes receivable	(143,254)	(316,542)
Accounts receivable	(1,921,812)	(1,877,406)
Other receivables	274,462	(108,050)
Inventories	(23,952,337)	(13,083,119)
Other current assets	1,642,532	(1,744,658)
Notes payable	305,067	206,035
Accounts payable	1,226,740	6,072,125
Income tax payable	(1,160,746)	2,143,979
Accrued expenses	291,103	2,456,239
Other payables	2,670,098	3,147,063
Other current liabilities	(490,955)	1,118,296
Net cash provided by operating activities	10,113,071	40,563,024
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	(3,950,540)	(16,473,954)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	3,752,588	14,282,638
Acquisition of available-for-sale financial assets	(3,178,695)	(5,839,431)
Proceeds from disposal of available-for-sale financial assets	3,804,393	5,477,738
Acquisition of held-to-maturity financial assets	(8,618)	(83,912)
Proceeds from disposal of held-to-maturity financial assets	30,311	242,995
Acquisition of financial assets carried at cost	(619,113)	(287,620)
Proceeds from disposal of financial assets carried at cost	27,113	21,219
Proceeds from the capital reduction on financial assets carried at cost	2,500	-
Acquisition of bond investments with no active market	(12,150)	(122,679)
Proceeds from disposal of bond investments with no active market	1,439	99,878

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(Amounts In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2011	2010
Acquisition of investments accounted for by equity method	$ (6,750)	$ -
Proceeds from disposal of investments accounted for by equity method	52,466	13,258
Proceeds from the capital reduction on investments accounted for by equity method	-	51,780
Increase in prepaid long-term stock investments	-	(8,127)
Decrease (increase) in other financial assets	(2,750,465)	1,859,599
Acquisition of property, plant and equipment	(26,271,307)	(38,762,161)
Proceeds from disposal of property, plant and equipment	5,196	11,059
Increase in refundable deposits	(137,168)	(122,416)
Increase in restricted assets	(115,414)	(526,144)
Increase in intangible assets	(137,591)	(16,815)
Decrease in other assets	214,653	73,217
Net cash used in investing activities	(29,297,152)	(40,109,878)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans and overdraft	17,967,504	(15,258,787)
Increase (decrease) in commercial paper payable	2,139,527	(8,024,723)
Repayments of bonds payable	(8,100,000)	-
Proceeds from long-term debt	4,102,076	27,249,965
Repayments of long-term debt and restructured loans payable	(5,953,569)	(2,853,861)
Increase (decrease) in long-term notes payable	10,073,067	(1,397,675)
Increase in other liabilities	42,636	161,150
Cash dividends paid by parent company	(6,662)	(24,629)
Purchase of parent company's shares by subsidiaries	-	(384,643)
Disposal of parent company's shares held by subsidiaries	370,078	-
Decrease in minority interest	(1,955,701)	(1,950,686)
Others	-	(55,800)
Net cash provided by (used in) financing activities	18,678,956	(2,539,689)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(505,125)	(2,086,543)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	16,838,082	22,384,309
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 16,332,957	$ 20,297,766
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 1,006,868	$ 763,007
Capitalized interest	(273,190)	(318,760)
Interest paid (excluding capitalized interest)	$ 733,678	$ 444,247
Income tax paid	$ 4,420,245	$ 675,897

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(Amounts In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2011	2010
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Cash paid for acquisition of property, plant and equipment		
Acquisition of property, plant and equipment	$ 24,787,683	$ 45,433,816
Decrease (increase) in payable for equipment purchased	1,483,624	(6,671,655)
	$ 26,271,307	$ 38,762,161
Cash dividends paid to stockholders		
Total cash dividends payable to stockholders	$ 26,996,676	$ 13,266,411
Increase in dividends payable	(26,990,014)	(13,241,782)
	$ 6,662	$ 24,629
NON-CASH FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 10,543,107	$ 14,315,827

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

(Amounts In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. ORGANIZATION AND OPERATIONS

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

The shares of the Corporation and its subsidiaries, including China Steel Structure Co., Ltd., China Steel Chemical Corporation, China Hi-Ment Corporation, China Ecotech Corporation and Chung Hung Steel Corporation Ltd., have been listed on the Taiwan Stock Exchange. Other subsidiaries, Dragon Steel Corporation and Thintech Materials Technology Co., Ltd., have issued shares to the public.

As of June 30, 2011, the Ministry of Economic Affairs, Republic of China owned 21.24% of the Corporation's issued common stock.

As of June 30, 2011 and 2010, the Corporation and its subsidiaries had about 22,900 and 21,700 employees, respectively.

For the six months ended June 30, 2011 and 2010, all the subsidiaries comprised in the consolidated financial statements and their changes are listed as follows:

Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) June 30 2011	2010	Additional Descriptions
China Steel Corporation	China Steel Express Corporation (CSE)	Ocean freight forwarding	100	100	
	C. S. Aluminium Corporation (CAC)	Production and sale of aluminum and other non-ferrous metal	100	100	
	Gains Investment Corporation (GIC)	General investment	100	100	
	China Prosperity Development Corporation	Real estate sale, rental and development service	100	100	
	China Steel Asia Pacific Holdings Pte Ltd.	Investment holding company	100	100	
	China Steel Global Trading Corporation (CSGT)	Steel product agency and trading service	100	100	
	China Steel Machinery Corporation (CSMC)	Manufacture of machinery and equipment	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	
	Horng Yih Investment Corporation	General investment	100	100	
	Long Yuan Fa Investment Corporation	General investment	100	100	
	Goang Yaw Investment Corporation	General investment	100	100	
	Himag Magnetic Corporation	Manufacture and trading of magnetic powder	50	50	Direct and indirect ownerships amounted to 85%

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) June 30 2011	Percentage of Ownership (%) June 30 2010	Additional Descriptions
	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	49	49	Refer to "a." as below
	China Steel Chemical Corporation (CSCC)	Production and sale of coal chemistry and specialty chemicals	29	29	Refer to "a." as below
	Chung Hung Steel Corporation Ltd. (CHSC)	Manufacture and sale of steel product	29	29	Direct and indirect ownerships amounted to 41%, and refer to "a." as below
	China Hi-Ment Corporation (CHC)	Manufacture and sale of slag powder and blast furnace cement, and waste disposal	20	20	Direct and indirect ownerships amounted to 35%, and refer to "b." as below
	China Steel Structure Co., Ltd. (CSSC)	Design, manufacture and sale of steel structure	33	18	Direct and indirect ownerships amounted to 37%, and refer to "b." as below
	China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Manufacture of steel product	51	51	
	Transglory Investment Corporation (TIC)	General investment	-	-	Indirect ownership was 100%
	Winning Investment Corporation (WIC)	General investment	-	-	Indirect ownership was 58%
	Eminent Venture Capital Corporation (EVCC)	General investment	-	-	Indirect ownership was 55%
China Steel Express Corporation	CSE Transport Corporation (Panama)	Ocean freight forwarding	100	100	
	CSEI Transport Corporation (Panama)	Ocean freight forwarding	100	100	
	Transyang Shipping Pte Ltd.	Ocean freight forwarding	51	51	
C.S. Aluminum Corporation	ALU Investment Offshore Corporation	Industry investment	100	100	
ALU Investment Offshore Corporation	United Steel International Development Corp.	Industry investment	65	65	Direct and indirect ownerships amounted to 79%
United Steel International Development Corp.	Ningbo Huayang Aluminium-Tech Co., Ltd.	Manufacture and sale of aluminum alloy material	100	100	
Gains Investment Corporation	Eminence Investment Corporation	General investment	100	100	
	Gainsplus Asset Management Inc.	General investment	100	100	
	Mentor Consulting Corporation	General investment consulting service	100	100	
	AmbiCom Technology, Inc.	Wholesale of office machinery and equipment	80	80	
	Betacera Inc. (BETA)	Manufacture, processing and trading of electronic ceramics	48	48	Refer to "a." as below
	Universal Exchange Inc.	Software programming	67	67	
	Thintech Materials Technology Co., Ltd. (TMTC)	Target material and bimetal material tube sale	42	45	Direct and indirect ownerships amounted to 53% and 57% as of June 30, 2011 and 2010, respectively
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%

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) June 30 2011	2010	Additional Descriptions
	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%
	Chi 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.	Manufacture and sale of electronic ceramics	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	
China Steel Asia Pacific Holdings Pte Ltd.	CSC Steel Holdings Berhad (CSHB)	Investment holding company	46	46	Refer to "a." as below
	China Steel Precision Materials Corporation	Manufacture and sale of titanium-nickel alloy and non-ferrous metal	70	-	Invested in January 2011
CSC Steel Holdings Berhad	CSC Steel Sdn. Bhd.	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.	Ornaconstruction Corp. Sdn. Bhd.	Construction	100	100	
China Steel Global Trading Corporation	Chung Mao Trading (Samoa) Co., Ltd.	Steel product agency and trading service	100	100	
	CSGT (Singapore) Pte. Ltd.	Steel product agency and trading service	100	100	
	Chung Mao Trading (BVI) Co., Ltd.	Steel product agency and trading service	53	53	
	Wabo Global Trading Corporation	Steel product agency and trading service	44	44	Direct and indirect ownerships amounted to 50%
	CSGT International Corporation	Steel product agency 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	45	45	Direct and indirect ownerships amounted to 50%
Wabo Global Trading Corporation	CSGT Japan Co., Ltd.	Steel product agency and trading service	100	100	
China Steel Security Corporation	Steel Castle Technology Corporation	Firefighting equipment wholesaling	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	

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) June 30 2011	2010	Additional Descriptions
CSC Steel Australia Holdings Pty Ltd.	CSC Sonoma Pty Ltd.	General investment	100	100	
Himag Magnetic Corporation	Himag Magnetic (Belize) Corporation	Magnetic powder trading	100	100	
China Ecotek Corporation	CEC International Corp.	General investment	100	100	
	CEC Development Co.	General investment	100	100	
CEC Development Co.	China Ecotek Vietnam Company Ltd.	Engineering design and construction	100	-	Established in October 2010
China Steel Chemical Corporation	Ever Glory International Co., Ltd. (EGI)	International trading	100	100	
	Ever Wealthy Investment Corporation (EWIC)	General investment	100	100	
Ever Wealthy Investment Corporation	Ever Earning Investment Company	General investment	51	-	Established in June 2011; direct and indirect ownerships amounted to 100%
Chung Hung Steel Corporation Ltd.	Taiwan Steel Corporation	Manufacture of steel product	100	100	
	Hung Kao Investment Corporation	General investment	100	100	
	Hung Li Steel Corporation Ltd. (HLSC)	Steel product processing	100	100	
China Hi-Ment Corporation	Union Steel Development Corp.	Manufacture and trading of metal powder and ore powder, and gift trading	93	93	
	Pao Good Industrial Co., Ltd.	Slag powder processing and trading	51	51	
China Steel Structure Co., Ltd.	United Steel Constructure Corporation	Contract project of civil engineering and construction engineering, and steel structure installation	100	100	
	China Steel Structure Investment Pte Ltd.	General investment	100	100	
United Steel Constructure Corporation	United Steel Investment Holding Co., Ltd.	General investment	100	100	
	United Steel Investment Pte Ltd.	General investment	100	100	
	Lian Chuan Construction Consultation (Shanghai) Co., Ltd.	Engineering technology consulting	100	100	
	United Steel Construction Vietnam Co., Ltd.	Civil engineering construction and other business contract and management	100	100	
	United Steel Development Co., Ltd.	Construction development and rental business	100	100	
United Steel Investment Holding Co., Ltd.	United Steel International Co., Ltd.	General investment	100	100	
United Steel International Co., Ltd.	United Steel Engineering and Construction Co., Ltd.	Civil engineering construction and other business contract and management	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.	Steel structure installation, consulting and steel plate cutting	100	100	

(Concluded)

The explanations for subsidiaries that the Corporation held less than 50% of their voting share but were included in the consolidated entities are as follows:

a. The actual operations of CEC, CSCC, CHSC and BETA are controlled by the respective were of directors. The Corporation and its subsidiaries jointly had more than half of the seats in the board of directors of CEC, CSCC, CHSC and BETA. 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 managers of CHC and CSSC are designated by the Corporation in order to control their finance, operation, and human resource. Therefore, the Corporation had control-in-substance over CHC and CSSC and included them in the consolidated entities.

In August 2010, the subsidiary CSSC's board of directors approved issuing 39,096 thousand new shares with par value of NT$10 per share in private placement at NT$18.93 per share, and the record date of capital increase was on August 27, 2010. The Corporation subscribed 37,695 thousand shares for NT$713,569 thousand. The Corporation's direct ownership rose from 18% to 33% after the capital increase. In June 2011, the subsidiaries DSC, CEC, GIC and EWIC further invested NT$228,678 thousand in CSSC, acquiring 8,100 thousand shares, which rose the Corporation's total equity in CSSC to 37%.

The Corporation's shares acquired and held by subsidiaries are for investing purpose.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China ("ROC GAAP").

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.

Significant accounting policies are summarized as follows:

Basis of Consolidation

As stated in Note 1, the Corporation included all investees with control-in-substance in the consolidated financial statements. All significant intercompany transactions (including sidestream transactions) and balances are eliminated upon consolidation.

Foreign-currency Transactions and Translation of Foreign-currency Financial Statements

The Corporation and its subsidiaries use their functional currency as their reporting currency.

Non-derivative foreign-currency transactions are recorded in functional currency at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;

b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at historical exchange rates at trade dates.

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the following exchange rates: Assets and liabilities - at exchange rates prevailing on balance sheet date; stockholders' equity - at historical exchange rates; dividends - at the exchange rate prevailing on the dividend declaration date; income and expenses - at average exchange rates for the year. The resulting translation adjustments are recorded as a separate component of stockholders' equity.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Corporation. Such adjustments are accumulated and reported as a separate component of stockholders' equity.

Accounting Estimates

Under above guidelines, law and principles, certain estimates and assumptions have been used for the loss on doubtful accounts, provision for inventories, depreciation, impairment loss on assets, reserve for construction guaranties, loss on commitments, pension, loss on pending litigations, income tax, bonuses to employees and remuneration to directors and supervisors, etc. Actual results may differ from these estimates.

Current and Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities 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.

Cash Equivalents

Cash equivalents are highly liquid instruments with maturities of three months or less when acquired and subject to insignificant risk of changes in value resulting from interest rate fluctuations.

Financial Assets and Liabilities at Fair Value Through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL") include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Corporation and its subsidiaries recognize financial assets or financial liabilities on the balance sheet when the Corporation and its subsidiaries become parties to the contractual provisions of the financial instrument. A financial asset is derecognized when the Corporation and its subsidiaries have lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. Cash dividends received subsequently (including those received in the year of investment) are recognized as income for the year. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid and payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: Mutual funds - at net asset values; publicly traded stocks and depositary receipts - at closing prices; bonds - at prices quoted by the Taiwan GreTai Securities Market; and financial assets and financial liabilities without quoted prices in an active market and those acquired through private placement and not transferred freely in public market - at values determined using valuation techniques.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The recognition and derecognition bases of available-for-sale financial assets are the same with those of financial assets at FVTPL.

Cash dividends are recognized as investment income on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share. The difference between the initial cost of a debt instrument and its maturity amount is amortized using the straight - line method, with the amortized interest recognized in profit or loss.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are carried at amortized cost using the effective interest method (Straight-line method can be used if there is no significant difference). Held-to-maturity financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired, or amortized. All regular way purchases or sales of financial assets are accounted for using a trade date basis.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment’s recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

Hedge Accounting

Derivatives and other financial assets that are designated and effective as hedging instruments are measured at fair value, with subsequent changes in fair value recognized either in profit or loss, or in shareholders' equity, depending on the nature of the hedging relationship.

Hedge accounting recognizes the offsetting effects on profit or loss arising from the changes in the fair values of the hedging instrument and the hedged item as follows:

a. Fair value hedge

   The Corporation and its subsidiaries use derivative and non-derivative financial instruments to hedge exchange rate fluctuations of investments. The gain or loss from remeasuring the hedging instrument at fair value and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss.

b. Cash flow hedge

   The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in stockholders' equity. The amount recognized in stockholders' equity is recognized as the original cost of the asset or liability while executing the firm commitment. However, if all or a portion of a loss recognized in stockholders' equity is not expected to be recovered in the future, the amount that is not expected to be recovered is reclassified into current profit or loss.

c. Hedge of a net investment in a foreign operation

   The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in stockholders' equity. The amount recognized in stockholders' equity is recognized in profit or loss upon the disposal of the foreign operation.

The Corporation and its subsidiaries use the hedge activities to control the risk of the exchange rate fluctuations.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with fair value that cannot be reliably measured, such as non-publicly traded stocks, stocks traded in the Emerging Stock Market, mutual funds and certificates of entitlement, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same with that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Bond Investments with No Active Market

Bond investments with fixed or determinable payments and with no quoted prices in active market are carried at amortized cost. These financial assets are initially recognized at fair value plus transaction cost that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired or amortized.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

Impairment and Factoring of Accounts Receivable

a. Impairment of Accounts Receivable

Prior to January 1, 2011, an allowance for doubtful accounts is provided on the basis of a review of the collectability of accounts receivable. The Corporation and its subsidiaries do not provide allowance for doubtful accounts on receivables from sales covered by bank acceptances in transit under letters of credit. On accounts receivable from sales on credit and services, the Corporation and its subsidiaries assess the collectability of accounts receivable by examining the aging analysis of the outstanding receivables, credit ratings, economic conditions, etc.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Corporation and its subsidiaries adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of receivables originated by the Corporation and its subsidiaries should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and 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 accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment includes:

1) Significant financial difficulty of the debtor;
2) Accounts receivable becoming overdue;
3) It becoming probable that the debtor will enter bankruptcy or financial re-organization.

Accounts receivable that are assessed not to be impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Corporation and its subsidiaries' past experience of collecting payments, an increase in the number of delayed payments, as well as observable changes in national or regional economic conditions that correlate with defaults on receivables.

The amount of the impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collateral or guarantees, discounted at the receivable's original effective interest rate.

The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

b. Factoring of Accounts Receivable

Factoring of accounts receivable would be accounted for as a sale of receivables if the following three conditions are met:

1) The accounts receivable have been isolated from the Corporation and its subsidiaries - put presumptively beyond the reach of the Corporation and its subsidiaries.

2) The transferees have obtained the right to pledge or exchange the accounts receivable, and there is no condition which constrains the transferees from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the Corporation and its subsidiaries.

3) The transferor does not maintain effective control over the transferred assets through either of the following: (i) an agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity and (ii) the ability to unilaterally cause the holder to return specific assets.

If the three conditions are met, the difference between the proceeds and the carrying value of the accounts receivable is recognized as a loss and recorded as nonoperating expenses.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, intangible assets, other assets and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is first treated as a deduction to the unrealized revaluation increment and any remaining loss is charged to earnings.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is first recognized as gains to the extent that an impairment loss on the same revalued asset was previously charged to earnings. Any excess amount is treated as an increase in the unrealized revaluation increment.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units ("CGUs") that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment should first reduce the carrying amount of the goodwill allocated to the CGU and then reduce the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

For equity method investments on which the Corporation and its subsidiaries have significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount to determine impairment loss.

Allowance for Sales Discount

An allowance for sales discount is recognized on the basis of management's judgment and relevant factors.

Inventories

Inventories consist of raw materials, supplies, fuel, finished products, work in process, raw materials and supplies in transit, construction in process and etc. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on item by item basis. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and expenses necessary to make the sale. Inventories, except for construction in process recorded in accordance with the accounting for long-term construction contracts, are recorded at moving average cost or weighted-average cost. Unallocated fixed overheads on idle capacity are currently recognized as operating costs when actual production is significantly lower than normal production or the equipment is idle.

Investments Accounted for by the Equity Method

Investments in which the Corporation and its subsidiaries hold 20 percent or more of the investees' voting rights or exercises significant influence over the investees' operating and financial decisions are accounted for by the equity method.

The cost of investment is allocated to the assets and liabilities of the investee on the basis of their fair values at the date of investment, and the investment cost in excess of the fair value of the net identifiable assets of the investee is recognized as goodwill. Goodwill is not amortized. The fair value of the net identifiable assets of the investee in excess of the investment cost is used to reduce the fair value of each of the noncurrent assets of the investee (except for financial assets other than investments accounted for by the equity method, deferred income tax assets, prepaid pension or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

Profits from downstream and upstream transactions with an equity-method investee are eliminated in proportion to the Corporation's percentage of ownership in the investee.

When the Corporation and its subsidiaries subscribe for its investee's newly issued shares at a percentage different from its current percentage of ownership in the investee, the Corporation and its subsidiaries record the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or debited to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus from long-term investments is insufficient, the shortage is debited to retained earnings.

When the Corporation's share in losses of an investee over which the Corporation has significant influence equals its investment in that investee plus any advances made to the investee, the Corporation discontinues applying the equity method. The Corporation continues to recognize its share in losses of the investee if (a) the Corporation commits to provide further financial support to the investee or (b) the losses of the investee are considered to be temporary and sufficient evidence shows forthcoming return to profitability.

The Corporation's shares held by subsidiaries are recorded as treasury stock. The Corporation's dividends distributed to subsidiaries are debited to investment income and adjusted to capital surplus - treasury stock transaction.

Investments in Real Estate

Investments in real estate are stated at the lower of cost or market value. Cost of investment in real estate includes the purchase price and direct expenses in acquiring the real estate.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost or cost plus revaluation increment less accumulated depreciation and accumulated impairment loss. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions, renewals and improvements are capitalized (where the cost of ship and dock repair is recognized as deferred charge), while costs of maintenance and repairs are expensed currently.

Spare parts are intended for use in the repairs of the machinery and equipment. The depreciation of the major spare parts is calculated by the straight - line method over the shorter of useful lives of its supported equipment or useful lives of its own, whereas the depreciation of rollers is calculated by wearing level.

Depreciation of the shipping equipment that belongs to the subsidiary CSE is calculated by the fixed percentage of diminishing value method over 15 years. Depreciation of the machineries in the recycling plant of the subsidiary CHC is calculated by the working-hour method. Others are calculated by the straight-line method over service lives estimated as follows: land improvements, 5 to 40 years; buildings, 2 to 60 years; machinery and equipment, 2 to 25 years; transportation equipment, 2 to 25 years; and other equipment, 2 to 50 years. Depreciation of revalued assets is provided on a straight-line basis over their remaining estimated useful lives determined at the time of revaluation. Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their new estimated useful lives.

Upon disposal of property, plant and equipment, the related cost (including revaluation increment), accumulated depreciation and accumulated impairment loss are derecognized. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal. The related unrealized revaluation increment is transferred to nonoperating income and gains.

Intangible Assets

Identifiable intangible assets (mainly computer software, carbon dioxide emission permit, nitrogen oxide emission reduction, and land use right) acquired are initially recorded at cost. Amortization is calculated by the straight-line method over estimated useful lives ranging from 3 to 50 years.

Assets Leased to Others and Idle Assets

Assets leased to others and idle assets are stated at the lower of cost less accumulated depreciation and accumulated impairment loss or recoverable value. Depreciation is calculated by the straight-line method over 12 to 60 years.

Deferred Charge

Deferred charge consists of compensation cost of land use and dockage expenses. Amortization is calculated by the straight-line method over 2 to 44 years.

Loss on Purchase Commitments

The Corporation and its subsidiaries recognize accrued losses on purchase commitments under noncancelable purchasing contracts for raw materials when the unavoidable costs of meeting the obligations under the contract is in excess of its expected profit from the contracts. The accrued losses on purchase commitments is recorded as other payables under current liabilities. The estimated loss is recognized as operating costs in the income statement.

Reserve for Construction Guarantee

Reserve for construction guarantee is recognized based on expected maintenance expenditures and warranty expenses occurring during the construction period and the warranty period. Actual maintenance expenditures and warranty expenses are debited to the reserve for construction guarantee and the excess are recognized as expenses when incurred.

Pension Cost

Pension cost under defined benefit plan is determined by actuarial valuations and recorded as expenses.

Contributions made under a defined contribution plan are recognized as pension cost during the year in which employees render services.

Income Tax

The Corporation and its subsidiaries apply the intra-year and inter-year allocation methods to their income tax, whereby (1) a portion of income tax expense is charged or credited directly to shareholders' equity; and (2) deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

If the Corporation and its subsidiaries can control the timing of the reversal of a temporary difference arising from the difference between the book value and the tax basis of a long-term equity investment in a foreign subsidiary or joint venture and if the temporary difference is not expected to reverse in the foreseeable future and will, in effect, exist indefinitely, then a deferred tax liability or asset is not recognized.

Any tax credit arising from purchases of machinery, equipment and technology, and expenditures of research and development and employee training is recognized using the flow-through method.

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

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.

Foreign subsidiaries calculate income tax according to the local income tax law.

Treasury Stock

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

The Corporation accounts for its stock held by subsidiaries as treasury stock. The recorded cost of the stock is based on its carrying amount as of January 1, 2002.

Shares of the Corporation that were acquired and held by less than 50%-owned subsidiaries of the Corporation after January 1, 2002 are reclassified to treasury stock at the acquisition cost.

Revenue Recognition

Revenues from sales are recognized when titles to products and risks of ownership are transferred to customers as follows: domestic sales - when products are delivered out of the Corporation's premises to customers; exports - when products are loaded onto vessels. Freight revenues are recognized according to the proportion of the voyage days used to contracted voyage of each ship. Revenues from steel structure contracts and construction contracts are recognized in accordance with the accounting standards for long-term construction contracts, which provide completed-contract method and percentage-of-completion method. Advance collections based on construction progress are recorded as advance construction receipts. The excess of construction in process over advance construction receipts is recorded as current assets while the excess of advance construction receipts over construction in process is recorded as current liabilities.

Revenues are measured at 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.

Service revenues are recognized according to the contract and the percentage of completion of the service. 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. However, if the loss is estimated to be smaller in future years, the difference is reversed and recognized as a gain in the year of determination.

Reclassifications

Certain accounts in the consolidated financial statements for the six months ended June 30, 2010 have been reclassified to conform to the presentation of the consolidated financial statements for the six months ended June 30, 2011 and are listed as follows:

	Before Reclassification	After Reclassification
Consolidated balance sheets		
Spare parts - current	$ 8,766,799	$ -
Spare parts - noncurrent	1,779,619	-
Inventories - supplies	-	4,243,178
Cost of property, plant and equipment - spare parts	-	10,031,295
Accumulated depreciation of property, plant and equipment - spare parts	-	3,728,055

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

Starting January 1, 2011, the Corporation and its subsidiaries adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include: (1) finance lease receivables impairment are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the enterprise are now covered by SFAS No. 34; (4) additional guidelines on impairment of financial assets carried at amortized cost when the debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change did not have a significant impact on the Corporation and its subsidiaries' consolidated financial statements as of and for the six months ended June 30, 2011.

Operating Segments

Starting January 1, 2011, the Corporation and its subsidiaries adopted the newly issued SFAS No. 41, "Operating Segments." The requirements of the statement are based on the information about the components of the Corporation and its subsidiaries that management uses to make decisions about operating matters. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Corporation's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting." The information for the period ended June 30, 2010 has been recast to reflect the new segment reporting requirement.

4. CASH AND CASH EQUIVALENTS

	June 30	
	2011	2010
Cash on hand	$ 34,842	$ 33,932
Checking accounts and demand deposits	6,098,732	4,258,944
Time deposits	8,138,217	13,032,916
Cash equivalents - Commercial paper and bonds	2,061,166	2,971,974
	$ 16,332,957	$ 20,297,766

Foreign bank deposits of the Corporation were as follows:

	June 30	
	2011	**2010**
Japan - IYO Bank and Mega International Commercial Bank (in thousands)	¥ 3,902	¥ 3,658
Singapore - Daiwa Securities SMBC (in thousands)	21	30
	¥ 3,923	¥ 3,688
Represented by NT dollars (in thousands)	NT$ 1,402	NT$ 1,343

As of June 30, 2011 and 2010, time deposits with maturities of over one year were NT$0 thousand and NT$2,900 thousand, respectively.

The Corporation cooperated with the Ministry of Economic Affairs on "Development of Amorphous Ribbon Manufacturing Technology" and other projects. Deposits for these projects were NT$9,716 thousand (NT$4 thousand recorded as restricted assets - current and NT$9,712 thousand recorded as restricted assets - noncurrent) and NT$2 thousand (recorded as restricted assets - current), as of June 30, 2011 and 2010, respectively.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

a. Financial instruments at fair value through profit or loss included:

	June 30	
	2011	**2010**
Financial assets held for trading		
Quoted stocks and depositary receipts	$ 1,281,160	$ 698,692
Mutual funds	1,067,962	1,104,796
Structured notes	38,218	65,953
Forward exchange contracts	5,234	8,843
Precious metals futures contracts	2,457	-
Convertible bonds	540	-
	2,395,571	1,878,284
Financial assets designated as at FVTPL		
Mutual funds	2,918,072	8,647,523
Structured notes	106,687	445,012
Quoted stocks	63,266	36,024
Convertible bonds	11,050	9,863
	3,099,075	9,138,422
	5,494,646	11,016,706
Less: Noncurrent portion	1,879	-
	$ 5,492,767	$ 11,016,706

(Continued)

	June 30	
	2011	2010
Financial liabilities held for trading		
Forward exchange contracts	$ 2,228	$ 11,816
Less: Noncurrent portion	697	-
	$ 1,531	$ 11,816

(Concluded)

b. The purpose of the financial assets designated as at FVTPL is to reduce the accounting inconsistency between investment income and interest expense. Those assets are managed as a group and the performance is evaluated on fair value basis, in accordance with the Corporation and its subsidiaries' documented risk management and investment strategy.

c. The Corporation and its subsidiaries entered into forward exchange to manage exposures due to exchange rate fluctuations. However, the forward exchange contract does not meet the criteria for hedge accounting; thus, it is classified as a financial asset or a financial liability held for trading.

Outstanding forward exchange contracts as of June 30, 2011 and 2010 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
June 30, 2011			
Buy	NTD/USD	October 2011	NTD31,899/USD1,120
Buy	NTD/JPY	July 2011 - December 2014	NTD408,005/JPY1,142,130
Sell	USD/NTD	July 2011 - August 2011	USD13,895/NTD400,261
Sell	HKD/NTD	July 2011 - August 2011	HKD35,400/NTD131,898
June 30, 2010			
Buy	NTD/JPY	December 2010	NTD41,721/JPY137,014
Sell	USD/NTD	July 2010 - August 2010	USD23,337/NTD744,251
Sell	EUR/NTD	July 2010	EUR9/NTD390
Sell	HKD/NTD	July 2010	HKD30,000/NTD121,987

d. The Corporation and its subsidiaries entered into precious metals futures contracts for the six months ended June 30, 2011 to manage risks due to price fluctuations on precious metals. The unused letters of credit to acquire the futures contracts amounted to NT$103,410 thousand (USD3,600 thousand).

Outstanding precious metals futures contracts as of June 30, 2011 were as follows:

	Duration	Quantity	Amount (In Thousands)
Precious metals futures contracts	June 13, 2011 - October 11, 2011	33,251 Ounce	USD1,158

e. The net valuation gains (losses) on financial instruments at FVTPL for the six months ended June 30, 2011 and 2010 were as follows:

	Six Months Ended June 30	
	2011	2010
Financial assets held for trading	$ (15,526)	$ (379,519)
Financial assets designated as at FVTPL	13,549	12,951
Financial liabilities held for trading	(2,337)	(2,232)
	$ (4,314)	$ (368,800)

The above valuation gains (losses) on financial instruments were recorded as follows:

	Six Months Ended June 30	
	2011	2010
Operating revenues	$ 269	$ -
Operating costs	(10,958)	(375,288)
Nonoperating income and gains	8,981	7,795
Nonoperating expenses and losses	(2,606)	(1,307)
	$ (4,314)	$ (368,800)

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30			
	2011		2010	
	Current	Noncurrent	Current	Noncurrent
Mutual funds	$ 2,761,973	$ -	$ 3,325,336	$ -
Quoted stocks				
Taiwan Semiconductor Manufacturing Company	2,122,290	-	1,781,312	-
Maruichi Steel Tube Ltd.	-	1,422,054	-	1,240,853
Tang Eng Iron Works Corporation	96,146	868,946	-	865,960
CSBC Corporation Taiwan	295	486,290	257	423,214
Yodogawa Steel Works, Ltd.	-	241,535	-	266,521
Others	577,684	198,043	783,130	248,503
Private-placement shares				
Reichi Precision Co., Ltd. (RPC)	-	304,715	-	-
Government bonds	-	-	-	44,300
Structured notes	43,836	-	48,725	-
	$ 5,602,224	$ 3,521,583	$ 5,938,760	$ 3,089,351

In September 2010, the Corporation invested NT$251,988 thousand to acquire 5% shareholding of RPC through its private placement. RPC mainly manufactures compressors. According to the Securities Exchange Act, the securities which the Corporation acquired by private placement should only be transferred freely in public market after holding those shares for three years starting from the delivery date.

The Corporation borrowed foreign-currency bank loans to hedge exchange rate fluctuation risks on the investments in Maruichi Steel Tube Ltd. and Yodogawa Steel Works, Ltd. (Notes 23 and 32).

Adjustments for change in valuation arising from exchange difference were recognized in profit or loss.

7. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

The Corporation and its subsidiaries entered into forward exchange contracts to manage cash flows exposures arising from exchange rate fluctuations on foreign-currency capital expenditures contracts and sales and purchases contracts.

Outstanding forward exchange contracts as of June 30, 2011 and 2010 were as follows:

	Currency	The Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
June 30, 2011			
Buy	NTD/USD	July 2011 - June 2015	NTD7,578,631/USD249,520
Buy	NTD/EUR	July 2011 - December 2013	NTD1,968,556/EUR43,070
Buy	NTD/JPY	August 2011 - February 2014	NTD1,973,410/JPY5,531,546
Sell	USD/NTD	July 2011 - October 2011	USD1,798/NTD51,937
Sell	EUR/NTD	July 2011	EUR830/NTD34,860
June 30, 2010			
Buy	NTD/USD	July 2010 - July 2014	NTD13,212,520/USD423,022
Buy	NTD/EUR	July 2010 - December 2013	NTD2,393,537/EUR51,916
Buy	NTD/JPY	July 2010 - February 2014	NTD4,243,156/JPY12,444,756
Sell	EUR/NTD	August 2010	EUR2,952/NTD139,706
Sell	USD/NTD	July 2010	USD1,285/NTD41,147

Movements of hedging derivative financial instruments for the six months ended June 30, 2011 and 2010 were as follows:

	Six Months Ended June 30	
	2011	2010
Balance, beginning of period	$ (572,060)	$ 322,922
Valuation loss	(381,385)	(117,705)
Transferred to profit and loss	(1,203)	-
Transferred to construction in progress and prepayments for equipment	307,652	31,043
Balance, end of period	$ (646,996)	$ 236,260

As of June 30, 2011 and 2010, the balances of hedging derivative assets (liabilities) were as follows:

	June 30	
	2011	2010
Hedging derivative assets - current	$ 17,153	$ 433,517
Hedging derivative assets - noncurrent	11,923	166,724
Hedging derivative liabilities - current	(562,512)	(56,411)
Hedging derivative liabilities - noncurrent	(113,560)	(307,570)
	$ (646,996)	$ 236,260

The valuation loss was recognized as unrealized gain on financial instruments in stockholders' equity.

8. NOTES AND ACCOUNTS RECEIVABLE, NET

	June 30 2011	June 30 2010
Notes receivable	$ 2,039,205	$ 1,731,351
Less: Allowance for doubtful accounts	-	1,398
	$ 2,039,205	$ 1,729,953
Accounts receivable	$ 10,030,177	$ 9,474,199
Less: Allowance for doubtful accounts	288,660	313,841
Less: Allowance for sales discounts	335	43,857
	$ 9,741,182	$ 9,116,501

Movements of the allowance for doubtful accounts were as follows:

	Six Months Ended June 30			
	2011		2010	
	Notes Receivable	Accounts Receivable	Notes Receivable	Accounts Receivable
Balance, beginning of period	$ 1,883	$ 371,113	$ 1,791	$ 341,062
Less: Reversal	1,883	76,692	393	27,212
Less: Written off	-	5,761	-	9
Balance, end of period	$ -	$ 288,660	$ 1,398	$ 313,841

The Corporation and the subsidiaries CHSC and CSCC entered into accounts receivable factoring agreements (without recourse) with Mega International Commercial Bank, Bank of Taiwan and Taipei Fubon Bank. Under the agreements, the Corporation and the subsidiaries CHSC and CSCC 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 following banking day.

The related information for the Corporation, CHSC and CSCC's sale of accounts receivable for the six months ended June 30, 2011 and 2010 was as follows:

Transaction Counter-party	Advances Received at Period - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Period-end	Interest Rate on Advances Received (%)	Credit Line (In Billions of NTD)
Six months ended June 30, 2011						
Accounts receivable						
Mega International Commercial Bank	$ 5,222,519	$ 6,659,383	$ 6,866,463	$ 5,012,264	0.94-1.40	$12.0
Bank of Taiwan	923,545	1,558,262	1,284,284	1,197,523	0.94-1.34	3.0
Taipei Fubon Bank	63,716	-	63,716	-	-	0.4
	$ 6,209,780	$ 8,217,645	$ 8,214,463	$ 6,209,787		

(Continued)

Transaction Counter-party	Advances Received at Period - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Period-end	Interest Rate on Advances Received (%)	Credit Line (In Billions of NTD)
Six months ended June 30, 2010						
Accounts receivable						
Mega International Commercial Bank	$ 3,756,412	$ 6,351,199	$ 5,413,133	$ 4,694,478	0.80-2.73	$11.5
Bank of Taiwan	484,607	751,844	636,414	600,037	0.80-2.16	2.5
Taipei Fubon Bank	124,901	263,791	261,426	127,266	1.03-2.33	0.4
	$ 4,365,920	$ 7,366,834	$ 6,310,973	$ 5,421,781		

(Concluded)

9. INVENTORIES

	June 30 2011	June 30 2010
Finished products	$ 20,423,313	$ 16,447,877
Work in process	38,353,459	18,203,525
Raw materials	32,708,360	21,610,624
Supplies	6,227,093	6,437,706
Fuel	360,501	378,665
Raw materials and supplies in transit	6,980,729	3,992,809
Construction in progress (net of billing on contracts NT$32,915,945 thousand and NT$36,547,911 thousand as of June 30, 2011 and 2010, respectively)	7,204,810	4,232,812
Others	334,918	245,414
	$ 112,593,183	$ 71,549,432

As of June 30, 2011 and 2010, the allowance for inventory devaluation was NT$2,293,673 thousand and NT$1,449,033 thousand, respectively, and recorded as reduction in inventories. The cost of inventories recognized as operating costs for the six months ended June 30, 2011 and 2010 was NT$174,082,397 thousand and NT$123,842,339 thousand, respectively (difference from operating costs in consolidated statements of income included investment loss recognized under equity method, impairment loss, and valuation loss on financial instruments), which included the items as follows:

	Six Months Ended June 30 2011	Six Months Ended June 30 2010
Provision for loss on inventories	$ 1,043,516	$ 225,256
Loss on purchase commitments	611,180	325,595
Loss on idle capacity	959	11,113
Income from scrap sales	(492,615)	(485,117)
Loss on physical inventory	34,182	140,789
Recovery of loss on inventories	(21,770)	(16,428)
	$ 1,175,452	$ 201,208

Significant construction contracts as of June 30, 2011 and 2010 were as follows:

Expected Year to Complete	Construction in Progress	Advance Construction Receipts	Contract Price	Estimated Total Cost	Percentage of Completion (%)	Accumulated Construction Gain (Loss)
June 30, 2011						
Year 2011	$ 16,105,193	$ 15,669,774	$ 17,547,606	$ 16,670,482	42-99	$ 876,420
Year 2012	2,287,552	849,612	6,114,996	6,341,802	3-34	(234,553)
Year 2014	69,678	214,617	1,033,333	1,033,333	7	(8)
Year 2015	182,269	501,146	1,540,348	1,522,300	12	2,123
June 30, 2010						
Year 2010	22,813,730	22,672,015	24,740,782	23,291,151	2-99	1,408,317
Year 2011	468,457	543,428	2,126,667	2,160,709	12-49	(77,286)
Year 2012	(17,891)	-	4,953,586	5,115,400	0-2	(161,814)
Year 2014	113,459	444,168	2,573,681	2,555,633	2-6	1,121

10. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	June 30	
	2011	2010
Guarantee debt certificates	$ 173,302	$ 182,551
Structured notes	126,002	147,396
Viatical settlements	-	79,636
	299,304	409,583
Less: Accumulated impairment	129,655	129,655
	$ 169,649	$ 279,928

a. The maturity dates of guarantee debt certificates are from June 2014 to May 2021. Interest is charged by the agreed formula, and actual interest rate as of June 30, 2011 and 2010, was 0%, respectively.

b. As of June 30, 2011 and 2010, the maturity dates of the structured notes are from April 2012 to March 2023, and from April 2012 to June 2022, respectively. Interest is charged by the agreed formula, and actual interest rate as of June 30, 2011 and 2010, was 0% - 4.25% and 0% - 4.5339%, respectively.

c. The maturity dates of the viatical settlements are from February 2011 to January 2012, yet early redemption in December 2010 by the issuer. Interest is charged by the agreed formula, and actual interest rate as of June 30, 2010, was 0%.

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT AND PREPAID LONG-TERM STOCK INVESTMENTS

	June 30	
	2011	2010
Unquoted common stocks		
Dongbu Metal Co., Ltd.	$ 1,276,092	$ -
Industrial Bank of Taiwan	1,000,000	1,000,000
CDIB & Partners Investment Holding Corporation	553,630	553,630
Brighton-Best International (Taiwan) Inc.	272,563	272,563
Adimmune Corporation	268,822	261,580

(Continued)

	June 30	
	2011	2010
Yieh United Steel Corp.	$ 257,600	$ 257,600
Qingdao TECO Precision Mechatronics Co., Ltd.	230,375	258,837
Taiwan Rolling Stock Co., Ltd.	202,048	202,048
Riselink Venture Capital Corp.	150,000	150,000
TaiGen Biopharmaceuticals Holding Limited (Note 12)	109,562	-
Savior Lifetec Corporation	96,005	96,005
Enterex International Limited	94,140	94,140
Maruichi Metal Product (Foshan) Co., Ltd.	77,558	87,140
PCMI Metal Products (Chongqing) Co., Ltd.	77,224	86,765
Aptos Technology Inc.	76,286	67,500
CDIB BioScience Ventures I, Inc.	65,791	71,512
Bionime Corporation	-	90,628
Taiwan High Speed Rail Corporation (THSRC)	-	-
Others	1,146,503	1,094,528
	5,954,199	4,644,476
Unquoted preferred stocks		
East Asia United Steel Corporation (EAUS) - Preferred A	3,573,000	3,641,000
Others	425,762	386,120
	3,998,762	4,027,120
Certificate of entitlement		
Formosa Ha Tinh Steel Corporation	468,585	-
Others	34,833	38,453
	$ 10,456,379	$ 8,710,049
Prepaid long-term stock investments		
Adimmune Corporation	$ -	$ 8,127

(Concluded)

The above equity investments, which have no quoted prices in active market and of which fair value could not be reliably measured, are carried at cost.

In December 2010, the Corporation acquired 1,500 thousand common shares (5% shareholdings) of Dongbu Metal Co., Ltd. by investing NT$1,276,092 thousand (USD41,867 thousand). Dongbu Metal Co., Ltd. mainly manufactures and sells ferromanganese and ferro silico-manganese.

In April 2010, the subsidiary GIC invested NT$94,140 thousand (USD3,000 thousand) in Enterex International Limited, acquiring 2% shareholdings of common shares.

Stocks of Bionime Corporation, held by the subsidiaries GIC and EVCC, were listed on the Taiwan Stock Exchange in December 2010. Therefore, the aforementioned investment was reclassified to available-for-sale financial assets - current.

In September 2003, the Corporation acquired 100,000 thousand Preferred B shares (representing 4% of ownership) of THSRC for NT$1,000,000 thousand. Dividend on these shares is at 5%, payable on a nonparticipating and cumulative basis. These shares with six years of duration could be extended for 13 months prior to 3 months from the due date. In April 2005 and August 2004, the Corporation acquired additional 505,370 thousand Preferred C shares of THSRC for NT$3,199,944 thousand and NT$1,499,997 thousand, respectively. These shares, representing 19% of ownership, which may be converted to common shares within four years from the acquisition date, have a 9.5% dividend in the first two years and

0% in the next two years. At the end of four years, if the Corporation does not convert the Preferred C shares into common shares and THSRC cannot redeem the shares, the unredeemed shares would be entitled to receive 4.71% dividends. In the second half of 2008, the Corporation evaluated and recognized an impairment loss of NT$4,738,926 thousand on the investments in preferred shares of THSRC. In order to use tax credits under the Act for Promotion of Private Participation in Infrastructure Projects, the Corporation converted THSRC's preferred shares to 605,370 thousand common shares in August 2009. THSRC mainly builds and operates public transportation systems.

In May 2003, the Corporation signed a slab production joint-venture contract with Sumitomo Metal Industries, Ltd. and Sumitomo Corporation. In July 2003, the joint venture company EAUS was established. The Corporation invested in EAUS of JPY10 billion (Notes 23 and 32). The Corporation thus has a stable supply of slab from this joint venture. The Corporation also signed a contract with the subsidiary CHSC to transfer the purchasing right of slabs from EAUS, and the Corporation receives royalty on this contract based on the volume purchased by CHSC.

In June 2011, the Corporation invested NT$468,585 thousand (USD16,200 thousand) in Formosa Ha Tinh Steel Corporation and acquired 5% of ownership. The main business of Formosa Ha Tinh Steel Corporation is manufacture and trading of steel products.

Other financial assets carried at cost include Wuxi TECO Electric Machinery Co., Ltd., C.T.I. Traffic Industries Co., Ltd., Overseas Investment & Development Corp. and etc.

In June 2010, the Corporation and the subsidiary CSCC participated in the cash capital increase of Adimmune Corporation and prepaid NT$8,127 thousand of long-term stock investments. In July 2010, the Corporation and the subsidiary CSCC acquired 339 thousand common shares.

12. BOND INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	June 30	
	2011	2010
Unquoted preferred stocks – overseas		
TaiGen Biopharmaceuticals Holdings Limited (TGB)	$ -	$ 110,577
Others	11,449	7,656
Subordinated financial bonds	120,000	120,000
Bonds	8,924	-
	$ 140,373	$ 238,233

The Corporation and the subsidiary EVCC acquired 21,465 thousand preferred shares of TGB for NT$318,313 thousand. TGB mainly researches and develops drugs. The Corporation and EVCC transferred their preferred shares to 30,419 thousand common shares in June 2011. Therefore, the aforementioned investment was reclassified from bond investments with no active market - noncurrent to financial assets carried at cost - noncurrent (Note 11). The Corporation and EVCC evaluated the investment in TGB and recognized an impairment loss of NT$207,712 thousand.

In October 2009, the subsidiaries CSCC and EWIC acquired NT$100,000 thousand of perpetual subordinated financial bonds from Taiwan Business Bank. The perpetual subordinated financial bonds could be redeemed by Taiwan Business Bank after 7 years from the issuance date. Interest rate was at 2.58% p.a. and 2.32% p.a. as of June 30, 2011 and 2010.

In April 2010, the subsidiary EWIC acquired NT$20,000 thousand of subordinated financial bonds from Sunny Bank with maturity date of April 2017, and interest rate at 3.25% p.a.

In June 2011, the subsidiary EGI acquired NT$8,924 thousand of bonds issued by Ping An Insurance Company of China, Ltd. with maturity date of June 2014 and interest rate at 2.25% p.a.

13. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	June 30			
	2011		2010	
	Amount	% of Ownership	Amount	% of Ownership
Unquoted companies				
Kaohsiung Rapid Transit Corporation (KRTC)	$ 1,240,155	32	$ 1,323,215	32
Kaohsiung Arena Development Corporation (KADC)	752,102	29	744,922	29
Hsin Hsin Cement Enterprise Corp.	215,229	26	214,489	26
Chateau International Development Co., Ltd. (CIDC)	206,910	23	186,532	23
Ascentek Venture Capital Corp. (AVCC)	166,647	39	188,293	39
Others	275,693		185,623	
	$ 2,856,736		$ 2,843,074	

Other investments accounted for by the equity method included Qun Sin Properties Corporation, CSCD Limited, Omnitek Venture Capital Corp. and etc.

Investment gains (losses) under the equity method for the six months ended June 30, 2011 and 2010 were as follows:

	Six Months Ended June 30	
	2011	2010
KADC	$ 19,384	$ 12,562
CIDC	14,864	13,888
AVCC	6,802	12,406
KRTC	(87,602)	(436,878)
Others	1,612	(10,834)
	$ (44,940)	$ (408,856)

Net investment losses of NT$44,877 thousand and NT$406,720 thousand were recorded as nonoperating expenses and losses, and NT$63 thousand and NT$2,136 thousand were recorded as operating cost for the six months ended June 30, 2011 and 2010, respectively.

14. OTHER FINANCIAL ASSETS

	June 30	
	2011	2010
Hedging foreign-currency deposits	$ 7,330,400	$ 2,954,910
Less: Current portion	4,865,736	1,840,419
	$ 2,464,664	$ 1,114,491

For the purpose of constructing the third cold-rolled plant, the Corporation signed contracts to purchase imported equipment in total of JPY16.15 billion. For the purposes of managing cash flows exposures arising from exchange rate fluctuations, the Corporation purchased foreign-currency deposits of JPY16 billion (NT$4,878,900 thousand) in January 2008. As of June 30, 2011 and 2010, the balance of the JPY deposits designated as hedging instrument was NT$653,822 thousand (JPY1.80 billion) and NT$1,522,353 thousand (JPY4.18 billion), respectively.

For the purpose of purchasing imported equipment as well as managing cash flows risk arising from exchange rate fluctuations, the Corporation and the subsidiary CEC purchased foreign-currency deposits. As of June 30, 2011 and 2010, the balance of the foreign-currency deposits designated as hedging instruments was NT$3,623,947 thousand (USD124,181 thousand, EUR1,150 thousand, GBP18 thousand and JPY0.02 billion) and NT$612,635 thousand (USD13,901 thousand, EUR385 thousand, GBP191 thousand and JPY0.38 billion), respectively.

For the purpose of managing cash flow exposures on foreign-currency capital expenditure contracts, the Corporation and the subsidiary DSC entered into forward exchange contracts (Note 7). As of June 30, 2011 and 2010, the balance of foreign-currency deposits purchased for expired forward exchange contracts was NT$3,052,631 thousand (USD39,172 thousand, EUR4,867 thousand and JPY4.8 billion) and NT$819,922 thousand (USD13,874 thousand, EUR6,218 thousand and JPY0.35 billion), respectively.

The unrealized loss of NT$158,131 thousand and the unrealized gain of NT$76,253 thousand arising from the above deposits designated as hedging instruments were recognized as unrealized gain on financial instruments in stockholders' equity for the six months ended June 30, 2011 and 2010, respectively. The unrealized loss on financial instruments of NT$108,647 thousand and the unrealized gain on financial instruments of NT$423,952 thousand in stockholders' equity were transferred to construction in progress and prepayments for equipment for the six months ended June 30, 2011 and 2010, respectively.

As of June 30, 2011 and 2010, cash outflows would be expected from aforementioned contracts during the periods from 2011 to 2015 and from 2010 to 2013, respectively.

15. PROPERTY, PLANT AND EQUIPMENT

	Cost	Revaluation Increment	Total
June 30, 2011			
Cost and revaluation increment			
Land	$ 17,539,757	$ 32,754,016	$ 50,293,773
Land improvements	4,385,107	492,990	4,878,097
Buildings	75,407,232	2,415,863	77,823,095
Machinery and equipment	423,565,498	7,271,906	430,837,404
Transportation equipment	19,093,208	8,991	19,102,199
Other equipment	18,441,548	31,618	18,473,166
Spare parts	9,146,732	-	9,146,732
	567,579,082	42,975,384	610,554,466
Accumulated depreciation			
Land improvements	3,702,559	470,309	4,172,868
Buildings	25,703,889	1,918,717	27,622,606
Machinery and equipment	246,721,890	7,271,587	253,993,477
Transportation equipment	11,327,525	8,987	11,336,512
Other equipment	7,323,316	31,608	7,354,924

(Continued)

	Cost	Revaluation Increment	Total
Spare parts	$ 2,637,847	$ -	$ 2,637,847
	297,417,026	9,701,208	307,118,234
Accumulated impairment			
Land	11,826	-	11,826
Machinery and equipment	128,828	-	128,828
Other equipment	287,826	-	287,826
	428,480	-	428,480
Construction in progress and prepayments for equipment	76,294,561	-	76,294,561
	$ 346,028,137	$ 33,274,176	$ 379,302,313

June 30, 2010

	Cost	Revaluation Increment	Total
Cost and revaluation increment			
Land	$ 16,549,157	$ 32,754,016	$ 49,303,173
Land improvements	6,111,262	492,990	6,604,252
Buildings	64,945,150	2,405,255	67,350,405
Machinery and equipment	385,875,916	7,954,276	393,830,192
Transportation equipment	20,048,448	18,108	20,066,556
Other equipment	13,458,302	31,650	13,489,952
Spare parts	10,031,295	-	10,031,295
	517,019,530	43,656,295	560,675,825
Accumulated depreciation			
Land improvements	3,665,889	465,409	4,131,298
Buildings	23,545,397	1,862,841	25,408,238
Machinery and equipment	231,502,083	7,953,902	239,455,985
Transportation equipment	10,868,377	18,103	10,886,480
Other equipment	6,221,631	31,639	6,253,270
Spare parts	3,728,055	-	3,728,055
	279,531,432	10,331,894	289,863,326
Accumulated impairment			
Land	11,826	-	11,826
Machinery and equipment	731,926	-	731,926
Other equipment	299,437	-	299,437
	1,043,189	-	1,043,189
Construction in progress and prepayments for equipment	81,814,215	-	81,814,215
	$ 318,259,124	$ 33,324,401	$ 351,583,525

(Concluded)

Information about capitalized interest on the purchase of property, plant and equipment for the six months ended June 30, 2011 and 2010 was disclosed as follows:

	Six Months Ended June 30	
	2011	2010
Interest expense before capitalization	$ 1,303,832	$ 1,078,602

(Continued)

	Six Months Ended June 30	
	2011	2010
Less: Capitalized interest - construction in progress and prepayments for equipment	$ 353,370	$ 451,310
Interest expense through income statement	$ 950,462	$ 627,292
Capitalization annual rates	0.88%-1.89%	0.59%-2.15%

(Concluded)

In 1981 and 1994, the Corporation revalued its property, plant and equipment and patents in accordance with government regulations, resulting in increment of NT$17,662,343 thousand. After the deduction of the reserve for land value increment tax of NT$3,370,813 thousand, a net increment of NT$14,291,530 thousand was credited to unrealized revaluation increment. Unrealized revaluation increment of NT$13,952,356 thousand had been capitalized as capital stock, reducing its balance to NT$339,174 thousand. In January 2005, the government revised the land value increment tax law to reduce the tax rate. Thus, the reserve for land value increment tax decreased and the unrealized revaluation increment increased each by NT$1,196,189 thousand. Accordingly, the balance of unrealized revaluation increment increased to NT$1,535,363 thousand. In February 2005, the Corporation disposed part of its land, which resulted in a decrease of NT$3,500 thousand in reserve for land value increment tax. In 2008, the Corporation revalued its land in accordance with the current assessed land value. Therefore, the total increment on land revaluation was NT$26,913,284 thousand, after the deduction of the reserve for land value increment tax of NT$6,502,342 thousand, and a net increment of NT$20,410,942 thousand was credited to unrealized revaluation increment. For the six months ended June 30, 2011 and 2010, upon retirement or sale of revalued properties, the unrealized revaluation increment decreased by NT$9,459 thousand and NT$296 thousand, respectively, and recorded as nonoperating income and gains. As of June 30, 2011 and 2010, the balance of reserve for land value increment tax remained NT$8,673,466 thousand, and the balance of the unrealized revaluation increment was NT$21,863,904 thousand and NT$21,912,852 thousand, respectively.

The subsidiary CSSC revalued its buildings with the base date of December 31, 2009. In September 2010, the revaluation increments approved by the tax authorities were NT$12,862 thousand, of which NT$2,020 thousand was credited to equity as unrealized revaluation increment in proportion to the ownership percentage of the Corporation.

16. INTANGIBLE ASSETS

	Identifiable Intangible Assets	Goodwill	Total
Six months ended June 30, 2011			
Balance, beginning of period	$ 1,705,839	$ 403,274	$ 2,109,113
Addition	137,591	-	137,591
Reclassification	(5,330)	-	(5,330)
Reduction	(72,341)	-	(72,341)
Balance, end of period	$ 1,765,759	$ 403,274	$ 2,169,033

(Continued)

	Identifiable Intangible Assets	Goodwill	Total
Six months ended June 30, 2010			
Balance, beginning of period	$ 1,542,831	$ 403,274	$ 1,946,105
Addition	17,225	-	17,225
Reduction	(112,440)	-	(112,440)
Balance, end of period	$ 1,447,616	$ 403,274	$ 1,850,890

(Concluded)

Identifiable intangible assets (including carbon dioxide emission permit, nitrogen oxide emission reduction, developed technology and customer relationship, etc.) and goodwill were mainly arising from acquisition of DSC by the Corporation in October 2008.

17. ASSETS LEASED TO OTHERS, NET

	June 30	
	2011	2010
Cost		
Land	$ 3,018,507	$ 327,215
Buildings	210,572	210,572
Machinery and equipment	-	2,890
	3,229,079	540,677
Accumulated depreciation		
Buildings	54,461	49,826
Machinery and equipment	-	2,238
	54,461	52,064
Accumulated impairment		
Land	197,243	53,616
	$ 2,977,375	$ 434,997

In June 30, 2010, the subsidiary CHSC signed a land lease contract with a third party on the Kaohsiung Long Dong Section. The contract provided that CHSC shall collect rent starting from either 60 days after the lessee obtains construction permit, construction start date, or 15 months after the contract date, whichever comes first. The lease term provided that the construction period cannot exceed 14 months and the operating period is 20 years. The rent is calculated monthly in accordance with the contract during the construction period and the operating period. The lessee acquired the construction permit on December 16, 2010. CHSC reclassified the Kaohsiung Long Dong Section of NT$2,640,958 thousand from idle assets to assets leased to others in 2010.

18. IDLE ASSETS, NET

	June 30	
	2011	2010
Land	$ 3,131,555	$ 6,541,181

(Continued)

	June 30	
	2011	2010
Machinery and equipment	$ 822,098	$ 823,534
Less: Accumulated depreciation	96,815	62,906
Accumulated impairment	1,889,399	2,034,790
	$ 1,967,439	$ 5,267,019

(Concluded)

Idle assets were land for nonoperating use and suspended factory and equipment.

In February 2009, parts of Kaohsiung Long Hua Section, the land owned by the subsidiary CHSC, were reclassified from industrial land to commercial land and renamed the Kaohsiung Long Dong section after urban land rezoning. The subsidiary HLSC acquired the collaterals of Jenn An Steel Co., Ltd. Parts of the machinery and equipment in the collaterals were reclassified from property, plant and equipment to idle assets due to their not-in-operation status.

19. SHORT-TERM LOANS AND OVERDRAFT

	June 30	
	2011	2010
Unsecured loans - interest at 0.527%-17% p. a. and 0.47%-4.86% p.a. as of June 30, 2011 and 2010, respectively	$ 57,639,373	$ 31,470,975
Bank overdraft - interest at 0.31%-7.02% p.a. and 0.16%-1.48% p.a. as of June 30, 2011 and 2010, respectively	2,151,395	1,557,175
Letters of credit - interest at 0.5954%-1.96% p.a. and 0.645%-1.9706% p.a. as of June 30, 2011 and 2010, respectively	4,380,880	1,460,130
Secured loans - interest at 0.825%-0.83% p.a. and 1.6%-4.62% p.a. as of June 30, 2011 and 2010, respectively	899,000	374,776
	$ 65,070,648	$ 34,863,056

20. COMMERCIAL PAPER PAYABLE

	June 30	
	2011	2010
Commercial paper - interest at 0.392%-1.078% p.a. and 0.21%-0.938% p.a. as of June 30, 2011 and 2010, respectively	$ 19,008,700	$ 10,601,400
Less: Unamortized discounts	7,186	4,598
	$ 19,001,514	$ 10,596,802

The above commercial paper was secured by Ta Chong Bank, Mega Bills Finance Corporation, Dah Chung Bills Finance Corp., China Bills Finance Corporation, International Bills Finance Corporation, Taching Bill Finance Ltd., Chinatrust Commercial Bank, Grand Bills Finance Corp., Taiwan Finance Corporation, Bank of Taiwan, Taiwan Cooperative Bills Finance Corporation, Taipei Fubon Bank, Australia and New Zealand Banking Group Limited, JihSun Bank, The Shanghai Commercial & Savings Bank, Ltd. and E.SUN Commercial Bank, Ltd.

21. ACCRUED EXPENSES

	June 30 2011	June 30 2010
Accrued salaries and incentive bonus	$ 5,433,385	$ 5,609,504
Bonus to employees, and remuneration to directors and supervisors	4,655,867	3,631,935
Reserve for construction guarantee	893,849	895,637
Repair and construction	820,654	473,209
Others	4,258,143	3,440,152
	$ 16,061,898	$ 14,050,437

22. BONDS PAYABLE

	June 30 2011	June 30 2010
5-year unsecured bonds - issued at par in:		
June 2006; repaid in June 2011; 2.32% interest p.a.	$ -	$ 8,100,000
November 2006; repayable in November 2011; 2.07% interest p.a., payable annually	5,600,000	5,600,000
December 2008; repayable in December 2012 and December 2013; 2.08% interest p.a., payable annually	12,950,000	12,950,000
December 2008; repayable in December 2012 and December 2013; 2.42% interest p.a., payable annually	9,600,000	9,600,000
7-year unsecured bonds - issued at par in:		
December 2008; repayable in December 2014 and December 2015; 2.30% interest p.a., payable annually	7,000,000	7,000,000
	35,150,000	43,250,000
Less: Issuance cost of bonds payable	17,386	26,481
Current portion	5,599,499	8,098,044
	$ 29,533,115	$ 35,125,475

23. LONG-TERM DEBT

	June 30 2011	June 30 2010
Syndicated bank loans		
Mega International Commercial Bank and other banks loan to CHSC		
Repayable in 14 equal semiannual installments through April 2007 to October 2013; interest at 1.3541% p.a. and 1.093% p.a. as of June 30, 2011 and 2010, respectively	$ 2,142,858	$ 3,000,000
Repayable in October 2011 with a revolving credit, interest at 1.1258% p.a.	-	1,500,000

(Continued)

	June 30	
	2011	2010
Bank of Taiwan and other banks loan to DSC		
Repayable in 14 equal semiannual installments through January 2012 to July 2018; interest at 1.1898%-1.2274% p.a. and 0.9122%-0.9642% p.a. as of June 30, 2011 and 2010, respectively	$ 44,500,000	$ 33,200,000
Repayable in 10 equal semiannual installments through August 2012 to February 2017; interest at 1.3959%-1.44% p.a. and 1.5% p.a. as of June 30, 2011 and 2010, respectively	500,000	500,000
Taiwan Cooperative Bank and other banks loan to HLSC		
Repayable in June 2015 with a revolving credit, interest at 1.4133%-1.4619% p.a. and 1.5856% p.a. as of June 30, 2011 and 2010, respectively	2,400,000	2,110,000
Mortgage loans		
Repayable in succession before January 2015, floating rate at 0.552%-1.63% p.a. and 0.5107%-1.47% p.a. as of June 30, 2011 and 2010, respectively	18,543,057	18,882,019
Bank loans		
Repayable in succession before July 2015, interest at 0.54313%-5.74841% p.a. and 0.5963%-4.86839% p.a. as of June 30, 2011 and 2010, respectively	10,593,100	7,818,955
	78,679,015	67,010,974
Less: Syndicated loan fee	136,374	160,350
Current portion	4,943,608	5,817,783
	$ 73,599,033	$ 61,032,841

(Concluded)

a. In September 2006, the subsidiary CHSC entered into a syndicated credit facility agreement with Mega International Commercial Bank and 20 other banks for a NT$14 billion credit line, which consists of NT$6 billion secured loans with a revolving credit line and NT$8 billion unsecured loans with a revolving credit line. As of June 30, 2011, CHSC has revoked the credit line of NT$8 billion. Under the agreement, the Corporation and its related parties should collectively hold at least 30% of CHSC's issued shares and have over half of the seats in the board of directors and control CHSC's operation. Starting 2007, CHSC's net tangible assets should not be less than half of the capital, and the ratio of financial liabilities to net tangible assets should not exceed 300%.

   In May 2010, the subsidiary HLSC entered into a syndicated credit facility agreement with Taiwan Cooperative Bank and 13 other banks for a NT$6 billion credit line, which consists of NT$3.5 billion secured loan with non-revolving credit line and NT$2.5 billion unsecured loan with a revolving credit. No unsecured loan was used as of June 30, 2011. Under the agreement, CHSC and its related parties should hold at least 51% of the HLSC's issued shares and have over half of the seats in the board of directors and supervisors. Starting 2010, HLSC's net tangible assets should not be less than half of the capital, and the ratio of financial liabilities to net tangible assets should not exceed 350%.

   The amounts referring to the above restrictions should be based on audited annual financial statements. If CHSC and HLSC breach the agreements, they should take remedial measures within six months from the next day of the financial statements' declaration date; otherwise, they need to adjust the interest rate and the rate of the guarantee fee in accordance with the agreement. As of December 31, 2010, CHSC and HLSC were in compliance with the syndicated credit facility agreement. As of June 30, 2011, the Corporation held directly and indirectly 41% equity of CHSC and had all of the seats in the board of directors and controlled its operation; CHSC held 100% equity of HLSC and had all of the seats in the board of directors and supervisors.

b. In February 2008, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT$51.7 billion credit line. Under the agreement, the Corporation should hold at least 40% of DSC's issued shares and have over half of the seats in the board of directors. In December 2009, DSC entered into another syndicated credit facility agreement with Bank of Taiwan and 12 other banks for a NT$20 billion credit line. Under the agreement, the Corporation should hold at least 80% of DSC's issued shares and have over half of the seats in the board of directors. As of June 30, 2011, the Corporation held 100% equity of DSC and had all of the seats in the board of directors.

c. The above bank loans include those obtained by the Corporation in Japanese yen, Australian dollar and U.S. dollar to hedge the exchange rate fluctuations on investments in EAUS, CSCAU and CSVC (Note 32) and on the available-for-sale financial assets in Maruichi Steel Tube Ltd. and Yodogawa Steel Works, Ltd. (Notes 6 and 32). The NT dollar loan was made to meet fund requirements.

24. LONG-TERM NOTES PAYABLE

	June 30	
	2011	**2010**
Long-term notes - interest at 0.71%-1.135% p.a. and 0.36%-0.768% p.a. as of June 30, 2011 and 2010, respectively	$ 15,480,000	$ 5,400,000
Less: Unamortized discounts	10,274	3,368
	$ 15,469,726	$ 5,396,632

The Corporation and its subsidiaries entered into fixed rate commercial paper contracts with International Bills Finance Corporation, Mega Bills Finance Corporation, China Bills Finance Corporation and etc. The duration of the contracts is three to five years and the cycle of issuance is fifteen to sixty days, during which the Corporation and its subsidiaries only have to pay service fees and interests. Therefore, the Corporation and its subsidiaries recorded those commercial papers issued as long-term notes payable.

The above long-term notes were secured by Bank of Kaohsiung, Australia and New Zealand Banking Group Limited and Mega International Commercial Bank and etc.

25. RESTRUCTURED LOANS PAYABLE

The subsidiary DSC has confirmed its repayment plan according to its reorganization plan. Restructured loans payable are classified by payment scheme and by loan term, recorded as current liabilities or long-term liabilities.

Restructured loans payable for the six months ended June 30, 2011 and 2010 were as follows:

	Secured Loans	Unsecured Loans	DSC Recorded as Restructured Loans Payable	Adjustments on Allocation of Acquisition Cost for DSC	Total Restructured Loans Payable After Allocation of Acquisition Cost
Six months ended June 30, 2011					
Balance, beginning of period	$ 3,349,544	$ 1,232,989	$ 4,582,533	$ (13,135)	$ 4,569,398
Repayment during the period	(3,349,544)	(1,232,989)	(4,582,533)	-	(4,582,533)
Adjustments on allocation of acquisition cost for DSC	-	-	-	13,135	13,135
Balance, end of period	$ -	$ -	$ -	$ -	$ -
Six months ended June 30, 2010					
Balance, beginning of period	$ 3,672,201	$ 1,310,332	$ 4,982,533	$ (17,911)	$ 4,964,622
Repayment during the period	(161,566)	(38,434)	(200,000)	-	(200,000)
Adjustments on allocation of acquisition cost for DSC	-	-	-	2,388	2,388
Balance, end of period	3,510,635	1,271,898	4,782,533	(15,523)	4,767,010
Less: Current portion	321,682	78,318	400,000	-	400,000
	$ 3,188,953	$ 1,193,580	$ 4,382,533	$ (15,523)	$ 4,367,010

According to the reorganization plan, interest rates of the secured loans and the unsecured loans were 2.15% and 2%, respectively.

The repayment scheme for the above restructured loans payable is to pay NT$200 million for loan principal on June 30 and December 30 every year until 2014. DSC should pay creditors of secured loans and unsecured loans proportionally. Interests are calculated monthly and paid quarterly. According to the reorganization plan, DSC can pay off the loans payable in advance. Thus, DSC has paid off all restructured loans in the end of March, 2011.

26. PENSION PLANS

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Corporation and its domestic subsidiaries make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The pension plan under local regulations for foreign subsidiaries is also a defined contribution plan. Such pension costs of the Corporation and its domestic subsidiaries were NT$170,629 thousand and NT$112,912 thousand for the six months ended June 30, 2011 and 2010, respectively.

The Corporation and its domestic subsidiaries have retirement plan in accordance with the Labor Standards Law. Retirement benefits are based on employee's length of service and his/her average salaries and wages of the last six months before retirement. The Corporation and its domestic subsidiaries make contributions, equal to a certain percentage of salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of, and administered by the employees' pension fund supervisory committee. The Corporation and the subsidiaries, such as CSGT, ICSC, CHC and etc, also made contributions, equal to a certain percentage of salaries of management personnel, to another pension fund, which is deposited and administered by the officers' pension fund management committee. Such pension costs of the Corporation and its domestic subsidiaries for the six months ended June 30, 2011 and 2010 were NT$622,059 thousand and NT$526,036 thousand, respectively.

27. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The subsidiaries CSMC, CEC, CSSC and their subsidiaries classified their assets and liabilities of the construction operations as well as machinery and equipment manufacturing operations as current and noncurrent according to the length of the operating cycle. Maturity analysis of the related assets and liabilities was as follows:

	Due Within One Year	Due After One Year	Total
June 30, 2011			
Assets			
Notes and accounts receivable, net	$ 11,771,499	$ 8,888	$ 11,780,387
Inventories	109,559,989	3,033,194	112,593,183
	$ 121,331,488	$ 3,042,082	$ 124,373,570
Liabilities			
Notes and accounts payable	$ 11,804,379	$ 331,035	$ 12,135,414
Advance construction receipts in excess of construction in progress (included in other current liabilities)	1,190,466	1,384,551	2,575,017
	$ 12,994,845	$ 1,715,586	$ 14,710,431
June 30, 2010			
Assets			
Notes and accounts receivable, net	$ 10,846,454	$ -	$ 10,846,454
Inventories	70,020,734	1,528,698	71,549,432
	$ 80,867,188	$ 1,528,698	$ 82,395,886
Liabilities			
Notes and accounts payable	$ 13,431,702	$ 41,091	$ 13,472,793
Advance construction receipts in excess of construction in progress (included in other current liabilities)	1,467,438	1,716,383	3,183,821
	$ 14,899,140	$ 1,757,474	$ 16,656,614

28. STOCKHOLDERS' EQUITY OF PARENT COMPANY

a. Capital stock

In August 2010, the Corporation issued 433,382 thousand common shares through capital increase out of retained earnings of NT$4,333,820 thousand. On June 15, 2011, the Corporation's stockholders resolved to issue new shares in the range of 700,000 thousand shares to 840,000 thousand shares for participating global depository receipts offering in order to enrich operating capital. The issue price has not been decided.

b. Treasury stock

Purpose of Treasury Stock	Thousand Shares			June 30	
	Beginning of Period	Addition	Reduction	Thousand Shares	Book Value
Six months ended June 30, 2011					
Shares acquired and held by subsidiaries	284,762	-	5,920	278,842	$ 8,002,155
Six months ended June 30, 2010					
Shares acquired and held by subsidiaries	279,375	6,325	-	285,700	$ 8,400,279

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

For the six months ended June 30, 2011, the subsidiaries sold 10,829 thousand shares of the Corporation for NT$370,078 thousand.

For the six months ended June 30, 2011, the proceeds of treasury stock sold, calculated by shareholding percentage, amounted to NT$202,169 thousand, and after deducting book values, resulted in the amounts of NT$52,786 thousand (recorded as capital surplus). As of June 30, 2011 and 2010, the market values of the treasury shares calculated by combined holding percentage were NT$9,647,950 thousand and NT$8,513,870 thousand, respectively.

c. Overseas depositary receipts

In May 1992, February 1997 and October 2003, the ROC's Ministry of Economic Affairs ("MOEA") sold its holding shares in the Corporation through issuance of 88,329,150 units of Global Depositary Receipts ("GDR"), the depositary receipts then increased by 6,626,885 units resulting from the capital increase out of retained earnings. Each unit represents 20 shares of the Corporation's common stock and equals to the Corporation's common shares totaling 1,899,120,921 shares (including 221 fractional shares). Under relevant regulations, the GDR holders may also request the conversion to the shares represented by the GDR. The foreign investors may also request the reissuance of such depositary receipts within the originally approved units. As of June 30, 2011 and 2010, the outstanding depositary receipts were 3,698,353 units and 5,118,506 units, equivalent to 73,967,301 common shares (including 241 fractional shares) and 102,370,351 common shares (including 231 fractional shares), which represented 0.55% and 0.78% of the outstanding common shares, respectively.

d. Preferred stock

Preferred stockholders have the following entitlements or rights:

1) 14% annual dividends, with dividend payments ahead of those to common stockholders;

2) Preference over common stock in future payment of dividends in arrears;

3) The sequence and percentage of appropriation of residual property are the same with common stocks.

4) The same rights as common stockholders, except the right to vote for directors and supervisors; and

5) Redemption of preferred shares through the proceeds from issuance of new shares or retained earnings; conversion of preferred shares into common stock at the ratio of 1:1.

e. Capital surplus

Capital surplus comprised the followings:

	June 30	
	2011	2010
Additional paid-in capital - issuance of common shares to acquire for subsidiaries	$ 15,717,185	$ 15,717,185
Treasury stock transactions	4,028,838	3,585,210
Long-term stock investments	371,295	293,970
Others	8,099	8,099
	$ 20,125,417	$ 19,604,464

Under relevant regulations, capital surplus from issuance of shares for acquiring the ownership of subsidiaries and treasury stock transaction may be used to offset deficits or capitalized, which however is limited to a certain percentage of the Corporation's paid-in capital and once a year. Capital surplus from long-term stock investments accounted for under the equity method may not be used for any purpose.

f. Appropriation of 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, until its balance equals the issued capital stock;

2) Preferred stock dividends at 14% of par value;

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

4) Common stock dividends at 14% of par value; and

5) The remainder, if any, as additional dividends divided equally between the holders of preferred and common stocks.

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

The Corporation is required to appropriate for a special reserve from annual earnings for any net debit balance resulting from adjustments to parts of the stockholders' equity (including unrealized revaluation increment, unrealized gain (loss) on financial instruments, unrecognized net loss on pension cost and cumulative translation adjustments, excluding treasury stock held by the Corporation). Besides, if the market price of the Corporation's common share 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. The Corporation may release a portion of this special reserve when such debit balances are partially or fully reversed. As of June 30, 2011, the Corporation had fully reversed the special reserve under relevant regulations which resulted from net debit balance for the adjustments to stockholders' equity, and the remaining unreversed special reserve was held for the capital demand of expansion project.

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

Estimated bonus to employees and remuneration to directors and supervisors were as follows:

	Six Months Ended June 30	
	2011	**2010**
Bonus to employees	$ 1,225,313	$ 1,784,443
Remuneration to directors and supervisors	22,975	33,458
	$ 1,248,288	$ 1,817,901

The bonus to employees and remuneration to directors and supervisors were calculated based on the percentages provided in the Corporation's Articles of Incorporation and accrued based on past experiences. Material differences between any estimated amounts and the amounts resolved by the board of directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate.

If bonus are resolved to be distributed to employees in stock, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares at the date preceding the stockholders' meeting.

Under the Company Law, legal reserve may be used to offset deficits, or be distributed as dividends and bonuses for the portion in excess of 50% of the paid-in capital if the Corporation has no unappropriated earnings and the reserve balance has exceeded 50% of the Corporation's capital stock. The Company Law also prescribes that, when the reserve has reached 50% of the Corporation's capital stock, up to 50% of the reserve may be transferred to capital.

The Corporation's stockholders in their June 2010 and 2011 meetings approved the following appropriations of the 2009 and 2010 earnings, respectively.

	Appropriation of Earnings		Dividend Per Share (Dollars)	
	2010	**2009**	**2010**	**2009**
Legal reserve	$ 3,758,683	$ 1,952,817		
Preferred stocks				
Cash dividends	76,153	40,947	$ 1.99	$ 1.07
Stock dividends	19,134	12,628	0.50	0.33
			$ 2.49	$ 1.40
Common stocks				
Cash dividends	26,920,523	13,225,464	$ 1.99	$ 1.01
Stock dividends	6,763,950	4,321,192	0.50	0.33
	$ 37,538,443	$ 19,553,048	$ 2.49	$ 1.34

As of June 30, 2011 and 2010, the cash dividends declared have not been distributed to stockholders and were recorded as dividends payable. Capitalization of retained earnings of NT$6,783,084 thousand has been approved by the government and will be effective on July 24, 2011.

The bonus to employees and the remuneration to directors and supervisors for 2010 and 2009 approved in the aforementioned stockholders' meetings were as follows (settled by cash):

	Years Ended December 31			
	2010		2009	
	Bonus to Employees	Remuneration to Directors and Supervisors	Bonus to Employees	Remuneration to Directors and Supervisors
Amounts approved in stockholders' meetings	$ 2,701,965	$ 50,662	$ 1,528,288	$ 28,655
Amounts recognized in respective financial statements	2,701,965	50,662	1,528,288	28,655
Difference	$ -	$ -	$ -	$ -

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

g. Unrealized revaluation increment

Unrealized revaluation increment comprised of the following:

	June 30	
	2011	2010
Revaluation increment of property, plant and equipment and patents	$ 21,863,904	$ 21,912,852
Recognized in proportion to the ownership percentage in long-term stock investments	2,020	-
	$ 21,865,924	$ 21,912,852

h. Unrealized gain on financial instruments

For the six months ended June 30, 2011 and 2010, movements of unrealized gain on financial instruments were as follows:

	Available-for-sale Financial Assets	Equity-method Investments	Unrealized Gain or Loss on Cash Flow Hedging	Total
Six months ended June 30, 2011				
Balance, beginning of period	$ 2,938,550	$ (593,445)	$ 29,272	$ 2,374,377
Recognized in stockholders' equity	226,458	(63,471)	(71,407)	91,580
Transferred to construction in progress and prepayments for equipment	-	-	15,746	15,746
Balance, end of period	$ 3,165,008	$ (656,916)	$ (26,389)	$ 2,481,703

(Continued)

	Available-for-sale Financial Assets	Equity-method Investments	Unrealized Gain or Loss on Cash Flow Hedging	Total
Six months ended June 30, 2010				
Balance, beginning of period	$ 3,124,306	$ 461,850	$ 630,275	$ 4,216,431
Recognized in stockholders' equity	(598,106)	(188,280)	10,109	(776,277)
Transferred to construction in progress and prepayments for equipment	-	-	(400,030)	(400,030)
Balance, end of period	$ 2,526,200	$ 273,570	$ 240,354	$ 3,040,124

(Concluded)

i. Cumulative translation adjustments

Changes in composition of cumulative translation adjustments for the six months ended June 30, 2011 and 2010 were as follows:

	Six Months Ended June 30	
	2011	2010
Balance, beginning of period	$ (101,443)	$ 183,001
Recognized in stockholders' equity	(288,590)	280,050
Balance, end of period	$ (390,033)	$ 463,051

29. INCOME TAX

a. A reconciliation of income tax expense based on consolidated income before income tax and income tax for the six months ended June 30, 2011 and 2010, respectively, was as follows:

	Six Months Ended June 30	
	2011	2010
Income tax expense at the statutory rate	$ 3,566,314	$ 5,462,125
Tax effect adjusting items		
Permanent differences		
Investment loss recognized under equity method - domestic	10,396	70,321
Tax-exempt income	(41,946)	(48,475)
Dividends income allotted by domestic investee	(25,810)	(3,180)
Loss (gain) on valuation of financial instruments and on disposal of investments	(11,677)	44,046
Others	18,811	4,129
Temporary differences		
Unrealized loss on purchase commitments	58,014	49,246
Difference between tax reporting and financial reporting – depreciation methods	51,792	62,441
Unrealized (realized) provision for loss on inventories	17,138	(16,456)
Unrealized gain from affiliates	13,328	31,754
Unrealized (realized) loss on construction and service commitments	(77,867)	88,949

(Continued)

	Six Months Ended June 30	
	2011	2010
Realized impairment loss of financial assets	$ (41,698)	$ (5,684)
Unrealized (realized) exchange gain or loss	(40,798)	4,463
Preferential severance pay	(31,533)	(59,551)
Others	24,746	90,205
Investment tax credits used	(496,454)	(1,227,377)
Loss carryforward used	(22)	(1,809,819)
Tax benefit from loss carryforward	51,694	2,365
Additional income tax under the Alternative Minimum Tax Act	7,468	3,862
Additional 10% income tax on unappropriated earnings	52,463	65,096
Income tax currently payable	3,104,359	2,808,460
Adjustments for prior years' tax	155,140	11,416
Current income tax expense	3,259,499	2,819,876
Deferred tax - temporary differences, investment tax credits, and loss carryforwards included	(87,604)	2,326,277
Effect of tax law changes on deferred assets	-	211,049
Income tax	$ 3,171,895	$ 5,357,202

(Concluded)

b. Change in income tax payable

	Six Months Ended June 30	
	2011	2010
Balance, beginning of period	$ 6,272,105	$ 938,356
Current income tax expense	3,259,499	2,819,876
Payment in the current period	(4,420,245)	(675,897)
Deferred income tax assets used for linked tax filing	(1,165,973)	-
Transferred to other receivables	164,700	-
Balance, end of period	$ 4,110,086	$ 3,082,335

The Corporation adopted the linked tax system for tax filing with subsidiary - DSC since 2009. Deferred income tax assets used for linked tax filing is that the investment tax credits and loss carryforward of DSC were used by the Corporation when the linked tax was filed.

Under Article 10 of the Statute for Industrial Innovation (SII) passed by the Legislative Yuan in April 2010, a profit-seeking enterprise may deduct up to 15% of its research and development expenditures from its income tax payable for the fiscal year in which these expenditures are incurred, but this deduction should not exceed 30% of the income tax payable for that fiscal year. This incentive took effect from January 1, 2010 and is effective till December 31, 2019, and the investment tax credits under earlier regulations can be used in the current and next four years. The investment tax credits used every year shall not exceed 50% of the total tax payable, but the full remaining creditable amount can be used at the expiration year.

In May 2010, the Legislative Yuan passed an amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

c. Deferred income tax assets and liabilities were as follows:

	June 30	
	2011	**2010**
Current		
Deferred income tax assets		
Investment tax credits	$ 1,281,339	$ 110,338
Unrealized loss on construction and service commitments	389,392	398,700
Unrealized provision for loss on inventories	361,758	240,037
Unrealized reverse for construction guaranty	151,954	152,258
Unrealized loss on purchase commitments	100,382	54,059
Estimated preferential severance pay	89,449	49,015
Unrealized sales discounts	75,308	74,651
Loss carryforwards	28,501	545,796
Others	449,576	354,681
	2,927,659	1,979,535
Less: Valuation allowance	248,715	108,304
	2,678,944	1,871,231
Deferred income tax liabilities		
Difference between tax reporting and financial reporting - revenue recognition	(14,613)	(57,112)
Others	(6,651)	(18,626)
	(21,264)	(75,738)
Total deferred income tax assets - current, net	2,657,680	1,795,493
Noncurrent		
Deferred income tax assets		
Investment tax credits	1,859,823	2,611,597
Impairment loss on financial assets	971,055	1,029,920
Loss carryforwards	350,213	163,010
Gain on sale of nonperforming loans	188,686	202,650
Unrealized gain from affiliates	149,929	140,705
Impairment loss on assets	10,002	102,282
Others	560,971	258,782
	4,090,679	4,508,946
Less: Valuation allowance	1,664,206	485,194
	2,426,473	4,023,752
Deferred income tax liabilities		
Difference between tax reporting and financial reporting - depreciation methods	(1,486,428)	(1,663,962)
Foreign investment income	(999,372)	(1,028,902)
Others	(96,155)	(48,368)
	(2,581,955)	(2,741,232)
Total deferred income tax assets (liabilities) - noncurrent, net	(155,482)	1,282,520
Total deferred income tax assets	$ 2,502,198	$ 3,078,013

Under the Statute for Upgrading Industries, the subsidiaries recognized investment tax credits from purchases of machinery and equipment, research and development, employee training expenditures and investments in important technology-based enterprises.

As of June 30, 2011, investment tax credits comprised of:

Tax Credit Source	Total Creditable and Remaining Creditable Amount	Expiry Year
Purchase of machinery and equipment	$ 3,135,890	2014
Investments in important technology-based enterprises	5,272	2012
	$ 3,141,162	

The above investment tax credits were recorded as deferred income tax assets - current for NT$1,281,339 thousand and deferred income tax assets - noncurrent for NT$1,859,823 thousand.

As of June 30, 2011, the subsidiaries had unused loss carryforwards of NT$2,227,728 thousand (tax amounted to NT$378,714 thousand), with expiry years from 2013 to 2021.

The Corporation's income tax returns through 2007 and the subsidiaries' income tax returns through 2006 to 2009 have been examined by the tax authorities.

d. Information about integrated income tax was as follows:

	June 30	
	2011	2010
Imputation credit account (ICA)	$ 4,081,408	$ 6,828,184
Unappropriated earnings generated before January 1, 1998	15,440	15,440

The creditable ratio for distribution of 2010 and 2009 earnings was 10.84% (estimated) and 33.33%, respectively.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to domestic shareholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. Nonresident stockholders, including holders of overseas depository receipts, are allowed only a tax credit from the 10% income tax on unappropriated earnings, which can be used to offset withholding income tax on dividends paid. The estimated creditable ratio for the 2010 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

30. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Six Months Ended June 30							
	2011				2010			
	Operating Cost	Operating Expense	Others	Total	Operating Cost	Operating Expense	Others	Total
Personnel								
Salary	$ 11,322,264	$ 2,397,063	$ 385,792	$ 14,105,119	$ 12,226,719	$ 2,599,412	$ 714,304	$ 15,540,435
Labor and health insurance	528,191	100,165	23,101	651,457	454,016	93,981	32,815	580,812
Pension and consolation costs	659,148	158,336	19,572	837,056	522,163	126,174	27,736	676,073
Others	623,168	208,110	32,503	863,781	503,849	178,255	19,401	701,505
	$ 13,132,771	$ 2,863,674	$ 460,968	$ 16,457,413	$ 13,706,747	$ 2,997,822	$ 794,256	$ 17,498,825
Depreciation	$ 12,814,463	$ 286,365	$ 25,597	$ 13,126,425	$ 10,291,133	$ 248,917	$ 10,576	$ 10,550,626
Amortization	127,079	19,251	2,065	148,395	80,645	42,540	1,663	124,848

31. EARNINGS PER SHARE

	Amount (Numerator)		Shares (Denominator)	Earnings Per Share (NT Dollars)	
	Before Tax	After Tax	(Thousand)	Before Tax	After Tax
Six months ended June 30, 2011					
Consolidated net income attributable to the Corporation's stockholders	$ 17,303,594	$ 15,344,413			
Less: Dividends on preferred shares	30,208	26,788			
Basic EPS					
Consolidated net income attributable to the Corporation's common stockholders	17,273,386	15,317,625	13,249,059	$ 1.30	$ 1.16
Effect of dilutive potential common stock					
Add: Dividends on preferred shares	30,208	26,788	38,268		
Bonus to employees	-	-	119,904		
Diluted EPS					
Consolidated net income attributable to the Corporation's common stockholders plus effect of potential dilutive common stock	$ 17,303,594	$ 15,344,413	13,407,231	1.29	1.14
Six months ended June 30, 2010					
Consolidated net income attributable to the Corporation's stockholders	$ 27,451,689	$ 23,818,359			
Less: Dividends on preferred shares	30,874	26,788			
Basic EPS					
Consolidated net income attributable to the Corporation's common stockholders	27,420,815	23,791,571	13,232,773	2.07	1.80
Effect of dilutive potential common stock					
Add: Dividends on preferred shares	30,874	26,788	38,268		
Bonus to employees	-	-	115,913		
Diluted EPS					
Consolidated net income attributable to the Corporation's common stockholders plus effect of potential dilutive common stock	$ 27,451,689	$ 23,818,359	13,386,954	2.05	1.78

The ARDF issued Interpretation 2007-052 that requires corporations to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Corporation may settle the bonus to employees by cash or shares, the Corporation should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus by the closing price of the shares at the balance sheet date. The dilutive effect of the shares should be considered until the stockholders resolve the number of shares to be distributed to employees in their meeting in the following year.

The weighted average number of shares outstanding for EPS calculation has been retroactively adjusted for the issuance of stock bonus distributed out of earnings for the year ended December 31, 2010. This adjustment caused the basic earnings per share before tax and after tax for the six months ended June 30, 2010 to decrease from NT$2.14 to NT$2.07 and from NT$1.86 to NT$1.80, respectively.

Capitalization of 2010 retained earnings of NT$6,783,084 thousand (678,308 thousand shares) will be effective on July 24, 2011 (Note 28). The earnings per share retroactively adjusted for the effect of such capitalization of retained earnings is summarized as follows:

	For the Six Months Ended June 30			
	2011		2010	
	Before Tax	After Tax	Before Tax	After Tax
Basic earnings per share	$ 1.24	$ 1.10	$ 1.97	$ 1.71
Diluted earnings per share	1.23	1.09	1.95	1.70

32. FINANCIAL INSTRUMENTS

a. As of June 30, 2011 and 2010, the information of fair values was as follows:

	June 30			
	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Non-derivative financial instruments				
Consolidated assets				
Financial assets at fair value through profit or loss	$ 5,486,955	$ 5,486,955	$ 11,007,863	$ 11,007,863
Available-for-sale financial assets (including noncurrent)	9,123,807	9,123,807	9,028,111	9,028,111
Held-to-maturity financial assets	169,649	169,649	279,928	279,928
Financial assets carried at cost	10,456,379	-	8,710,049	-
Bond investments with no active market	140,373	140,373	238,233	238,233
Other financial assets (including noncurrent)	7,330,400	7,330,400	2,954,910	2,954,910
Refundable deposits	357,194	357,194	395,118	395,118
Consolidated liabilities				
Bonds payable (including current portion)	35,132,614	35,924,326	43,223,519	44,218,684
Long-term debt (including current portion)	78,542,641	78,542,641	66,850,624	66,850,624
Long-term notes payable	15,469,726	15,469,726	5,396,632	5,396,632
Restructured loans payable (including current portion)	-	-	4,767,010	4,992,541
Derivative financial instrument				
Consolidated assets				
Financial assets at fair value through profit or loss (including noncurrent)	7,691	7,691	8,843	8,843
Hedging derivative assets (including noncurrent)	29,076	29,076	600,241	600,241
Consolidated liabilities				
Financial liabilities at fair value through profit or loss (including noncurrent)	2,228	2,228	11,816	11,816
Hedging derivative liabilities (including noncurrent)	676,072	676,072	363,981	363,981

b. Methods and assumptions used to estimate the fair values of financial instruments were as follows:

1) The carrying amount of cash and cash equivalents, notes and accounts receivable, other receivables, restricted assets, short-term loans and overdraft, commercial paper payable, notes and accounts payable, accrued expenses, dividends payable and other payables, approximate fair value because of

the short maturities of these instruments.

2) The fair values of financial instruments at fair value through profit or loss and available-for-sale financial assets and derivative financial instruments are determined at their market value. If there is no market value available for reference, the fair values are determined through valuation techniques. For stocks acquired through private placement and not transferred freely in public market, fair values are determined by using valuation techniques adopted by the Corporation based on information from the Market Observation Post System, the Taiwan Stock Exchange and etc. and calculated with the Black-Scholes Model. For hedging derivative instruments, the information used by the Corporation and its subsidiaries for determining assumptions applied in valuation is consistent with that used by market participants and is obtained from financial institutions. For fair values of financial instruments denominated in foreign currencies and foreign exchange contracts, the translation to New Taiwan dollars used exchange rates based on the buying rates quoted by the Central Bank and on the rates quoted by Reuters. For precious metals futures contracts, the information is obtained by subsidiaries from the counter-parties, which estimates the amount that should be paid or earned if the subsidiaries terminate the contracts on the balance sheet date, including the current unrealized gain or loss of the contracts.

3) Financial assets carried at cost are financial instruments issued by non-public corporations which do not have active market price and whose verifiable fair value cannot be determined at a reasonable cost.

4) The fair values of held-to-maturity financial assets and bond investments with no active market are determined at their carrying values.

5) The fair values of refundable deposits are determined at their carrying values.

6) The fair values of foreign currency deposits, included in other financial assets, and long-term liabilities are determined by the present values of future cash flows. If there is market price available for reference, the fair values are determined based on the market price. If there is no market price available for reference, the values are discounted at the interest rates of similar long-term debt and the floating-rate of foreign currency deposits available to the Corporation and its subsidiaries. Discount rates as of June 30, 2011 and 2010 were from 0.54313% to 5.74841% and from 0.36% to 4.86839%, respectively.

c. Fair values of the financial assets and financial liabilities based on quoted market prices or using valuation technique were as follows:

	Amount Determined by Quoted Market Price		**Amount Determined by Using Valuation Technique**	
	June 30		**June 30**	
	2011	**2010**	**2011**	**2010**
Consolidated assets				
Financial assets at fair value through profit or loss (including noncurrent)	$ 5,342,050	$ 10,496,897	$ 152,596	$ 519,809
Available-for-sale financial assets (including noncurrent)	8,775,255	8,935,086	348,552	93,025
Held-to-maturity financial assets	-	-	169,649	279,928
Bond investments with no active market	-	-	140,373	238,233
Other financial assets (including noncurrent)	-	-	7,330,400	2,954,910
Hedging derivative assets (including noncurrent)	-	-	29,076	600,241
Refundable deposits	-	-	357,194	395,118

(Continued)

	Amount Determined by Quoted Market Price		Amount Determined by Using Valuation Technique	
	June 30		June 30	
	2011	2010	2011	2010
Consolidated liabilities				
Financial liabilities at fair value through profit or loss (including noncurrent)	$ -	$ -	$ 2,228	$ 11,816
Hedging derivative liabilities (including noncurrent)	-	-	676,072	363,981
Bonds payable (including current portion)	35,924,326	44,218,684	-	-
Long-term debt (including current portion)	-	-	78,542,641	66,850,624
Long-term notes payable	-	-	15,469,726	5,396,632
Restructured loans payable (including current portion)	-	-	-	4,992,541

(Concluded)

d. Valuation gains and losses arising from changes in fair value of financial instruments determined using valuation techniques were valuation gain NT$2,175 thousand and valuation loss NT$38,081 thousand for the six months ended June 30, 2011 and 2010, respectively.

e. As of June 30, 2011 and 2010, financial assets exposed to cash flow interest rate risk amounted to NT$188,741 thousand and NT$559,691 thousand, respectively, financial liabilities exposed to cash flow interest rate risk amounted to NT$159,083,015 thousand and NT$107,110,312 thousand, respectively, financial assets exposed to fair value interest rate risk amounted to NT$11,590 thousand and NT$54,163 thousand, respectively, and financial liabilities exposed to fair value interest rate risk amounted to NT$54,134,128 thousand and NT$58,587,331 thousand, respectively.

f. The Corporation and its subsidiaries' total interest income and expenses (inclusive of capitalized interest) which were incurred from other than financial assets and liabilities at fair value through profit or loss were NT$144,314 thousand and NT$1,303,832 thousand, respectively, for the six months ended June 30, 2011 and NT$135,510 thousand and NT$1,078,602 thousand, respectively, for the six months ended June 30, 2010.

g. Financial risks

1) Market risk

Market risk includes fair value risk of interest rate change, exchange rate risk, and market price risk. The Corporation had loans in foreign currencies to hedge the exchange rate fluctuations on its long term investment in foreign currencies, thus, the exchange rate risk can be hedged naturally. The Corporation issued bonds payable with the fixed interest rate, and the fair values of the bonds payable will be influenced by the market interest rate change. If market interest rate increases or decreases by 1%, the fair value of bonds payable will decrease or increase by about NT$757,420 thousand.

The Corporation and its subsidiaries hold mutual funds and publicly traded stocks which are subject to market risk. If the share price increases or decreases by 1%, the fair value of the mutual funds and publicly traded stocks will increase or decrease by about NT$76,624 thousand.

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Corporation and its subsidiaries if the counter-parties breach contracts. Financial instruments with positive fair values at the balance sheet date are evaluated for credit risk. The counter-parties to the foregoing financial instruments are reputable financial institutions and business organizations. Management does not expect the Corporation and its subsidiaries' exposure to default by those parties to be material.

Endorsement/guarantee provided to the consolidated entities as of June 30, 2011 were as follows:

Endorsement/Guarantee Provider	Counter - Party	Ending Balance	
China Steel Corporation	Dragon Steel Corporation	USD	485,619 thousand
China Steel Structure Co., Ltd.	United Steel Constructure Corporation	NTD	1,453,000 thousand
	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	NTD	315,975 thousand
	United Steel Construction Vietnam Co., Ltd.	NTD	176,000 thousand
United Steel Constructure Corporation	China Steel Structure Co., Ltd.	NTD	4,781,094 thousand
Chine Steel Global Trading Corporation	Chung Mao Trading (SAMOA) Co.	USD	3,000 thousand
	CSGT International Corporation	USD	3,200 thousand

3) Liquidity risk

The Corporation and its subsidiaries have sufficient operating capital to meet future cash needs. Therefore, the cash flow risk is low.

Financial assets at fair value through profit or loss and available-for-sale financial assets could be sold rapidly in the active market or secondary financial market at prices approximating fair value. There are liquidity risks for the financial assets carried at cost, bond investments with no active market and held-to-maturity financial assets because no quoted active market public prices are available.

4) Cash flow interest rate risk

Market interest rate change will influence the effective interest rate of the financial instruments which have cash flow risk of the interest rate change, and make future cash flow fluctuate. If the market interest rate increases by 1%, cash outflow of the Corporation and subsidiaries will increase by about NT$1,588,943 thousand.

h. Fair value, net investment in foreign operation and cash flow hedge

The Corporation and its subsidiaries including CSMC, DSC, CSGT, CAC and CEC have debts denominated in foreign currencies, purchased bank deposits - foreign-currency and forward contracts to effectively hedge the exchange rate fluctuations on the investments in EAUS, Maruichi Steel Tube Ltd., Yodogawa Steel Works Ltd., CSCAU, CSVC, contracts of purchasing machinery and equipment, and contracts for selling and purchasing goods.

		Designated Hedging Instrument		
			Changes in Fair Value	
			Six Months Ended June 30	
Hedge Type	Hedged Item	Financial Instrument	2011	2010
Fair value hedge	Investments in EAUS Corporation (recorded as financial assets carried at cost - noncurrent)	Debt in JPY	$ 9,405	$ (169,290)
Fair value hedge	Investments in Maruichi Steel Tube Ltd. (recorded as available-for-sale financial assets - noncurrent)	Debt in JPY	2,470	(44,460)
Fair value hedge	Investments in Yodogawa Steel Works, Ltd. (recorded as available-for-sale financial assets - noncurrent)	Debt in JPY	1,153	(20,759)
Hedge of a net investment in a foreign operation	Investment in CSCAU (one of consolidated entities and the amount was eliminated)	Debt in AUD	(18,955)	19,849

(Continued)

Hedge Type	Hedged Item	Designated Hedging Instrument		
			Changes in Fair Value	
			Six Months Ended June 30	
		Financial Instrument	2011	2010
Hedge of a net investment in a foreign operation	Investment in CSVC (one of consolidated entities and the amount was eliminated)	Debt in USD	$ 114,125	$ (16,627)
Cash flow hedge	Contracts for purchasing machinery and equipment	Bank Deposit - foreign-currency	(158,131)	76,253
Cash flow hedge	Contracts for purchasing machinery and equipment and contracts for selling and purchasing goods	Forward contracts	(382,588)	(117,705)

(Concluded)

The fair values of the above hedging instruments would approximate their carrying values. The exchange rate fluctuations of the above fair value hedged items and financial instruments were recorded as gain or loss in the current period. The exchange rate fluctuations of hedged items and financial instruments on hedge of a net investment in a foreign operation and cash flow were recorded as adjustment to stockholders' equity.

As of June 30, 2011 and 2010, the fair values of the above foreign currency deposits on cash flow hedge were NT$7,330,400 thousand and NT$2,954,910 thousand, respectively, recorded as other financial assets (including noncurrent) (Note 14).

33. RELATED PARTY TRANSACTIONS

a. Related parties

Related Parties	Relationship with the Corporation
Kaohsiung Rapid Transit Corporation	Equity method investee
Kaohsiung Arena Development Corp.	Equity method investee
TaiAn Technologies Corporation	Equity method investee
Hsin Hsin Cement Enterprise Co. (HHCEC)	Equity method investee
Kaohsiung Port Cargo Handling Services Corp.	Equity investee of the Corporation's affiliate
International Carbide Technology Co., Ltd.	Equity investee of the Corporation's affiliate
China Synthetic Rubber Corporation (CSRC)	Director of the Corporation's affiliate
Taiwan Cement Corp. (TCC)	Director of the Corporation's affiliate
Asia Cement Corp.	Director of the Corporation's affiliate
Universal Cement Corp.	Director of the Corporation's affiliate
Southeast Cement Co., Ltd.	Director of the Corporation's affiliate
RSEA Engineering Corp. (REC)	Director of the Corporation's affiliate, dismissed in June 2011
Great Grandeul Steel Co., Ltd.	Director of the Corporation's affiliate
Dai-Ichi High Frequency Co., Ltd.	Director of the Corporation's affiliate
Hua Eng Wire & Cable Co., Ltd.	Director of the Corporation's affiliate
CTCI Corporation	Supervisor of the Corporation's affiliate
Chun Yu Corporation	Supervisor of the Corporation's affiliate
Chia Hsin Cement Corporation	Supervisor of the Corporation's affiliate
Berlin Co., Ltd. (BC)	Supervisor of the Corporation's affiliate, elected in June 2011
CSBC Corporation Taiwan (CSBC)	CSBC's director
Tang Eng Iron Works Co., Ltd. (TEI)	TEI's director
Adimmune Corp.	Adimmune Corporation's supervisor
Shanghai Summit Metal Products Co., Ltd.	The Corporation's affiliate is its director

(Continued)

Related Parties	Relationship with the Corporation
Pacific Harbour Stevedoring Corp.	The Corporation's affiliate is its director
CSC Educational Foundation	Foundation established mainly from the Corporation's donation
Others	Substantial control and significant influence over investees, but no material transactions

(Concluded)

The Corporation revised the definition of its related parties by adopting the Interpretation issued by the ARDF on December 31, 2010. Retroactive adjustments were made to the related-party transactions as of and for the six months ended June 30, 2010.

b. Significant related-party transactions were as follows:

Sales

Sales to related parties (including CSBC and etc.) were NT$3,836,344 thousand (2% of net operating revenues) and NT$3,341,165 thousand (2% of net operating revenues), respectively, for the six months ended June 30, 2011 and 2010.

Purchases

Purchases from related parties (including HHCEC and etc.) were NT$244,214 thousand and NT$300,830 thousand, respectively, for the six months ended June 30, 2011 and 2010.

Sales to and purchases from related parties were made under normal terms applied to similar transactions in the market.

Other revenues

Other revenues that pertained to professional services, construction and other services to related parties (including TEI and etc.) were NT$400,422 thousand and NT$721,758 thousand, respectively, for the six months ended June 30, 2011 and 2010. These were recorded in operating revenues and nonoperating income and gains.

Balances at period-end

1) Notes and accounts receivable

Notes and accounts receivable from related parties were NT$952,348 thousand (8% of account balance, including CSBC and CSRC etc.) and NT$1,072,612 thousand (10% of account balance, including CSBC and REC, etc.), respectively, as of June 30, 2011 and 2010.

2) Notes and accounts payable

Notes and accounts payable to related parties were NT$201,938 thousand (2% of account balance, including BC and HHCEC, etc.) and NT$69,272 thousand (1% of account balance, including HHCEC and TCC, etc.), respectively, as of June 30, 2011 and 2010.

34. MORTGAGED OR PLEDGED ASSETS

As of June 30, 2011 and 2010, the Corporation and its subsidiaries' assets mortgaged or pledged as collateral for long-term and short-term bank loans, performance guarantees, etc were as follows (listed according to their carrying amounts):

	June 30	
	2011	2010
Property, plant and equipment, net	$ 128,376,166	$ 100,298,731
Stocks (Note)	8,501,220	-
Restricted assets - demand and time deposits	6,297,819	5,850,859
Idle assets, net	859,667	932,830
Assets leased to others, net	163,019	74,828
Government bonds (recorded in available-for-sale financial assets - noncurrent)	-	44,300
	$ 144,197,891	$ 107,201,548

Note: Stocks of the Corporation were pledged by the subsidiaries WIC and TIC and were recorded as treasury stock in the consolidated financial statements.

35. SIGNIFICANT COMMITMENTS AND CONTINGENCIES AS OF JUNE 30, 2011

In addition to those disclosed in Note 23, significant commitments and contingencies of the Corporation and its subsidiaries as of June 30, 2011 were as follows:

a. The Corporation and its subsidiaries provide letters of credits of NT$2.8 billion guaranteed by financial institutions for several construction and lease contracts, and guarantee notes of NT$75.9 billion to banks and ownerships for loans, purchase agreements and warranty.

b. Unused letters of credit to import materials and machinery amounted to NT$22.7 billion.

c. Property purchase and construction contracts of NT$40.1 billion were signed but not yet recorded.

d. Construction contracts of NT$29.7 billion were not yet completed.

e. The Corporation and its subsidiaries entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, United States, Bahrain, Japan and domestic companies with contract terms of 1, 3 or 10 years. Contracted annual purchases of 10,400,000 metric tons of coal, 20,250,000 metric tons of iron ore, and 3,150,000 metric tons of limestone are at prices negotiable with the counter parties quarterly or annually. Unpaid purchase amounts as of June 30, 2011 were USD25.8 billion (including 22,520,000 metric tons of coal; 111,770,000 metric tons of iron ore; and 2,330,000 metric tons of limestone).

f. Endorsement/guarantee provided to the consolidated entities as of June 30, 2011 were as follows:

Endorsement/Guarantee Provider	Counter - Party	Ending Balance	
China Steel Corporation	Dragon Steel Corporation	USD	485,619 thousand

(Continued)

Endorsement/Guarantee Provider	Counter - Party	Ending Balance	
China Steel Structure Co., Ltd.	United Steel Constructure Corporation	NTD	1,453,000 thousand
	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	NTD	315,975 thousand
	United Steel Construction Vietnam Co., Ltd.	NTD	176,000 thousand
United Steel Constructure Corporation	China Steel Structure Co., Ltd.	NTD	4,781,094 thousand
Chine Steel Global Trading Corporation	Chung Mao Trading (SAMOA) Co.	USD	3,000 thousand
	CSGT International Corporation	USD	3,200 thousand

(Concluded)

36. OPERATING SEGMENT INFORMATION

Starting from January 1, 2011, the Corporation and its subsidiaries adopted the newly issued SFAS No. 41, "Operating Segments." According to the internal reports that are regularly reviewed by the Corporation's chief operating decision maker in order to allocate resources to the segments and assess their performance, the reportable segments are identified as follows:

a. China Steel Corporation (CSC) - manufactures and sells steel products and engages in construction of machinery, communications and electrical engineering.

b. Dragon Steel Corporation (DSC) - processes, manufactures and sells H-beam, billet, slab and coil.

c. Chung Hung Steel Corporation Ltd. (CHSC) - processes, manufactures and sells coil, pipe, tube and other steel products.

Information about revenue, results from continuing operations and assets of the Corporation and its subsidiaries are as follows:

	CSC	DSC	CHSC	Other Segments	Adjustment and Elimination	Consolidated
Six months ended June 30, 2011						
Revenues from other than consolidated entities	$ 112,608,684	$ 25,598,373	$ 23,215,160	$ 38,980,880	$ -	$ 200,403,097
Revenues among consolidated entities	7,525,632	11,320,357	117,896	23,649,469	(42,613,354)	-
Total revenues	$ 120,134,316	$ 36,918,730	$ 23,333,056	$ 62,630,349	$ (42,613,354)	$ 200,403,097
Segment profit (loss)	$ 12,518,046	$ 2,526,297	$ (566,818)	$ 5,923,920	$ (217,564)	$ 20,183,881
Interest income						144,314
Nonoperating income and gains						824,379
Interest expense						(950,462)
Investment loss recognized under equity method, net						(44,877)
Nonoperating expenses and losses						(334,319)
Consolidated income before income tax						$ 19,822,916
Identifiable assets	$ 282,347,641	$ 184,715,934	$ 31,708,847	$ 118,962,165	$ (40,817,517)	$ 576,917,070
Investments accounted for by the equity method						2,856,736
Total assets						$ 579,773,806
Six months ended June 30, 2010						
Revenues from other than consolidated entities	$ 100,687,260	$ 6,540,058	$ 21,428,230	$ 34,844,257	$ -	$ 163,499,805
Revenues among consolidated entities	11,821,360	7,339,426	846,431	23,286,349	(43,293,566)	-
Total revenues	$ 112,508,620	$ 13,879,484	$ 22,274,661	$ 58,130,606	$ (43,293,566)	$ 163,499,805

(Continued)

	CSC	DSC	CHSC	Other Segments	Adjustment and Elimination	Consolidated
Segment profit	$ 22,518,281	$ 1,681,903	$ 2,951,242	$ 5,706,960	$ 859,582	$ 33,717,968
Interest income						135,510
Nonoperating income and gains						272,650
Interest expense						(627,292)
Investment loss recognized under equity method, net						(406,720)
Nonoperating expenses and losses						(133,353)
Consolidated income before income tax						$ 32,958,763
Identifiable assets	$ 260,520,029	$ 150,513,924	$ 26,405,568	$ 112,687,146	$ (36,367,452)	$ 513,759,215
Investments accounted for by the equity method						2,843,074
Total assets						$ 516,602,289

(Concluded)

Segment profit represents the profit earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

37. OTHERS

The significant foreign-currency financial assets and liabilities were as follows:

	June 30					
	2011			2010		
	Foreign Amount	Exchange Rate	NTD Amount	Foreign Amount	Exchange Rate	NTD Amount
Monetary financial assets						
USD	$ 493,119	28.725	$ 14,164,894	$ 298,584	32.274	$ 9,636,486
MYR	381,386	9.1325	3,483,009	405,839	9.9533	4,039,434
JPY	9,206,623	0.3573	3,289,526	5,251,777	0.3641	1,912,172
CNY	355,306	4.4655	1,586,619	184,908	4.754	879,052
AUD	15,747	30.825	485,387	9,531	27.5761	262,835
EUR	8,434	41.63	351,089	10,817	39.475	426,986
VND	203,211,744	0.0013	273,320	204,032,947	0.0017	346,856
SGD	7,400	23.38	173,014	7,254	22.9798	166,702
HKD	45,848	3.691	169,226	47,980	4.1276	198,041
GBP	83	46.19	3,836	242	48.5765	11,777
Non-monetary financial assets						
JPY	14,656,000	0.3573	5,236,589	14,140,000	0.3641	5,148,374
USD	16,673	28.725	478,929	16,503	32.274	532,630
SGD	1,593	23.38	37,235	1,593	22.9798	36,598
CNY	615	4.4655	2,745	597	4.754	2,837
Investments accounted for by the equity method						
CNY	15,834	4.4655	70,706	12,789	4.754	60,800
EUR	1,660	41.63	69,126	-	-	-
Monetary financial liabilities						
USD	457,574	28.725	13,143,823	432,662	32.274	13,963,732
JPY	14,060,888	0.3573	5,023,955	14,317,300	0.3641	5,212,929
CNY	495,672	4.4655	2,213,424	447,266	4.754	2,126,304
AUD	21,747	30.825	670,364	19,844	27.5761	547,227
VND	268,501,392	0.0013	361,134	210,379,042	0.0017	357,644
MYR	17,594	9.1325	160,680	30,536	9.9533	303,933
SGD	2,775	23.38	64,885	118	22.9798	2,713
EUR	1,065	41.63	44,342	1,246	39.475	49,172

Derivative Financial Instruments

	Currency	Contract Exchange Rate	Contract Amount (In Thousands)
June 30, 2011			
Forward exchange contracts - buy	NTD/USD	28.2847-31.894	NTD7,610,530/USD250,640
Forward exchange contracts - buy	NTD/EUR	39.3-47.622	NTD1,968,556/EUR43,070
Forward exchange contracts - buy	NTD/JPY	0.305779-0.37945	NTD2,381,415/JPY6,673,676
Forward exchange contracts - sell	USD/NTD	28.477-29.488	USD15,693/NTD452,198
Forward exchange contracts - sell	HKD/NTD	3.705-3.7282	HKD35,400/NTD131,898
Forward exchange contracts - sell	EUR/NTD	42	EUR830/NTD34,860
June 30, 2010			
Forward exchange contracts - buy	NTD/USD	25.87-32.253	NTD13,212,520/USD423,022
Forward exchange contracts - buy	NTD/EUR	39.305-47.742	NTD2,393,537/EUR51,916
Forward exchange contracts - buy	NTD/JPY	0.2973-0.3671	NTD4,284,877/JPY12,581,770
Forward exchange contracts - sell	USD/NTD	31.351-32.35	USD24,622/NTD785,398
Forward exchange contracts - sell	EUR/NTD	41.6-47.393	EUR2,961/NTD140,096
Forward exchange contracts - sell	HKD/NTD	4.04-4.0685	HKD30,000/NTD121,987