China Steel Corporation and Subsidiaries

Consolidated Financial Statements for the
Nine Months Ended September 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 September 30, 2011 and 2010, and the related consolidated statements of income and cash flows for the nine 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.

Except for the matters described in the third paragraph, 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.

As discussed in Note 1 to the accompanying consolidated financial statements, certain subsidiaries (unlisted companies) included in the consolidated financial statements were unreviewed. As of September 30, 2011 and 2010, these subsidiaries' total assets amounted to NT$68,946,210 thousand and NT$64,348,060 thousand, or 11% and 12%, respectively, of consolidated total assets, and their total liabilities amounted to NT$23,997,517 thousand and NT$26,258,529 thousand, or 8% and 10%, respectively, of consolidated total liabilities. For the nine months ended September 30, 2011 and 2010, their net operating revenues amounted to NT$40,016,771 thousand and NT$35,123,625 thousand, or 13% and 14%, respectively, of consolidated net operating revenues, and their net income amounted to NT$3,757,609 thousand and NT$5,136,159 thousand, or 17% and 14%, respectively, of consolidated net income. As discussed in Note 13 to the accompanying consolidated financial statements, the aggregate carrying value of the Corporation's investments accounted for by the equity-method amounted to NT$2,682,537 thousand and NT$3,243,014 thousand, as of September 30, 2011 and 2010, respectively, and the net investment loss amounted to NT$222,294 thousand and NT$44,697 thousand for the nine months ended September 30, 2011 and 2010, respectively. These amounts were based on the investees' unreviewed financial statements for the same reporting period as that of the Corporation.

Based on our reviews, except for the effects of any adjustments that might have been determined to be necessary had the financial statements of the subsidiaries and equity method investees referred to in the preceding paragraph been reviewed, 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, the order VI-0960064020 promulgated on November 15, 2007, by the Financial Supervisory Commission under the Executive Yuan, and accounting principles generally accepted in the Republic of China.

October 17, 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
SEPTEMBER 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 (Note 4)	$ 16,512,300	3	$ 16,498,230	3
Financial assets at fair value through profit or loss - current (Notes 5 and 29)	3,141,532	-	4,921,154	1
Available-for-sale financial assets - current (Notes 6 and 29)	5,123,467	1	5,300,017	1
Hedging derivative assets - current (Notes 7 and 29)	167,479	-	162,264	-
Notes receivable, net (Notes 8, 26 and 30)	1,881,300	-	1,705,622	-
Accounts receivable, net (Notes 2, 3, 8, 26 and 30)	9,694,370	2	8,609,093	2
Other receivables	2,920,412	-	2,692,364	1
Other financial assets - current (Notes 14 and 29)	4,987,611	1	3,054,032	1
Inventories (Notes 9 and 26)	123,206,275	21	88,071,531	16
Deferred income tax assets - current	2,511,409	-	1,752,616	-
Restricted assets - current (Notes 4 and 31)	6,040,754	1	5,684,168	1
Others	5,913,930	1	6,725,248	1
Total current assets	182,100,839	30	145,176,339	27
INVESTMENTS				
Financial assets at fair value through profit or loss - noncurrent (Notes 5 and 29)	33,116	-	-	-
Available-for-sale financial assets - noncurrent (Notes 6, 29 and 31)	3,526,523	1	3,501,104	1
Held-to-maturity financial assets - noncurrent (Notes 10 and 29)	170,870	-	249,080	-
Hedging derivative assets - noncurrent (Notes 7 and 29)	162,798	-	142,858	-
Financial assets carried at cost - noncurrent (Notes 11 and 29)	11,011,034	2	8,762,544	2
Bond investments with no active market - noncurrent (Notes 12 and 29)	142,447	-	240,562	-
Investments accounted for by the equity method (Note 13)	2,682,537	1	3,243,014	-
Investments in real estate	381,905	-	219,205	-
Other financial assets - noncurrent (Notes 14 and 29)	2,386,538	-	625,856	-
Total investments	20,497,768	4	16,984,223	3
PROPERTY, PLANT AND EQUIPMENT (Notes 7, 14, 15 and 31)				
Land	18,773,728	3	17,152,986	3
Land improvements	4,385,107	1	6,111,262	1
Buildings	75,746,549	13	74,330,569	14
Machinery and equipment	425,364,675	71	420,928,557	78
Transportation equipment	19,605,308	3	19,745,104	4
Other equipment	17,516,929	3	15,045,456	3
Spare parts	8,996,457	1	10,343,025	2
Total cost	570,388,753	95	563,656,959	105
Revaluation increment	43,368,282	7	43,623,754	8
Cost and revaluation increment	613,757,035	102	607,280,713	113
Less: Accumulated depreciation	311,665,504	52	295,792,175	55
Accumulated impairment	428,975	-	1,045,277	-
	301,662,556	50	310,443,261	58
Construction in progress and prepayments for equipment	86,985,052	15	52,651,568	10
Net property, plant and equipment	388,647,608	65	363,094,829	68
INTANGIBLE ASSETS (Note 16)	2,137,142	-	1,816,936	-
OTHER ASSETS				
Assets leased to others, net (Notes 17 and 31)	3,060,715	1	456,583	-
Idle assets, net (Notes 18 and 31)	2,122,122	-	5,260,390	1
Refundable deposits (Note 29)	479,217	-	387,620	-
Deferred income tax assets - noncurrent	-	-	1,424,550	1
Restricted assets - noncurrent (Notes 4 and 31)	309,112	-	156,106	-
Deferred charge and others	938,083	-	1,238,211	-
Total other assets	6,909,249	1	8,923,460	2
TOTAL	$ 600,292,606	100	$ 535,995,787	100

	2011		2010	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans and overdraft (Notes 19 and 31)	$ 64,387,220	11	$ 44,549,746	8
Commercial paper payable (Notes 20 and 31)	23,754,776	4	14,041,930	3
Financial liabilities at fair value through profit or loss - current (Notes 5 and 29)	22,106	-	418	-
Hedging derivative liabilities - current (Notes 7 and 29)	126,370	-	204,571	-
Notes payable (Notes 26 and 30)	937,111	-	674,065	-
Accounts payable (Notes 26 and 30)	9,740,542	2	10,631,220	2
Income tax payable	4,885,276	1	4,503,906	1
Accrued expenses (Note 21)	13,614,138	2	14,814,156	3
Other payables	9,283,147	1	16,404,594	3
Bonds payable - current portion (Notes 22 and 29)	5,599,799	1	8,098,532	1
Long-term debt - current portion (Notes 23, 29 and 31)	11,259,246	2	1,613,154	-
Restructured loans payable - current portion (Notes 25 and 29)	-	-	400,000	-
Others (Note 26)	7,102,785	1	9,041,754	2
Total current liabilities	150,712,516	25	124,978,046	23
LONG-TERM LIABILITIES				
Hedging derivative liabilities - noncurrent (Notes 7 and 29)	30,104	-	150,488	-
Bonds payable (Notes 22 and 29)	29,534,600	5	35,127,260	7
Long-term debt (Notes 23, 29 and 31)	77,476,173	13	71,054,013	13
Long-term notes payable (Notes 24 and 29)	23,871,856	4	5,393,188	1
Restructured loans payable (Notes 25 and 29)	-	-	4,368,204	1
Total long-term liabilities	130,912,733	22	116,093,153	22
RESERVE FOR LAND VALUE INCREMENT TAX (Note 15)	8,855,688	2	8,673,466	2
OTHER LIABILITIES				
Accrued pension cost	556,918	-	526,944	-
Deferred income tax liabilities - noncurrent	195,116	-	-	-
Others	919,293	-	1,012,298	-
Total other liabilities	1,671,327	-	1,539,242	-
Total liabilities	292,152,264	49	251,283,907	47
STOCKHOLDERS' EQUITY OF PARENT COMPANY (Notes 7, 14, 15, 27 and 31)				
Capital stock - NT$10 par value, authorized 17,000,000 thousand shares				
Common shares - issued 15,046,209 thousand shares and 13,527,901 thousand shares as of September 30, 2011 and 2010, respectively	150,462,093	25	135,279,009	25
Preferred shares - issued 38,268 thousand shares	382,680	-	382,680	-
Total capital stock	150,844,773	25	135,661,689	25
Capital surplus	36,147,304	6	19,966,634	4
Retained earnings				
Legal reserve	52,829,209	9	49,070,526	9
Special reserve	7,615,701	1	7,615,701	2
Unappropriated earnings	113,292	-	64,909	-
Net income of parent company for the nine months ended September 30	20,067,096	3	33,055,568	6
Total retained earnings	80,625,298	13	89,806,704	17
Other equity adjustments				
Unrealized revaluation increment	22,008,259	4	21,914,205	4
Unrealized gain on financial instruments	3,234,911	-	2,767,998	1
Cumulative translation adjustments	62,716	-	350,198	-
Net loss not recognized as pension cost	(79,210)	-	(42,243)	-
Treasury stock - 304,500 thousand shares and 297,213 thousand shares as of September 30, 2011 and 2010, respectively	(8,351,779)	(1)	(8,450,143)	(2)
Total other equity adjustments	16,874,897	3	16,540,015	3
Total stockholders' equity of parent company	284,492,272	47	261,975,042	49
MINORITY INTEREST	23,648,070	4	22,736,838	4
Total stockholders' equity	308,140,342	51	284,711,880	53
TOTAL	$ 600,292,606	100	$ 535,995,787	100

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

(With Deloitte & Touche review report dated October 17, 2011)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 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 30 and 34)	$ 303,886,060	100	$ 254,824,654	100
OPERATING COSTS (Notes 5, 9, 13 and 30)	267,901,876	88	201,065,227	79
GROSS PROFIT	35,984,184	12	53,759,427	21
REALIZED GAIN FROM AFFILIATES	25,581	-	22,839	-
REALIZED GROSS PROFIT	36,009,765	12	53,782,266	21
OPERATING EXPENSES				
Research and development	1,287,930	1	1,202,800	-
Selling	3,540,625	1	3,462,246	1
General and administrative	4,257,777	1	4,003,655	2
Total operating expenses	9,086,332	3	8,668,701	3
OPERATING INCOME	26,923,433	9	45,113,565	18
NONOPERATING INCOME AND GAINS				
Interest income (Note 29)	239,679	-	213,186	-
Dividend income	283,901	-	225,892	-
Exchange gain, net	494,774	-	188,558	-
Reversal of impairment loss, net (Notes 11, 17 and 18)	277,802	-	1,369	-
Others (Notes 5, 7, 15 and 30)	659,718	1	343,411	1
Total nonoperating income and gains	1,955,874	1	972,416	1
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 15 and 29)	1,491,395	1	994,479	1
Investment loss recognized under equity method, net (Note 13)	222,169	-	39,940	-
Others (Note 5)	893,803	-	668,714	-
Total nonoperating expenses and losses	2,607,367	1	1,703,133	1
INCOME BEFORE INCOME TAX	26,271,940	9	44,382,848	18
INCOME TAX	4,361,795	2	7,159,418	3
NET INCOME	$ 21,910,145	7	$ 37,223,430	15

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CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	2011		2010	
	Amount	%	Amount	%
ATTRIBUTABLE TO				
Stockholders of parent company	$ 20,067,096	6	$ 33,055,568	13
Minority interest	1,843,049	1	4,167,862	2
	$ 21,910,145	7	$ 37,223,430	15

	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE (Note 28)				
Basic	$ 1.61	$ 1.42	$ 2.73	$ 2.38
Diluted	$ 1.60	$ 1.41	$ 2.70	$ 2.35

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

(With Deloitte & Touche review report dated October 17, 2011) (Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 21,910,145	$ 37,223,430
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	19,458,727	17,063,159
Amortization	192,992	280,291
Deferred income tax	(75,651)	2,438,173
Realized gain from affiliates	(25,581)	(22,839)
Provision for loss on inventories	618,933	336,105
Investment loss recognized under equity method, net	222,294	44,697
Cash dividends received from equity method investees	20,712	47,190
Impairment loss on financial assets	128,037	62,652
Impairment loss on non-financial assets	465	-
Reversal of impairment loss on non-financial assets	(348,270)	(1,369)
Compensation cost of share-based payment	101,522	-
Loss on purchase commitments	312,992	303,616
Others	149,451	(205,191)
Net changes in operating assets and liabilities		
Financial instruments held for trading	511,467	336,447
Notes receivable	14,651	(292,211)
Accounts receivable	(1,875,000)	(1,369,998)
Other receivables	(908,057)	(1,051,053)
Inventories	(34,162,593)	(28,757,076)
Other current assets	437,961	(1,779,633)
Notes payable	460,841	97,928
Accounts payable	(386,795)	4,012,724
Income tax payable	(385,556)	3,565,550
Accrued expenses	(2,156,657)	3,219,958
Other payables	255,278	1,502,769
Other current liabilities	(76,246)	3,171,689
Net cash provided by operating activities	4,396,062	40,227,008
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	(14,314,326)	(19,296,493)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	15,612,793	23,903,870
Acquisition of available-for-sale financial assets	(4,316,661)	(8,938,816)
Proceeds from disposal of available-for-sale financial assets	5,259,199	9,070,038
Acquisition of held-to-maturity financial assets	(9,144)	(81,445)
Proceeds from disposal of held-to-maturity financial assets	39,518	242,046
Acquisition of financial assets carried at cost	(887,942)	(297,273)
Proceeds from disposal of financial assets carried at cost	34,645	44,535

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CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	2011	2010
Proceeds from the capital reduction on financial assets carried at cost	$ 16,063	$ 6,532
Acquisition of bond investments with no active market	(12,695)	(125,470)
Proceeds from disposal of bond investments with no active market	1,439	99,878
Acquisition of investments accounted for by equity method	(6,750)	(40,994)
Proceeds from disposal of investments accounted for by the equity method	13,460	15,931
Proceeds from the capital reduction on investments accounted for by equity method	-	51,780
Decrease (increase) in other financial assets	(2,248,562)	1,070,699
Acquisition of property, plant and equipment	(41,850,538)	(54,659,766)
Proceeds from disposal of property, plant and equipment	49,770	12,846
Increase in refundable deposits	(259,191)	(114,918)
Increase in restricted assets	(157,745)	(515,557)
Increase in intangible assets	(151,103)	(36,174)
Decrease (increase) in other assets	184,191	(162,606)
Net cash used in investing activities	(43,003,579)	(49,751,357)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans and overdraft	17,284,076	(5,572,097)
Increase (decrease) in commercial paper payable	6,892,789	(4,579,595)
Repayments of bonds payable	(8,100,000)	-
Proceeds from long-term debt	14,177,939	33,119,965
Repayments of long-term debt and restructured loans payable	(6,687,612)	(2,976,609)
Increase (decrease) in long-term notes payable	18,475,197	(1,401,119)
Increase in other liabilities	39,590	199,783
Cash dividends paid by parent company	(26,093,644)	(12,801,138)
Paid-in capital	23,738,755	-
Purchase of parent company's shares held by subsidiaries	(680,281)	(390,832)
Disposal of parent company's shares held by subsidiaries	433,924	-
Decrease in minority interest	(1,198,998)	(1,904,088)
Others	-	(56,000)
Net cash provided by financing activities	38,281,735	3,638,270
NET DECREASE IN CASH AND CASH EQUIVALENTS	(325,782)	(5,886,079)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	16,838,082	22,384,309
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 16,512,300	$ 16,498,230
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 1,538,878	$ 1,090,466
Capitalized interest	(410,541)	(436,863)

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CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	2011	2010
Interest paid (excluding capitalized interest)	$ 1,128,337	$ 653,603
Income tax paid	$ 4,823,002	$ 1,155,695
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	$ 39,310,815	$ 64,792,100
Decrease (increase) in payable for equipment purchased	2,539,723	(10,132,334)
	$ 41,850,538	$ 54,659,766
Cash Dividends Paid to Stockholders		
Total cash dividends payable to stockholders	$ 26,996,676	$ 13,266,411
Acquisition of cash dividends distributed by parent company	(887,533)	(472,637)
Decrease (increase) in dividends payable	(15,499)	7,364
	$ 26,093,644	$ 12,801,138
NON-CASH FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 16,859,045	$ 10,111,686

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

(With Deloitte & Touche review report dated October 17, 2011) (Concluded)

(Amounts in Thousands of New Taiwan Dollars, Unless Stated 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 September 30, 2011 and 2010, the Ministry of Economic Affairs, Republic of China owned 20.05% and 21.24% of the Corporation's issued common stock, respectively.

As of September 30, 2011 and 2010, the Corporation and its subsidiaries had about 22,000 employees.

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

			Percentage of Ownership (%)		
			September 30		
Name of Investor	Name of Investee	Main Business	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. (CSAPH)	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	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 (%) September 30 2011	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	33	Direct and indirect ownerships amounted to 37% and 33% as of September 30, 2011 and 2010, respectively, 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	41	45	Direct and indirect ownerships amounted to 52% and 57% as of September 30, 2011 and 2010, respectively

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Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) September 30 2011	2010	Additional Descriptions
Eminence Investment Corporation	Shin-Mau Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Gau Ruel Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%
	Ding Da Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Chiun Yu Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%
Shin-Mau Investment Corporation	Horng Chyuan Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
	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	
	Thintech Global Limited	International trading and investment service	100	-	Investment in September 2011
	Taicang Thintech Materials Co., Ltd.	Manufacture, processing and trading of target material, solar conductive paste and glass polishing supplies	100	-	Investment in September 2011
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	-	Investment 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	
	Constant Mode Sdn. Bhd.	General investment	100	-	Investment in August 2011
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 (CIC)	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	

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) September 30 2011	2010	Additional Descriptions
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	
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 board 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 CSHB's 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%.

Certain subsidiaries (unlisted companies) included in the consolidated financial statements were unreviewed. As of September 30, 2011 and 2010, these subsidiaries' total assets amounted to NT$68,946,210 thousand and NT$64,348,060 thousand, or 11% and 12%, respectively, of consolidated total assets, and their total liabilities amounted to NT$23,997,517 thousand and NT$26,258,529 thousand, or 8% and 10%, respectively, of consolidated total liabilities. For the nine months ended September 30, 2011 and 2010, their net operating revenues amounted to NT$40,016,771 thousand and NT$35,123,625 thousand, or 13% and 14%, respectively, of consolidated net operating revenues, and their net income amounted to NT$3,757,609 thousand and NT$5,136,159 thousand, or 17% and 14%, respectively, of consolidated net income. These amounts were based on the investees' unreviewed financial statements for the same reporting period as that of the Corporation.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the order VI-0960064020 promulgated on November 15, 2007, by the Financial Supervisory Commission under the Executive Yuan, and accounting principles generally accepted in the Republic of China ("ROC GAAP"). Except for the impairment of accounts receivable and the changes in accounting principles stated in Note 3, the accounting principles adopted by the Corporation and its subsidiaries in 2011 are the same as those adopted in the consolidated financial statements for the year ended December 31, 2010.

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:

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 in profit or loss.

Reclassifications

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

	September 30, 2010	
	Before Reclassification	**After Reclassification**
Consolidated balance sheets		
Spare parts - current	$ 8,762,091	$ -
Spare parts - noncurrent	1,720,268	-
Inventories - supplies	-	4,069,322
Cost of property, plant and equipment - spare parts	-	10,343,025
Accumulated depreciation of property, plant and equipment - spare parts	-	3,929,988

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 are that: (1) impairments of finance lease receivables 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 is introduced. This accounting change did not have a significant impact on the Corporation and its subsidiaries' consolidated financial statements as of and for the nine months ended September 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 September 30, 2010 has been recast to reflect the new segment reporting requirement.

4. CASH AND CASH EQUIVALENTS

	September 30	
	2011	2010
Cash on hand	$ 36,250	$ 30,111
Checking accounts and demand deposits	4,316,039	4,373,622
Time deposits	10,126,946	8,587,745
Cash in transit	79	-
Cash equivalents - Commercial paper and bonds	2,032,986	3,506,752
	$ 16,512,300	$ 16,498,230

Foreign bank deposits of the Corporation were as follows:

	September 30	
	2011	2010
Japan - IYO Bank and Mega International Commercial Bank (in thousands)	¥ 6,622	¥ 6,417
Singapore - Daiwa Securities SMBC (in thousands)	21	27
	¥ 6,643	¥ 6,444
Represented by NT dollars (in thousands)	$ 2,641	$ 2,424

As of September 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$16,904 thousand (NT$1,691 thousand recorded as restricted assets - current and NT$15,213 thousand recorded as restricted assets - noncurrent) and NT$1,000 thousand (recorded as restricted assets - current), as of September 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:

	September 30	
	2011	**2010**
Financial assets held for trading		
Mutual funds	$ 977,769	$ 1,348,623
Quoted stocks	509,502	1,120,836
Structured notes	43,528	62,634
Forward exchange contracts	42,600	22,155
	1,573,399	2,554,248
Financial assets designated as at FVTPL		
Mutual funds	1,322,134	1,874,040
Structured notes	217,332	432,816
Quoted stocks	51,633	49,250
Convertible bonds	10,150	10,800
	1,601,249	2,366,906
	3,174,648	4,921,154
Less: Noncurrent portion	33,116	-
	$ 3,141,532	$ 4,921,154
Financial liabilities held for trading		
Forward exchange contracts	$ 22,106	$ 73
Precious metals futures contracts	-	345
	$ 22,106	$ 418

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 September 30, 2011 and 2010 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2011			
Buy	NTD/USD	October 2011	NTD28,709/USD1,008
Buy	NTD/JPY	December 2011 - December 2014	NTD362,811/JPY1,017,860
Sell	HKD/NTD	October 2011	HKD35,400/NTD131,020
Sell	USD/NTD	October 2011	USD10,371/NTD301,862
September 30, 2010			
Buy	NTD/JPY	December 2010	NTD41,721/JPY137,014
Sell	USD/NTD	October 2010 - November 2010	USD22,182/NTD705,765
Sell	SGD/NTD	October 2010	SGD213/NTD4,997
Sell	HKD/NTD	October 2010 - November 2010	HKD30,000/NTD122,491

d. The Corporation and its subsidiaries entered into precious metals futures contracts to manage risks due to price fluctuations on precious metals. As of September 30, 2011 and 2010, the unused letters of credit to acquire the futures contracts amounted to NT$1,228,344 thousand (USD40,300 thousand) and NT$3,133 thousand (USD100 thousand), respectively.

There is no outstanding precious metals futures contracts as of September 30, 2011. Outstanding precious metals futures contracts as of September 30, 2010 were as follows:

	Duration	Quantity	Amount (In Thousands)
Precious metals futures contracts	September 30, 2010 - January 27, 2011	21,621 Ounce	USD460

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

	Nine Months Ended September 30	
	2011	2010
Financial assets held for trading	$ (247,566)	$ (114,928)
Financial assets designated as at FVTPL	5,303	32,660
Financial liabilities held for trading	(8,644)	(1,175)
	$ (250,907)	$ (83,443)

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

	Nine Months Ended September 30	
	2011	2010
Operating costs	$ (289,423)	$ (110,686)
Nonoperating income and gains	42,826	28,418
Nonoperating expenses and losses	(4,310)	(1,175)
	$ (250,907)	$ (83,443)

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30			
	2011		2010	
	Current	Noncurrent	Current	Noncurrent
Mutual funds	$ 2,360,206	$ -	$ 2,730,487	$ -
Quoted stocks				
Taiwan Semiconductor Manufacturing Company	2,057,622	-	1,822,464	-
Maruichi Steel Tube Ltd.	-	1,460,415	-	1,203,680
Tang Eng Iron Works Corporation	112,099	871,932	-	868,946
CSBC Corporation Taiwan	271	446,957	295	487,184
Yodogawa Steel Works, Ltd.	-	285,405	-	258,791
Others	546,858	89,227	698,938	330,626
Private - placement shares				
Reichi Precision Co., Ltd. (RPC)	-	372,587	-	307,577
Government bonds	-	-	-	44,300
Structured notes	46,411	-	47,833	-
	$ 5,123,467	$ 3,526,523	$ 5,300,017	$ 3,501,104

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 29). 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 September 30, 2011 and 2010 were as follows:

	Currency	The Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
September 30, 2011			
Buy	NTD/USD	October 2011 - September 2015	NTD8,993,069/USD299,645
Buy	NTD/EUR	October 2011 - December 2013	NTD1,034,879/EUR23,718
Buy	NTD/GBP	November 2011 - January 2015	NTD473,160/GBP10,089
Buy	NTD/JPY	October 2011 - February 2014	NTD1,467,719/JPY4,115,840
Sell	USD/NTD	October 2011 - February 2012	USD1,322/NTD39,058

(Continued)

September 30, 2010	Currency	The Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
Buy	NTD/USD	October 2010 - July 2014	NTD11,520,035/USD369,391
Buy	NTD/EUR	October 2010 - December 2013	NTD2,284,357/EUR49,562
Buy	NTD/JPY	October 2010 - February 2014	NTD3,466,007/JPY9,736,665
Sell	USD/NTD	October 2010	USD997/NTD31,956

(Concluded)

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

	Nine Months Ended September 30	
	2011	2010
Balance, beginning of period	$ (572,060)	$ 322,922
Valuation gain (loss)	214,127	(142,142)
Transferred to profit and loss	(1,041)	-
Transferred to construction in progress and prepayments for equipment	532,777	(230,717)
Balance, end of period	$ 173,803	$ (49,937)

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

	September 30	
	2011	2010
Hedging derivative assets - current	$ 167,479	$ 162,264
Hedging derivative assets - noncurrent	162,798	142,858
Hedging derivative liabilities - current	(126,370)	(204,571)
Hedging derivative liabilities - noncurrent	(30,104)	(150,488)
	$ 173,803	$ (49,937)

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

8. NOTES AND ACCOUNTS RECEIVABLE, NET

	September 30	
	2011	2010
Notes receivable	$ 1,881,300	$ 1,706,827
Less: Allowance for doubtful accounts	-	1,205
	$ 1,881,300	$ 1,705,622
Accounts receivable	$ 9,945,193	$ 8,994,045
Less: Allowance for doubtful accounts	250,358	384,838
Less: Allowance for sales discounts	465	114
	$ 9,694,370	$ 8,609,093

Movements of the allowance for doubtful accounts were as follows:

	Nine Months Ended September 30			
	2011		2010	
	Notes Receivable	Accounts Receivable	Notes Receivable	Accounts Receivable
Balance, beginning of period	$ 1,883	$ 371,113	$ 1,791	$ 341,062
Provision (reversal)	(1,883)	(118,310)	(586)	43,827
Written off	-	(2,445)	-	(51)
Balance, end of period	$ -	$ 250,358	$ 1,205	$ 384,838

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 nine months ended September 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)
Nine months ended September 30, 2011						
Accounts receivable						
Mega International Commercial Bank	$ 5,222,519	$ 10,393,992	$ 10,265,867	$ 5,350,644	1.01-1.50	$12.0
Bank of Taiwan	923,545	2,337,829	2,115,909	1,145,465	1.06-1.50	3.0
Taipei Fubon Bank	63,716	-	63,716	-	-	0.4
	$ 6,209,780	$ 12,731,821	$ 12,445,492	$ 6,496,109		
Nine months ended September 30, 2010						
Accounts receivable						
Mega International Commercial Bank	$ 3,756,412	$ 9,383,495	$ 8,569,349	$ 4,570,558	0.80-1.20	11.5
Bank of Taiwan	484,607	1,175,151	1,006,845	652,913	0.80-0.95	2.5
Taipei Fubon Bank	124,901	383,194	371,856	136,239	1.03-1.20	0.4
	$ 4,365,920	$ 10,941,840	$ 9,948,050	$ 5,359,710		

9. INVENTORIES

	September 30	
	2011	2010
Finished products	$ 21,795,739	$ 24,203,192
Work in process	43,975,443	22,274,256
Raw materials	36,622,509	25,262,862
Supplies	6,670,390	6,205,334
Fuel	369,441	336,135

(Continued)

	September 30	
	2011	2010
Raw materials and supplies in transit	$ 4,894,121	$ 4,632,503
Construction in progress (net of billing on contracts NT$41,417,115 thousand and NT$49,550,153 thousand as of September 30, 2011 and 2010, respectively)	8,464,259	4,960,273
Others	414,373	196,976
	$ 123,206,275	$ 88,071,531

(Concluded)

As of September 30, 2011 and 2010, the allowance for inventory devaluation was NT$1,981,737 thousand and NT$1,642,916 thousand, respectively, and recorded as reduction in inventories. The cost of inventories recognized as operating costs for the nine months ended September 30, 2011 and 2010 was NT$267,554,328 thousand and NT$200,887,132 thousand, respectively (The difference between this cost and the operating costs in consolidated statements of income is due to costs not related to inventories, which include investments loss recognized under equity method, impairment loss, and valuation loss on financial instruments.), which included the items as follows:

	Nine Months Ended September 30	
	2011	2010
Provision for loss on inventories	$ 639,693	$ 432,537
Loss on purchase commitments	312,992	303,616
Loss on idle capacity	8,354	11,803
Income from scrap sales	(732,404)	(730,359)
Loss on physical inventory	33,134	140,118
Recovery of loss on inventories	(20,760)	(96,432)
	$ 241,009	$ 61,283

Significant construction contracts as of September 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)
September 30, 2011						
Year 2011	$ 17,249,389	$ 16,718,050	$ 18,395,650	$ 17,434,506	57-99	$ 961,145
Year 2012	6,094,602	3,434,192	10,462,796	10,803,922	0-74	(363,664)
Year 2014	74,793	214,617	1,033,333	1,033,333	7	-
Year 2015	220,177	535,251	1,540,348	1,522,300	14	2,568
September 30, 2010						
Year 2010	22,839,709	22,990,173	23,292,548	21,838,322	84-99	1,429,608
Year 2011	650,699	713,393	2,126,667	2,160,709	17-59	(77,286)
Year 2012	372,066	24,899	4,953,586	5,115,400	0-6	(161,814)
Year 2014	150,068	475,773	2,573,681	2,555,633	3-8	1,372

10. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	September 30 2011	September 30 2010
Guarantee debt certificates	$ 177,875	$ 180,077
Structured notes	122,650	143,980
Viatical settlements	-	78,836
	300,525	402,893
Less: Accumulated impairment	129,655	153,813
	$ 170,870	$ 249,080

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 September 30, 2011 and 2010, was 0%, respectively.

b. As of September 30, 2011 and 2010, the maturity dates of the structured notes are April 2012 and from April 2012 to June 2022, respectively. Interest is charged by the agreed formula, and actual interest rate as of September 30, 2011 and 2010, was 0% - 2.0539% 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 September 30, 2010, was 10%.

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	September 30 2011	September 30 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	270,125
Yieh United Steel Corp.	257,600	257,600
Taiwan Rolling Stock Co., Ltd.	202,048	202,048
Qingdao TECO Precision Mechatronics Co., Ltd. (Qingdao TECO)	171,262	251,227
Riselink Venture Capital Corp.	150,000	150,000
Hanoi Steel Center Co., Ltd.	108,829	-
TaiGen Biopharmaceuticals Holding Limited (Note 12)	108,549	-
Savior Lifetec Corporation	96,005	96,005
Enterex International Limited	94,140	94,140
Maruichi Metal Product (Foshan) Co., Ltd.	82,296	84,578
PCMI Metal Products (Chongqing) Co., Ltd.	81,942	84,213
Bionime Corporation	-	93,681
Taiwan High Speed Rail Corporation (THSRC)	-	-
Others	1,440,121	1,154,723
	6,163,899	4,564,533

(Continued)

	September 30	
	2011	2010
Unquoted preferred stocks		
East Asia United Steel Corporation (EAUS) - Preferred A	$ 3,975,000	$ 3,761,500
Others	393,624	389,100
	4,368,624	4,150,600
Certificate of entitlement		
Formosa Ha Tinh Steel Corporation	468,585	-
Shanghai Bao Shan Lian Steel Products Co., Ltd.	9,926	9,926
	478,511	9,926
Others	-	37,485
	$ 11,011,034	$ 8,762,544

(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 September 2011, the subsidiary CSAPH recognized an impairment loss of NT$70,003 thousand on the investment in Qingdao TECO, recorded as a reduction of reversal of impairment loss.

In July 2011, the subsidiary CIC invested NT$108,829 thousand (USD3,571 thousand) in Hanoi Steel Center Co., Ltd., acquiring 19% shareholdings of common shares. Hanoi Steel Center Co., Ltd. mainly engages in steel cutting and processing.

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 29). 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.

12. BOND INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	September 30	
	2011	**2010**
Unquoted preferred stocks - overseas		
TaiGen Biopharmaceuticals Holdings Limited (TGB)	$ -	$ 110,589
Others	12,978	9,973
Subordinated financial bonds	120,000	120,000
Bonds	9,469	-
	$ 142,447	$ 240,562

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 September 30, 2011 and 2010, respectively.

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$9,469 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

	September 30			
	2011		**2010**	
	Amount	**% of Ownership**	**Amount**	**% of Ownership**
Unquoted companies				
Kaohsiung Rapid Transit Corporation (KRTC)	$ 1,031,869	32	$ 1,646,760	32
Kaohsiung Arena Development Corporation (KADC)	762,398	29	762,481	29
Hsin Hsin Cement Enterprise Corp.	215,312	26	215,213	26

(Continued)

	September 30			
	2011		2010	
	Amount	% of Ownership	Amount	% of Ownership
Chateau International Development Co., Ltd. (CIDC)	$ 222,201	23	$ 199,334	23
Ascentek Venture Capital Corp.	162,334	39	191,300	39
Others	288,423		227,926	
	$ 2,682,537		$ 3,243,014	

(Concluded)

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 based on the investees unreviewed financial statements for the nine months ended September 30, 2011 and 2010 were as follows:

	Nine Months Ended September 30	
	2011	2010
CIDC	$ 30,155	$ 26,690
KADC	29,681	30,121
KRTC	(295,889)	(113,333)
Others	13,759	11,825
	$ (222,294)	$ (44,697)

Net investment losses of NT$222,169 thousand and NT$39,940 thousand were recorded as nonoperating expenses and losses, and NT$125 thousand and NT$4,757 thousand were recorded as operating cost for the nine months ended September 30, 2011 and 2010, respectively.

14. OTHER FINANCIAL ASSETS

	September 30	
	2011	2010
Hedging foreign-currency deposits	$ 7,374,149	$ 3,679,888
Less: Current portion	4,987,611	3,054,032
	$ 2,386,538	$ 625,856

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 September 30, 2011 and 2010, the balance of the JPY deposits designated as hedging instrument was NT$717,077 thousand (JPY1.8 billion) and NT$900,710 thousand (JPY2.4 billion), respectively.

For the purpose of purchasing imported equipment as well as managing cash flows exposures arising from exchange rate fluctuations, the Corporation and the subsidiary CEC purchased foreign-currency deposits. As of September 30, 2011 and 2010, the balance of the foreign-currency deposits designated as hedging instruments was NT$3,825,369 thousand (USD123,480 thousand, EUR1,476 thousand and GBP18 thousand) and NT$575,202 thousand (USD13,245 thousand, EUR385 thousand, GBP190 thousand and JPY0.4 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 September 30, 2011 and 2010, the balance of foreign-currency deposits purchased for expired forward exchange contracts was NT$2,831,703 thousand (USD38,379 thousand, EUR9,825 thousand and JPY3.2 billion) and NT$2,203,976 thousand (USD19,497 thousand, EUR5,896 thousand and JPY3.6 billion), respectively.

The unrealized gain of NT$340,259 thousand and NT$104,168 thousand arising from the above deposits designated as hedging instruments was recognized as unrealized gain on financial instruments in stockholders' equity for the nine months ended September 30, 2011 and 2010, respectively. The unrealized gain on financial instruments of NT$128,909 thousand and NT$516,300 thousand in stockholders' equity were transferred to construction in progress and prepayments for equipment for the nine months ended September 30, 2011 and 2010, respectively.

As of September 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
September 30, 2011			
Cost and revaluation increment			
Land	$ 18,773,728	$ 33,293,135	$ 52,066,863
Land improvements	4,385,107	492,990	4,878,097
Buildings	75,746,549	2,415,863	78,162,412
Machinery and equipment	425,364,675	7,125,685	432,490,360
Transportation equipment	19,605,308	8,991	19,614,299
Other equipment	17,516,929	31,618	17,548,547
Spare parts	8,996,457	-	8,996,457
	570,388,753	43,368,282	613,757,035
Accumulated depreciation			
Land improvements	3,720,902	471,381	4,192,283
Buildings	26,161,887	1,932,968	28,094,855
Machinery and equipment	250,328,166	7,125,392	257,453,558
Transportation equipment	11,648,510	8,987	11,657,497
Other equipment	7,557,927	31,608	7,589,535
Spare parts	2,677,776	-	2,677,776
	302,095,168	9,570,336	311,665,504
Accumulated impairment			
Land	11,826	-	11,826
Machinery and equipment	129,309	-	129,309
Other equipment	287,840	-	287,840
	428,975	-	428,975
Construction in progress and prepayments for equipment	86,985,052	-	86,985,052
	$ 354,849,662	$ 33,797,946	$ 388,647,608

(Continued)

	Cost	Revaluation Increment	Total
September 30, 2010			
Cost and revaluation increment			
Land	$ 17,152,986	$ 32,754,016	$ 49,907,002
Land improvements	6,111,262	492,990	6,604,252
Buildings	74,330,569	2,418,117	76,748,686
Machinery and equipment	420,928,557	7,908,873	428,837,430
Transportation equipment	19,745,104	18,108	19,763,212
Other equipment	15,045,456	31,650	15,077,106
Spare parts	10,343,025	-	10,343,025
	563,656,959	43,623,754	607,280,713
Accumulated depreciation			
Land improvements	3,726,265	466,859	4,193,124
Buildings	24,079,888	1,877,586	25,957,474
Machinery and equipment	236,338,565	7,908,525	244,247,090
Transportation equipment	10,961,421	18,103	10,979,524
Other equipment	6,453,336	31,639	6,484,975
Spare parts	3,929,988	-	3,929,988
	285,489,463	10,302,712	295,792,175
Accumulated impairment			
Land	11,826	-	11,826
Machinery and equipment	733,960	-	733,960
Other equipment	299,491	-	299,491
	1,045,277	-	1,045,277
Construction in progress and prepayments for equipment	52,651,568	-	52,651,568
	$ 329,773,787	$ 33,321,042	$ 363,094,829

(Concluded)

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

	Nine Months Ended September 30	
	2011	2010
Interest expense before capitalization	$ 2,036,218	$ 1,658,593
Less: Capitalized interest - construction in progress and prepayments for equipment	544,823	664,114
Interest expense through income statement	$ 1,491,395	$ 994,479
Capitalization annual rates	0.84% - 1.89%	0.54% - 2.15%

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 nine months ended September 30, 2011 and 2010, upon retirement or sale of revalued properties, the unrealized revaluation increment decreased by NT$12,405 thousand and NT$1,211 thousand, respectively, and recorded as nonoperating income and gains. As of September 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$21,861,458 thousand and NT$21,911,937 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.

Subsidiaries CHSC and HLSC revalued their land in September 2011, increasing the total increment on land revalution by NT$539,119 thousand. After the deduction of the reserve for land value increment tax of NT$182,222 thousand, the net increment of NT$356,897 thousand credited to unrealized revaluation increment. The Corporation credited NT$102,643 thousand to equity as unrealized revaluation increment in proportion to the ownership percentage.

16. INTANGIBLE ASSETS

	Identifiable Intangible Assets	Goodwill	Total
Nine months ended September 30, 2011			
Balance, beginning of period	$ 1,705,839	$ 403,274	$ 2,109,113
Addition	151,103	-	151,103
Reclassification	(7,995)	-	(7,995)
Reduction	(115,079)	-	(115,079)
Balance, end of period	$ 1,733,868	$ 403,274	$ 2,137,142
Nine months ended September 30, 2010			
Balance, beginning of period	$ 1,542,831	$ 403,274	$ 1,946,105
Addition	36,584	-	36,584
Reduction	(165,753)	-	(165,753)
Balance, end of period	$ 1,413,662	$ 403,274	$ 1,816,936

(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

	September 30 2011	September 30 2010
Cost		
Land	$ 2,920,878	$ 350,016
Buildings	210,572	210,572
Machinery and equipment	-	2,890
	3,131,450	563,478
Accumulated depreciation		
Buildings	55,619	50,985
Machinery and equipment	-	2,294
	55,619	53,279
Accumulated impairment		
Land	15,116	53,616
	$ 3,060,715	$ 456,583

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.

In August 2011, considering the changes in economical environment and land replotting, the subsidiary CHSC re-appraised the Kaohsiung Long Dong Section and Taipei office, and reversed NT$182,127 thousand of impairment loss, recorded as nonoperating income and gains.

18. IDLE ASSETS, NET

	September 30 2011	September 30 2010
Land	$ 3,131,555	$ 6,541,181
Machinery and equipment	822,098	823,534
Less: Accumulated depreciation	107,405	69,984
Accumulated impairment	1,724,126	2,034,341
	$ 2,122,122	$ 5,260,390

Idle assets were land and equipment for nonoperating use.

In August 2011, considering the changes in economical environment and land replotting, the subsidiary CHSC authorized real estate appraisers to re-appraise the Kaohsiung Long Dong Section, Tainan Kuo An Section and Shin Bin Industrial District and reversed NT$164,844 thousand of impairment loss, recorded as nonoperating income and gains. 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

	September 30 2011	September 30 2010
Unsecured loans - interest at 0.59%-7.02% p.a. and 0.55%-4.86% p.a. as of September 30, 2011 and 2010, respectively	$ 56,255,898	$ 41,457,337
Letters of credit - interest at 0.73%-2.1083% p.a. and 0.5813%-1.52% p.a. as of September 30, 2011 and 2010, respectively	6,422,689	1,665,296
Bank overdraft - interest at 0.5%-7.02% p.a. and 0.21%-2.63% p.a. as of September 30, 2011 and 2010, respectively	1,708,633	1,070,556
Secured loans - interest at 1.6%-4.62% p.a.	-	356,557
	$ 64,387,220	$ 44,549,746

20. COMMERCIAL PAPER PAYABLE

	September 30 2011	September 30 2010
Commercial paper - interest at 0.34%-1.25% p.a. and 0.21%-1.038% p.a. as of September 30, 2011 and 2010, respectively	$ 23,765,400	$ 14,046,800
Less: Unamortized discounts	10,624	4,870
	$ 23,754,776	$ 14,041,930

The above commercial paper was secured by Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Taching Bill Finance Ltd., Grand Bills Finance Corp., Dah Chung Bills Finance Corp., Taiwan Cooperative Bills Finance Corporation, The Shanghai Commercial & Savings Bank, Ltd., Shinkong Bank, Ta Chong Bank, Taiwan Finance Corporation, Chinatrust Commercial Bank, Bank of Taiwan, Taipei Fubon Bank, JihSun Bank, Union Bank of Taiwan, Taiwan Business Bank, E. Sun Bank, Taishin Bank, Huanan Commercial Bank and Sunny Bank.

21. ACCRUED EXPENSES

	September 30 2011	September 30 2010
Accrued salaries and incentive bonus	$ 5,970,498	$ 6,443,554
Bonus to employees, and remuneration to directors and supervisors	1,930,392	2,865,291
Reserve for construction guarantee	892,815	895,615
Repair and construction	587,699	530,853
Others	4,232,734	4,078,843
	$ 13,614,138	$ 14,814,156

22. BONDS PAYABLE

	September 30	
	2011	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	15,601	24,208
Current portion	5,599,799	8,098,532
	$ 29,534,600	$ 35,127,260

23. LONG-TERM DEBT

	September 30	
	2011	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 1.4408% p.a. and 1.1416% p.a. as of September 30, 2011 and 2010, respectively	$ 2,142,857	$ 3,000,000
Repayable in October 2011 with a revolving credit, interest at 1.0444% p.a.	-	1,500,000
Bank of Taiwan and other banks loan to DSC		
Repayable in 14 equal semiannual installments through January 2012 to July 2018; interest at 1.2827%-1.3232% p.a. and 0.9806%-1.0126% p.a. as of September 30, 2011 and 2010, respectively	51,700,000	38,900,000
Repayable in 10 equal semiannual installments through August 2012 to February 2017; interest at 1.4796%-1.5263% p.a. and 1.5% p.a. as of September 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 1.5338% p.a. and 1.5856% p.a. as of September 30, 2011 and 2010, respectively	1,800,000	2,110,000
Mortgage loans		
Repayable in succession before January 2015, floating rate at 0.552%-1.71% p.a. and 0.54%-1.47% p.a. as of September 30, 2011 and 2010, respectively	18,536,461	18,857,475

(Continued)

	September 30 2011	2010
Bank loans		
Repayable in succession before July 2015, interest at 0.54313%-5.65328% p.a. and 0.65125%-5.68895% p.a. as of September 30, 2011 and 2010, respectively	$ 14,186,479	$ 7,954,048
	88,865,797	72,821,523
Less: Syndicated loan fee	130,378	154,356
Current portion	11,259,246	1,613,154
	$ 77,476,173	$ 71,054,013

(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 September 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 September 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 September 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 September 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. dollars to hedge the exchange rate fluctuations on investments in EAUS, CSCAU and CSVC (Note 29) and on the available-for-sale financial assets in Maruichi Steel Tube Ltd. and Yodogawa Steel Works, Ltd. (Notes 6 and 29).

24. LONG-TERM NOTES PAYABLE

	September 30 2011	September 30 2010
Long-term notes - interest at 0.79%-1.205% p.a. and 0.41%-0.822% p.a. as of September 30, 2011 and 2010, respectively	$ 23,890,000	$ 5,400,000
Less: Unamortized discounts	18,144	6,812
	$ 23,871,856	$ 5,393,188

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, 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 nine months ended September 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
Nine months ended September 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	$ -	$ -	$ -	$ -	$ -
Nine months ended September 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	-	-	-	3,582	3,582
Balance, end of period	3,510,635	1,271,898	4,782,533	(14,329)	4,768,204
Less: Current portion	321,682	78,318	400,000	-	400,000
	$ 3,188,953	$ 1,193,580	$ 4,382,533	$ (14,329)	$ 4,368,204

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 each 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. 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
September 30, 2011			
Assets			
Notes and accounts receivable, net	$ 11,532,564	$ 43,106	$ 11,575,670
Inventories	118,652,395	4,553,880	123,206,275
	$ 130,184,959	$ 4,596,986	$ 134,781,945
Liabilities			
Notes and accounts payable	$ 10,062,477	$ 615,176	$ 10,677,653
Advance construction receipts in excess of construction in progress (included in other current liabilities)	1,316,425	1,753,256	3,069,681
	$ 11,378,902	$ 2,368,432	$ 13,747,334
September 30, 2010			
Assets			
Notes and accounts receivable, net	$ 10,314,715	$ -	$ 10,314,715
Inventories	86,222,390	1,849,141	88,071,531
	$ 96,537,105	$ 1,849,141	$ 98,386,246
Liabilities			
Notes and accounts payable	$ 11,151,727	$ 153,558	$ 11,305,285
Advance construction receipts in excess of construction in progress (included in other current liabilities)	2,682,464	2,015,212	4,697,676
	$ 13,834,191	$ 2,168,770	$ 16,002,961

27. STOCKHOLDERS' EQUITY OF PARENT COMPANY

a. Capital stock

In July 2011 and August 2010, the Corporation issued 678,308 thousand and 433,382 thousand common shares through capital increase out of retained earnings of NT$6,783,084 thousand and

NT$4,333,820 thousand, respectively, and have been registered with the government.

The Corporation's Board of Directors approved an issuance of 840,000 thousand new shares with NT$10 par value at issuance price of NT$28.3248 per share, and the record date of capital increase was on August 1, 2011. The increase in paid-in capital has been registered with the government. Total proceeds, net of issuance cost, was in excess of par value for NT$15,338,755 thousand, recorded as additional paid-in capital under capital surplus. The 763,668 thousand shares of the new shares were through issuance of 38,183,400 units of global depository receipts (GDR). Each unit represents 20 shares of the Corporation's common stock. The remaining 76,332 thousand shares were granted as employee stock option, and were granted to employees of the Corporation 74,305 thousand shares and to employees of the subsidiaries 2,027 thousand shares. These options were vested immediately. For the nine months ended September 30, 2011, all the above options were exercised.

For the nine months ended September 30, 2011, options granted to employees were priced with the Black-Scholes model, and the inputs to the model were as follows:

Grant-date share price (NT$)	29.65
Transferred price (NT$)	28.3248
Expected volatility	7.19%
Expected duration life (day)	2
Risk-free interest rate	0.67%

For the nine months ended September 30, 2011, the Corporation recognized compensation expense of NT$98,826 thousand and recognized a capital surplus of NT$2,437 thousand from granting stock option to employees of subsidiaries.

b. Treasury stock

	Thousand Shares			September 30	
Purpose of Treasury Stock	**Beginning of Period**	**Addition**	**Reduction**	**Thousand Shares**	**Book Value**
Nine months ended September 30, 2011					
Shares acquired and held by subsidiaries	284,762	26,679	6,941	304,500	$ 8,351,779
Nine months ended September 30, 2010					
Shares acquired and held by subsidiaries	279,375	17,838	-	297,213	$ 8,450,143

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 nine months ended September 30, 2011, the subsidiaries sold 12,679 thousand shares of the Corporation for NT$433,924 thousand.

For the nine months ended September 30, 2011, the proceeds of treasury stock sold, calculated by shareholding percentage, amounted to NT$237,433 thousand, and after deducting book values, resulted in the amounts of NT$61,941 thousand (recorded as capital surplus). As of September 30, 2011 and 2010, the market values of the treasury shares calculated by combined holding percentage were NT$9,104,538 thousand and NT$9,599,985 thousand, respectively.

c. Overseas depositary receipts

In May 1992, February 1997, October 2003 and August 2011, for the purpose of working capital expansion and to accord with the instruction of the ROC's Ministry of Economic Affairs ("MOEA"), the largest shareholder of the Corporation, MOEA sold its holding shares in the Corporation through issuance of 126,512,550 units of GDR while the Corporation issued new shares, the depositary receipts then increased by 6,802,951 units resulting from the capital increase out of retained earnings. Each unit represents 20 shares of the Corporation's common stock and the issued GDR equals to the Corporation's common shares totaling 2,666,310,271 shares (including 251 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 September 30, 2011 and 2010, the outstanding depositary receipts were 4,061,839 units and 4,805,161 units, equivalent to 81,237,051 common shares (including 271 fractional shares) and 96,103,461 common shares (including 241 fractional shares), which represented 0.54% and 0.71% 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:

	September 30	
	2011	**2010**
Additional paid-in capital	$ 31,154,766	$ 15,717,185
Treasury stock transactions	4,590,857	3,873,772
Long-term stock investments	393,582	367,578
Others	8,099	8,099
	$ 36,147,304	$ 19,966,634

Under relevant regulations, capital surplus from issuance of shares 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 in proportion to the percentage of ownership in the equity 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 September 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:

	Nine Months Ended September 30	
	2011	**2010**
Bonus to employees	$ 1,469,733	$ 2,380,685
Remuneration to directors and supervisors	26,537	44,638
	$ 1,496,270	$ 2,425,323

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. 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, if the Corporation has no deficits, legal reserve may be transferred to capital for the portion in excess of half of 50% of the Corporation's capital stock, when the reserve is over 50% of the Corporation's capital stock.

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

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 the following:

	September 30	
	2011	2010
Revaluation increment of property, plant and equipment (Note 15)	$21,861,458	$21,911,937
Recognized in proportion to the ownership percentage in long-term stock investments (Note 15)	146,801	2,268
	$22,008,259	$21,914,205

h. Unrealized gain on financial instruments

For the nine months ended September 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
Nine months ended September 30, 2011				
Balance, beginning of period	$ 2,938,550	$ (593,445)	$ 29,272	$ 2,374,377
Recognized in stockholders' equity	122,866	424,004	281,121	827,991
Transferred to construction in progress and prepayments for equipment	-	-	32,543	32,543
Balance, end of period	$ 3,061,416	$ (169,441)	$ 342,936	$ 3,234,911
Nine months ended September 30, 2010				
Balance, beginning of period	$ 3,124,306	$ 461,850	$ 630,275	$ 4,216,431
Recognized in stockholders' equity	(525,629)	(440,833)	21,526	(944,936)
Transferred to construction in progress and prepayments for equipment	-	-	(503,497)	(503,497)
Balance, end of period	$ 2,598,677	$ 21,017	$ 148,304	$ 2,767,998

i. Cumulative translation adjustments

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

	Nine Months Ended September 30	
	2011	2010
Balance, beginning of period	$ (101,443)	$ 183,001
Recognized in stockholders' equity	164,159	167,197
Balance, end of period	$ 62,716	$ 350,198

28. EARNINGS PER SHARE

	Amount (Numerator)		Shares (Denominator)	Earnings Per Share (Dollars)	
	Before Tax	After Tax	(Thousand)	Before Tax	After Tax
Nine months ended September 30, 2011					
Consolidated net income attributable to the Corporation's stockholders	$ 22,706,073	$ 20,067,096			
Less: Dividends on preferred shares	45,465	40,181			
Basic EPS					
Consolidated net income attributable to the Corporation's common stockholders	22,660,608	20,026,915	14,088,376	$ 1.61	$ 1.42
Effect of dilutive potential common stock					
Add: Dividends on preferred shares	45,465	40,181	38,268		
Bonus to employees	-	-	106,603		
Diluted EPS					
Consolidated net income attributable to the Corporation's common stockholders plus effect of potential dilutive common stock	$ 22,706,073	$ 20,067,096	14,233,247	1.60	1.41
Nine months ended September 30, 2010					
Consolidated net income attributable to the Corporation's stockholders	$ 37,951,278	$ 33,055,568			
Less: Dividends on preferred shares	46,132	40,181			
Basic EPS					
Consolidated net income attributable to the Corporation's common stockholders	37,905,146	33,015,387	13,894,135	2.73	2.38
Effect of dilutive potential common stock					
Add: Dividends on preferred shares	46,132	40,181	38,268		
Bonus to employees	-	-	115,449		
Diluted EPS					
Consolidated net income attributable to the Corporation's common stockholders plus effect of potential dilutive common stock	$ 37,951,278	$ 33,055,568	14,047,852	2.70	2.35

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 nine months ended September 30, 2010 to decrease from NT$2.86 to NT$2.73 and from NT$2.50 to NT$2.38, respectively.

29. FINANCIAL INSTRUMENTS

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

	September 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 (including noncurrent)	$ 3,132,048	$ 3,132,048	$ 4,898,999	$ 4,898,999
Available-for-sale financial assets (including noncurrent)	8,649,990	8,649,990	8,801,121	8,801,121
Held-to-maturity financial assets	170,870	170,870	249,080	249,080
Financial assets carried at cost	11,011,034	-	8,762,544	-
Bond investments with no active market	142,447	142,447	240,562	240,562
Other financial assets (including noncurrent)	7,374,149	7,374,149	3,679,888	3,679,888
Refundable deposits	479,217	479,217	387,620	387,620
Consolidated liabilities				
Bonds payable (including current portion)	35,134,399	35,862,086	43,225,792	44,277,371
Long-term debt (including current portion)	88,735,419	88,735,419	72,667,167	72,667,167
Long-term notes payable	23,871,856	23,871,856	5,393,188	5,393,188
Restructured loans payable (including current portion)	-	-	4,768,204	4,967,709
Derivative financial instruments				
Consolidated assets				
Financial assets at fair value through profit or loss (including noncurrent)	42,600	42,600	22,155	22,155
Hedging derivative assets (including noncurrent)	330,277	330,277	305,122	305,122
Consolidated liabilities				
Financial liabilities at fair value through profit or loss	22,106	22,106	418	418
Hedging derivative liabilities (including noncurrent)	156,474	156,474	355,059	355,059

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 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, 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 issued by non-public corporations have no active market price and their verifiable fair value cannot be determined at a reasonable cost. Therefore, no fair value is presented.

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 September 30, 2011 and 2010 were from 0.54313% to 5.65328 % and from 0.23% to 5.68895%, 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**	
	September 30		**September 30**	
	2011	**2010**	**2011**	**2010**
Consolidated assets				
Financial assets at fair value through profit or loss (including noncurrent)	$ 2,871,188	$ 4,403,549	$ 303,460	$ 517,605
Available-for-sale financial assets (including noncurrent)	8,230,991	8,445,711	418,999	355,410
Held-to-maturity financial assets	-	-	170,870	249,080
Bond investments with no active market	-	-	142,447	240,562
Other financial assets (including noncurrent)	-	-	7,374,149	3,679,888
Hedging derivative assets (including noncurrent)	-	-	330,277	305,122
Refundable deposits	-	-	479,217	387,620
Consolidated liabilities				
Financial liabilities at fair value through profit or loss	-	-	22,106	418
Hedging derivative liabilities (including noncurrent)	-	-	156,474	355,059
Bonds payable (including current portion)	35,862,086	44,277,371	-	-
Long-term debt (including current portion)	-	-	88,735,419	72,667,167
Long-term notes payable	-	-	23,871,856	5,393,188
Restructured loans payable (including current portion)	-	-	-	4,967,709

d. Valuation gains and losses arising from changes in fair value of financial instruments determined using valuation techniques were valuation gain NT$17,556 thousand and valuation loss NT$13,765 thousand for the nine months ended September 30, 2011 and 2010, respectively.

e. As of September 30, 2011 and 2010, financial assets exposed to cash flow interest rate risk amounted to NT$307,272 thousand and NT$543,284 thousand, respectively, financial liabilities exposed to cash flow interest rate risk amounted to NT$176,994,495 thousand and NT$122,610,101 thousand, respectively, financial assets exposed to fair value interest rate risk amounted to NT$10,150 thousand and NT$55,100 thousand, respectively, and financial liabilities exposed to fair value interest rate risk amounted to NT$58,889,175 thousand and NT$62,035,926 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$239,679 thousand and NT$2,036,218 thousand, respectively, for the nine months ended September 30, 2011 and NT$213,186 thousand and NT$1,658,593 thousand, respectively, for the nine months ended September 30, 2010.

g. Financial risks

1) Market risk

Market risk includes fair value risk of exchange rate risk, interest rate change, 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$669,719 thousand.

The Corporation and its subsidiaries hold mutual funds and publicly traded stocks which are subject to market price risk. The market price risk of mutual funds will be ignored because the fair value of mutual funds has little fluctuation. If the share price increases or decreases by 1%, the fair value of publicly traded stocks will increase or decrease by about NT$68,045 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 September 30, 2011 were as follows:

Endorsement/Guarantee Provider	Counter - Party	Ending Balance	
China Steel Corporation	Dragon Steel Corporation	USD	463,789 thousand
China Steel Structure Co., Ltd.	United Steel Constructure Corporation	NTD	1,453,000 thousand
	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	NTD	335,280 thousand
	United Steel Construction Vietnam Co., Ltd.	NTD	176,000 thousand
United Steel Constructure Corporation	China Steel Structure Co., Ltd.	NTD	4,497,845 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 liquidity 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 stocks acquired through private placement and not transferred freely in public market, 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$1,766,872 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, capital expenditures and sales and purchases contracts.

		Designated Hedging Instrument		
			Changes in Fair Value	
			Nine Months Ended September 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	$ (388,575)	$ (288,585)
Fair value hedge	Investments in Maruichi Steel Tube Ltd. (recorded as available-for-sale financial assets - noncurrent)	Debt in JPY	(102,050)	(75,790)
Fair value hedge	Investments in Yodogawa Steel Works, Ltd. (recorded as available-for-sale financial assets - noncurrent)	Debt in JPY	(47,649)	(35,388)
Hedge of net investment in foreign operation	Investment in CSCAU (one of consolidated entities and the amount was eliminated)	Debt in AUD	(265)	(25,533)
Hedge of net investment in foreign operation	Investment in CSVC (one of consolidated entities and the amount was eliminated)	Debt in USD	(65,691)	38,934
Cash flow hedge	Contracts for purchasing machinery and equipment	Bank Deposit - foreign-currency	340,259	104,168
Cash flow hedge	Contracts for purchasing machinery and equipment and contracts for selling and purchasing goods	Forward contracts	214,127	(142,142)

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 September 30, 2011 and 2010, the fair values of the above foreign currency deposits on cash flow hedge were NT$7,374,149 thousand and NT$3,679,888 thousand, respectively, recorded as other financial assets (including noncurrent) (Note 14).

30. RELATED PARTY TRANSACTIONS

a. Related parties

Related Parties	Relationship with the Corporation
Kaohsiung Rapid Transit Corporation (KRTC)	Equity method investee
Kaohsiung Arena Development Corp.	Equity method investee

(Continued)

Related Parties	Relationship with the Corporation
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	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.	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. (AC)	AC's supervisor
Shanghai Summit Metal Products Co., Ltd.	The Corporation's affiliate is its director
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 and its subsidiaries 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 nine months ended September 30, 2010.

b. Significant related-party transactions were as follows:

Sales

Sales to related parties (including CSBC and etc.) were NT$6,062,503 thousand (2% of net operating revenues) and NT$4,819,380 thousand (2% of net operating revenues), respectively, for the nine months ended September 30, 2011 and 2010.

Purchases

Purchases from related parties (including HHCEC and TCC, etc.) were NT$376,197 thousand and NT$481,032 thousand, respectively, for the nine months ended September 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$578,568 thousand and NT$906,767 thousand, respectively, for the nine months ended September 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$1,040,866 thousand (9% of account balance, including CSBC and AC, etc.) and NT$878,706 thousand (9% of account balance, including CSBC and KRTC, etc.), respectively, as of September 30, 2011 and 2010.

2) Notes and accounts payable

Notes and accounts payable to related parties were NT$181,399 thousand (2% of account balance, including BC and HHCEC, etc.) and NT$88,105 thousand (1% of account balance, including HHCEC and TCC, etc.), respectively, as of September 30, 2011 and 2010.

31. MORTGAGED OR PLEDGED ASSETS

As of September 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):

	September 30	
	2011	**2010**
Property, plant and equipment, net	$ 132,059,225	$ 118,223,273
Stocks (Note)	7,346,430	-
Restricted assets - demand and time deposits	6,332,962	5,839,274
Idle assets, net	841,376	914,540
Assets leased to others, net	111,755	112,034
Government bonds (recorded in available-for-sale financial assets - noncurrent)	-	44,300
	$ 146,691,748	$ 125,133,421

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

32. SIGNIFICANT COMMITMENTS AND CONTINGENCIES AS OF SEPTEMBER 30, 2011

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

a. The Corporation and its subsidiaries provide letters of credits of NT$3.5 billion guaranteed by financial institutions for several construction and lease contracts, and guarantee notes of NT$77.7 billion to banks and ownerships for loans, purchase agreements and warranty.

b. Unused letters of credit to import materials and machinery amounted to NT$21.6 billion.

c. Property purchase and construction contracts of NT$42.8 billion were signed but not yet recorded.

d. Construction contracts of NT$28.8 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 10,410,000 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. Unpaid purchase amounts as of September 30, 2011 were estimated USD23.7 billion (including 20,890,000 metric tons of coal, 106,860,000 metric tons of iron ore and 1,660,000 metric tons of limestone).

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

Endorsement/Guarantee Provider	Counter - Party	Ending Balance	
China Steel Corporation	Dragon Steel Corporation	USD	463,789 thousand
China Steel Structure Co., Ltd.	United Steel Constructure Corporation	NTD	1,453,000 thousand
	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	NTD	335,280 thousand
	United Steel Construction Vietnam Co., Ltd.	NTD	176,000 thousand
United Steel Constructure Corporation	China Steel Structure Co., Ltd.	NTD	4,497,845 thousand
Chine Steel Global Trading Corporation	Chung Mao Trading (SAMOA) Co.	USD	3,000 thousand
	CSGT International Corporation	USD	3,200 thousand

33. SUBSEQUENT EVENTS

In October 2011, the Corporation issued NT$9.3 billion of 5-year unsecured bonds and NT$10.4 billion of 7-year unsecured bonds, totaling NT$19.7 billion.

34. 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
Nine months ended September 30, 2011						
Revenues from other than consolidated entities	$ 170,348,316	$ 38,346,562	$ 34,406,743	$ 60,784,439	$ -	$ 303,886,060
Revenues among consolidated entities	11,657,986	16,827,409	933,077	36,962,925	(66,381,397)	-
Total revenues	$ 182,006,302	$ 55,173,971	$ 35,339,820	$ 97,747,364	$ (66,381,397)	$ 303,886,060
Segment profit (loss)	$ 16,899,991	$ 3,039,395	$ (1,215,426)	$ 9,111,694	$ (912,221)	$ 26,923,433
Interest income						239,679

(Continued)

	CSC	DSC	CHSC	Other Segments	Adjustment and Elimination	Consolidated
Nonoperating income and gains						$ 1,716,195
Interest expense						(1,491,395)
Investment loss recognized under equity method, net						(222,169)
Nonoperating expenses and losses						(893,803)
Consolidated income before income tax						$ 26,271,940
Identifiable assets	$ 287,216,679	$ 190,879,342	$ 33,001,193	$ 121,012,481	$ (34,499,626)	$ 597,610,069
Investments accounted for by the equity method						2,682,537
Total assets						$ 600,292,606
Nine months ended September 30, 2010						
Revenues from other than consolidated entities	$ 159,979,994	$ 12,590,651	$ 30,796,736	$ 51,457,273	$ -	$ 254,824,654
Revenues among consolidated entities	17,486,777	11,544,443	1,046,606	36,496,616	(66,574,442)	-
Total revenues	$ 177,466,771	$ 24,135,094	$ 31,843,342	$ 87,953,889	$ (66,574,442)	$ 254,824,654
Segment profit	$ 30,636,625	$ 2,419,153	$ 2,714,103	$ 9,027,937	$ 315,747	$ 45,113,565
Interest income						213,186
Nonoperating income and gains						759,230
Interest expense						(994,479)
Investment loss recognized under equity method						(39,940)
Nonoperating expenses and losses						(668,714)
Consolidated income before income tax						$ 44,382,848
Identifiable assets	$ 259,401,177	$ 168,998,361	$ 27,919,317	$ 114,344,009	$ (37,910,091)	$ 532,752,773
Investments accounted for by the equity method						3,243,014
Total assets						$ 535,995,787

(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.

35. OTHERS

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

	September 30					
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Monetary financial assets						
USD	$ 432,778	30.48	$ 13,191,128	$ 285,769	31.325	$ 8,951,724
MYR	330,644	9.174	3,033,328	375,930	10.1237	3,805,800
JPY	5,235,582	0.3975	2,081,144	7,224,056	0.3762	2,717,519
CNY	579,864	4.795	2,780,449	219,410	4.6676	1,024,120
AUD	16,387	29.695	486,607	12,505	30.3212	379,169
EUR	11,860	41.23	488,980	10,553	42.655	450,130
VND	266,337,994	0.0014	376,868	211,653,452	0.0016	340,762
SGD	8,565	23.51	201,356	6,482	23.7398	153,879
HKD	46,450	3.913	181,758	50,433	4.0361	203,554
GBP	82	47.48	3,901	241	49.6587	11,992
Non-monetary financial assets						
JPY	14,392,000	0.3975	5,720,820	13,888,000	0.3762	5,223,971
USD	18,005	30.48	548,781	16,896	31.325	529,269
SGD	1,593	23.51	37,442	1,593	23.7398	37,808
CNY	523	4.795	2,507	708	4.6676	3,305

(Continued)

	September 30					
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Investments accounted for by the equity method						
CNY	$ 16,814	4.795	$ 80,621	$ 13,610	4.6676	$ 63,528
EUR	1,827	41.23	75,333	961	42.655	40,994
AUD	22,589	29.695	670,766	20,709	30.3212	627,923
USD	246,970	30.48	7,527,649	183,940	31.325	5,761,919
Monetary financial liabilities						
USD	398,819	30.48	12,156,000	603,080	31.325	18,891,492
JPY	14,084,128	0.3975	5,598,441	14,029,553	0.3762	5,277,217
CNY	754,699	4.795	3,618,782	398,489	4.6676	1,859,988
AUD	21,956	29.695	651,987	19,919	30.3212	603,973
VND	323,693,288	0.0014	458,026	241,856,134	0.0016	389,388
MYR	25,650	9.174	235,315	23,695	10.1237	239,876
SGD	2,908	23.51	68,372	211	23.7398	5,000
EUR	1,094	41.23	45,091	49,061	42.655	2,092,679
GBP	11	47.48	534	437	49.6587	21,697
SEK	-	-	-	26	4.6477	119
HKD	146	3.913	573	149	4.0361	602

(Concluded)

Derivative Financial Instruments

	Currency	Contract Exchange Rate	Contract Amount (In Thousands)
September 30, 2011			
Forward exchange contracts - buy	NTD/USD	27.208 - 31.843	NTD9,021,778/USD300,653
Forward exchange contracts - buy	NTD/EUR	39.3 - 47.387	NTD1,034,879/EUR23,718
Forward exchange contracts - buy	NTD/JPY	0.305779 - 0.37945	NTD1,830,530/JPY5,133,700
Forward exchange contracts - buy	NTD/GBP	45.70 - 47.50	NTD473,160/GBP10,089
Forward exchange contracts - sell	USD/NTD	28.334 - 30.435	USD11,693/NTD340,920
Forward exchange contracts - sell	HKD/NTD	3.6958 - 3.71	HKD35,400/NTD131,020
September 30, 2010			
Forward exchange contracts - buy	NTD/USD	25.87 - 32.233	NTD11,520,035/USD369,391
Forward exchange contracts - buy	NTD/EUR	39.305 - 47.472	NTD2,284,357/EUR49,562
Forward exchange contracts - buy	NTD/JPY	0.2973 - 0.3716	NTD3,507,728/JPY9,873,679
Forward exchange contracts - sell	USD/NTD	31.581 - 32.1	USD23,179/NTD737,721
Forward exchange contracts - sell	SGD/NTD	23.46	SGD213/NTD4,997
Forward exchange contracts - sell	HKD/NTD	4.081 - 4.1065	HKD30,000/NTD122,491