China Steel Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2012 and 2011 and Independent Accountants' Review Report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Stockholders
China Steel Corporation

We have reviewed the accompanying consolidated balance sheets of China Steel Corporation (the "Corporation") and its subsidiaries as of June 30, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

August 27, 2012

<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. As stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Par Value)
(Reviewed, Not Audited)

	2012		2011	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 2 and 4)	$ 20,315,952	3	$ 16,332,957	3
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 32)	3,748,623	1	5,492,767	1
Available-for-sale financial assets - current (Notes 2, 6 and 32)	5,748,608	1	5,602,224	1
Hedging derivative assets - current (Notes 2, 7 and 32)	136,527	-	17,153	-
Notes receivable, net (Notes 8, 27 and 33)	1,789,959	-	2,039,205	-
Accounts receivable, net (Notes 2, 3, 8, 27 and 33)	11,417,043	2	9,741,182	2
Other receivables (Note 29)	2,021,779	-	1,715,436	-
Other financial assets - current (Notes 2, 14 and 32)	5,259,897	1	4,865,736	1
Inventories (Notes 2, 9 and 27)	101,377,978	16	112,593,183	19
Deferred income tax assets - current (Notes 2 and 29)	3,141,017	1	2,657,680	1
Restricted assets - current (Notes 4 and 34)	6,989,750	1	6,002,398	1
Others	8,309,691	1	4,709,359	1
Total current assets	170,256,824	27	171,769,280	30
INVESTMENTS				
Financial assets at fair value through profit or loss - noncurrent (Notes 2, 5 and 32)	16,371	-	1,879	-
Available-for-sale financial assets - noncurrent (Notes 2, 6 and 32)	3,426,438	1	3,521,583	1
Held-to-maturity financial assets - noncurrent (Notes 2, 10 and 32)	161,531	-	169,649	-
Hedging derivative assets - noncurrent (Notes 2, 7 and 32)	46,958	-	11,923	-
Financial assets carried at cost - noncurrent (Notes 2, 11 and 32)	10,660,477	2	6,883,379	1
Bond investments with no active market - noncurrent (Notes 2, 12 and 32)	3,899,340	1	3,713,373	1
Investments accounted for by the equity method (Notes 2 and 13)	2,728,945	-	2,856,736	1
Investments in real estate (Note 2)	381,905	-	381,905	-
Other financial assets - noncurrent (Notes 2, 14 and 32)	173,709	-	2,464,664	-
Total investments	21,495,674	4	20,005,091	4
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 7, 14, 15 and 34)				
Land	19,633,789	3	17,539,757	3
Land improvements	4,384,932	1	4,385,107	1
Buildings	84,645,006	14	75,407,232	13
Machinery and equipment	456,845,095	73	423,565,498	73
Transportation equipment	21,290,603	3	19,093,208	3
Other equipment	18,652,972	3	18,441,548	3
Spare parts	10,109,912	2	9,146,732	2
Total cost	615,562,309	99	567,579,082	98
Revaluation increment	49,503,836	8	42,975,384	7
Cost and revaluation increment	665,066,145	107	610,554,466	105
Less: Accumulated depreciation	328,462,167	53	307,118,234	53
Accumulated impairment	443,268	-	428,480	-
	336,160,710	54	303,007,752	52
Construction in progress and prepayments for equipment	83,141,713	13	76,294,561	13
Net property, plant and equipment	419,302,423	67	379,302,313	65
INTANGIBLE ASSETS (Notes 2 and 16)	2,411,069	-	2,169,033	-
OTHER ASSETS				
Assets leased to others, net (Notes 2, 17 and 34)	2,922,606	1	2,977,375	1
Idle assets, net (Notes 2, 18 and 34)	2,760,537	1	1,967,439	-
Refundable deposits (Note 32)	425,814	-	357,194	-
Deferred income tax assets - noncurrent (Notes 2 and 29)	1,830,450	-	-	-
Restricted assets - noncurrent (Notes 4 and 34)	210,261	-	305,137	-
Deferred charges and others (Note 2)	818,873	-	920,944	-
Total other assets	8,968,541	2	6,528,089	1
TOTAL	$ 622,434,531	100	$ 579,773,806	100

	2012		2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans and overdraft (Notes 19 and 34)	$ 35,805,424	6	$ 65,070,648	11
Commercial paper payable (Notes 20 and 34)	26,387,447	4	19,001,514	3
Financial liabilities at fair value through profit or loss - current (Notes 2, 5 and 32)	4,163	-	1,531	-
Hedging derivative liabilities - current (Notes 2, 7 and 32)	81,473	-	562,512	-
Notes payable (Notes 27 and 33)	619,518	-	781,337	-
Accounts payable (Notes 27 and 33)	12,534,936	2	11,354,077	2
Income tax payable (Notes 2 and 29)	1,750,738	-	4,110,086	1
Accrued expenses (Note 21)	12,826,547	2	16,061,898	3
Dividends payable (Note 28)	18,121,094	3	30,145,314	5
Other payables (Note 2)	10,116,525	2	9,895,455	2
Bonds payable - current portion (Notes 22 and 32)	11,272,543	2	5,599,499	1
Long-term debt - current portion (Notes 23, 32 and 34)	20,512,742	3	4,943,608	1
Deferred income tax liabilities - current (Notes 2 and 29)	2,677	-	-	-
Others (Notes 2, 9 and 27)	8,308,756	1	6,688,076	1
Total current liabilities	158,344,583	25	174,215,555	30
LONG-TERM LIABILITIES				
Financial liabilities at fair value through profit or loss - noncurrent (Notes 2, 5 and 32)	-	-	697	-
Hedging derivative liabilities - noncurrent (Notes 2, 7 and 32)	57,733	-	113,560	-
Bonds payable (Notes 22 and 32)	38,516,912	6	29,533,115	5
Long-term debt (Notes 23, 32 and 34)	90,598,659	15	73,599,033	13
Long-term notes payable (Notes 24 and 32)	21,281,980	3	15,469,726	2
Total long-term liabilities	150,455,284	24	118,716,131	20
RESERVE FOR LAND VALUE INCREMENT TAX (Note 15)	10,240,123	2	8,673,466	2
OTHER LIABILITIES				
Accrued pension cost	708,975	-	563,007	-
Deferred income tax liabilities - noncurrent (Notes 2 and 29)	1,403,186	1	155,482	-
Others	978,460	-	930,148	-
Total other liabilities	3,090,621	1	1,648,637	-
Total liabilities	322,130,611	52	303,253,789	52
STOCKHOLDERS' EQUITY OF PARENT COMPANY (Notes 2, 7, 14, 15, 28 and 34)				
Capital stock - NT$10 par value, authorized 17,000,000 thousand shares				
Common shares - issued 15,046,209 thousand shares and 13,527,901 thousand shares as of June 30, 2012 and 2011, respectively	150,462,093	24	135,279,009	23
Preferred shares - issued 38,268 thousand shares	382,680	-	382,680	-
Total capital stock	150,844,773	24	135,661,689	23
Capital surplus	36,287,500	6	20,125,417	4
Retained earnings	66,752,465	11	82,685,699	14
Other equity adjustments				
Unrealized revaluation increment	26,755,768	4	21,865,924	4
Unrealized gain on financial instruments	3,239,199	-	2,481,703	-
Cumulative translation adjustments	(190,772)	-	(390,033)	-
Net loss not recognized as pension cost	(230,770)	-	(79,210)	-
Treasury stock - 303,278 thousand shares and 278,842 thousand shares as of June 30, 2012 and 2011, respectively	(8,359,796)	(1)	(8,002,155)	(1)
Total other equity adjustments	21,213,629	3	15,876,229	3
Total stockholders' equity of parent company	275,098,367	44	254,349,034	44
MINORITY INTEREST	25,205,553	4	22,170,983	4
Total stockholders' equity	300,303,920	48	276,520,017	48
TOTAL	$ 622,434,531	100	$ 579,773,806	100

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2012		2011	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 2, 5, 13, 33 and 38)	$ 190,638,822	100	$ 200,403,097	100
OPERATING COSTS (Notes 2, 5, 9, 13, 30 and 33)	180,984,990	95	174,093,743	87
GROSS PROFIT	9,653,832	5	26,309,354	13
REALIZED GAIN FROM AFFILIATES	15,618	-	17,772	-
REALIZED GROSS PROFIT	9,669,450	5	26,327,126	13
OPERATING EXPENSES (Note 30)				
Research and development	847,440	1	863,138	-
Selling	2,230,183	1	2,410,042	1
General and administrative	2,592,311	1	2,870,065	2
Total operating expenses	5,669,934	3	6,143,245	3
OPERATING INCOME	3,999,516	2	20,183,881	10
NONOPERATING INCOME AND GAINS				
Interest income (Note 32)	205,315	-	144,314	-
Exchange gain, net (Note 2)	250,294	-	374,904	-
Others (Notes 2, 5, 7, 15, 17 and 33)	598,095	-	449,475	1
Total nonoperating income and gains	1,053,704	-	968,693	1
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 15 and 32)	1,293,182	1	950,462	1
Investment loss recognized under equity method, net (Note 13)	117,972	-	44,877	-
Others (Notes 2, 5 and 30)	390,195	-	334,319	-
Total nonoperating expenses and losses	1,801,349	1	1,329,658	1
INCOME BEFORE INCOME TAX	3,251,871	1	19,822,916	10
INCOME TAX (Notes 2 and 29)	522,502	-	3,171,895	2
NET INCOME	$ 2,729,369	1	$ 16,651,021	8

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2012		2011	
	Amount	**%**	**Amount**	**%**
ATTRIBUTABLE TO:				
Stockholders of parent company	$ 1,945,090	1	$ 15,344,413	8
Minority interest	784,279	-	1,306,608	-
	$ 2,729,369	1	$ 16,651,021	8

	2012		2011	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 31)				
Basic	$ 0.13	$ 0.13	$ 1.22	$ 1.08
Diluted	$ 0.13	$ 0.13	$ 1.21	$ 1.07

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)
(Reviewed, Not Audited)

	Issued			Retained Earnings				Other Equity Items						
	Common Shares	Preferred Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Unrealized Revaluation Increment	Unrealized Gain on Financial Instruments	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Treasury Stock	Minority Interest	Total Stockholders' Equity
BALANCE, JANUARY 1, 2012	$ 150,462,093	$ 382,680	$ 36,247,705	$ 52,829,209	$ 7,615,701	$ 19,606,971	$ 80,051,881	$ 26,757,590	$ 3,020,919	$ 17,192	$ (230,590)	$ (8,122,461)	$ 23,520,928	$ 312,107,937
Appropriation of 2011 earnings (Note 28)														
Legal reserve	-	-	-	1,949,368	-	(1,949,368)	-	-	-	-	-	-	-	-
Cash dividends to preferred stockholders - NT$1.25 per share	-	-	-	-	-	(47,835)	(47,835)	-	-	-	-	-	-	(47,835)
Cash dividends to common stockholders - NT$1.01 per share	-	-	-	-	-	(15,196,671)	(15,196,671)	-	-	-	-	-	-	(15,196,671)
Net income for the six months ended June 30, 2012	-	-	-	-	-	1,945,090	1,945,090	-	-	-	-	-	784,279	2,729,369
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	280,391	-	-	-	-	280,391
Change in unrealized revaluation increment	-	-	-	-	-	-	-	(1,655)	-	-	-	-	-	(1,655)
Adjustment from changes in equity recognized under equity method	-	-	37,766	-	-	-	-	(167)	72,457	-	(180)	(7,749)	-	102,127
Foreign exchange loss on translation of foreign-currency financial statements	-	-	-	-	-	-	-	-	-	(271,003)	-	-	-	(271,003)
Foreign exchange gain on hedge of a net investment in a foreign operation	-	-	-	-	-	-	-	-	-	63,039	-	-	-	63,039
Change in unrealized loss on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	(134,568)	-	-	-	-	(134,568)
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(243,297)	(194,849)	(438,146)
Disposal of the Corporation's shares held by subsidiaries (Note 28)	-	-	2,029	-	-	-	-	-	-	-	-	13,711	12,758	28,498
Adjustment of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	1,082,437	1,082,437
BALANCE, JUNE 30, 2012	$ 150,462,093	$ 382,680	$ 36,287,500	$ 54,778,577	$ 7,615,701	$ 4,358,187	$ 66,752,465	$ 26,755,768	$ 3,239,199	$ (190,772)	$ (230,770)	$ (8,359,796)	$ 25,205,553	$ 300,303,920
BALANCE, JANUARY 1, 2011	$ 135,279,009	$ 382,680	$ 20,072,476	$ 49,070,526	$ 7,615,701	$ 37,651,735	$ 94,337,962	$ 21,873,940	$ 2,374,377	$ (101,443)	$ (117,015)	$ (8,151,621)	$ 22,652,167	$ 288,602,532
Appropriation of 2010 earnings (Note 28)														
Legal reserve	-	-	-	3,758,683	-	(3,758,683)	-	-	-	-	-	-	-	-
Cash dividends to preferred stockholders - NT$1.99 per share	-	-	-	-	-	(76,153)	(76,153)	-	-	-	-	-	-	(76,153)
Cash dividends to common stockholders - NT$1.99 per share	-	-	-	-	-	(26,920,523)	(26,920,523)	-	-	-	-	-	-	(26,920,523)
Net income for the six months ended June 30, 2011	-	-	-	-	-	15,344,413	15,344,413	-	-	-	-	-	1,306,608	16,651,021
Change in unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	226,458	-	-	-	-	226,458
Change in unrealized revaluation increment	-	-	-	-	-	-	-	(7,851)	-	-	-	-	-	(7,851)
Adjustment from changes in equity recognized under equity method	-	-	155	-	-	-	-	(165)	(63,471)	-	37,805	83	-	(25,593)
Foreign exchange loss on translation of foreign-currency financial statements	-	-	-	-	-	-	-	-	-	(383,760)	-	-	-	(383,760)
Foreign exchange gain on hedge of a net investment in a foreign operation	-	-	-	-	-	-	-	-	-	95,170	-	-	-	95,170
Change in unrealized loss on financial instruments for cash flow hedging	-	-	-	-	-	-	-	-	(55,661)	-	-	-	-	(55,661)
Disposal of the Corporation's shares held by subsidiaries (Note 28)	-	-	52,786	-	-	-	-	-	-	-	-	149,383	167,909	370,078
Adjustment of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(1,955,701)	(1,955,701)
BALANCE, JUNE 30, 2011	$ 135,279,009	$ 382,680	$ 20,125,417	$ 52,829,209	$ 7,615,701	$ 22,240,789	$ 82,685,699	$ 21,865,924	$ 2,481,703	$ (390,033)	$ (79,210)	$ (8,002,155)	$ 22,170,983	$ 276,520,017

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,729,369	$ 16,651,021
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	13,920,315	13,126,425
Amortization	109,225	148,395
Deferred income tax	(1,134,026)	(87,604)
Realized gain from affiliates	(15,618)	(17,772)
Provision for loss on inventories	2,092,600	1,021,746
Loss on purchase commitments	1,074,726	611,180
Investment loss recognized under equity method, net	117,391	44,940
Cash dividends received from equity method investees	10,977	13,030
Others	(116,462)	(92,467)
Net changes in operating assets and liabilities		
Financial instruments held for trading	(116,771)	(46,721)
Notes receivable	111,645	(143,254)
Accounts receivable	(1,203,064)	(1,921,812)
Other receivables	272,221	274,462
Inventories	12,490,888	(23,952,337)
Other current assets	(2,533,445)	1,642,532
Notes payable	(446,900)	305,067
Accounts payable	2,403,692	1,226,740
Income tax payable	(862,951)	(1,160,746)
Accrued expenses	(1,089,863)	291,103
Other payables	1,643,950	2,670,098
Other current liabilities	1,761,331	(490,955)
Net cash provided by operating activities	31,219,230	10,113,071
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	(1,965,560)	(3,950,540)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	1,527,775	3,752,588
Acquisition of available-for-sale financial assets	(2,861,125)	(3,178,695)
Proceeds from disposal of available-for-sale financial assets	2,852,363	3,804,393
Acquisition of held-to-maturity financial assets	(53,383)	(8,618)
Proceeds from disposal of held-to-maturity financial assets	59,314	30,311
Acquisition of financial assets carried at cost	(558,036)	(619,113)
Proceeds from disposal of financial assets carried at cost	246,506	27,113
Proceeds from the capital reduction on financial assets carried at cost	10,408	2,500
Acquisition of bond investments with no active market	(1,358)	(12,150)
Proceeds from disposal of bond investments with no active market	-	1,439
Acquisition of investments accounted for by equity method	(250,000)	(6,750)

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2012	2011
Proceeds from disposal of investments accounted for by equity method	$ 9,033	$ 52,466
Net cash outflow for acquisition of subsidiaries	(125,724)	-
Decrease (increase) in other financial assets	537,464	(2,750,465)
Acquisition of property, plant and equipment	(29,492,488)	(26,271,307)
Proceeds from disposal of property, plant and equipment	41,210	5,196
Decrease (increase) in refundable deposits	2,618	(137,168)
Decrease (increase) in restricted assets	42,091	(115,414)
Increase in intangible assets	(264,267)	(137,591)
Decrease in other assets	27,878	214,653
Net cash used in investing activities	(30,215,281)	(29,297,152)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans and overdraft	(24,104,170)	17,967,504
Increase in commercial paper payable	4,029,547	2,139,527
Issuance of bonds payable	595,100	-
Repayments of bonds payable	-	(8,100,000)
Proceeds from long-term debt	39,559,395	4,102,076
Repayments of long-term debt and reorganized loans payable	(15,417,353)	(5,953,569)
Increase (decrease) in long-term notes payable	(3,531,739)	10,073,067
Increase in other liabilities	44,974	42,636
Cash dividends paid by parent company	(4,625)	(6,662)
Purchase of parent company's shares by subsidiaries	(438,146)	-
Disposal of parent company's shares held by subsidiaries	28,498	370,078
Increase (decrease) in minority interest	1,070,430	(1,955,701)
Net cash provided by financing activities	1,831,911	18,678,956
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,835,860	(505,125)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	17,480,092	16,838,082
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 20,315,952	$ 16,332,957
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 1,216,740	$ 1,006,868
Capitalized interest	(284,555)	(273,190)
Interest paid (excluding capitalized interest)	$ 932,185	$ 733,678
Income tax paid	$ 2,519,479	$ 4,420,245
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Cash paid for acquisition of property, plant and equipment		

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2012	2011
Acquisition of property, plant and equipment	$ 31,314,784	$ 24,787,683
Decrease (increase) in payable for equipment purchased	(1,822,296)	1,483,624
	$ 29,492,488	$ 26,271,307
Cash dividends paid to stockholders		
Total cash dividends payable to stockholders	$ 15,244,506	$ 26,996,676
Increase in dividends payable	(15,239,881)	(26,990,014)
	$ 4,625	$ 6,662
NON-CASH FINANCIAL ACTIVITIES		
Current portion of long-term liabilities	$ 31,785,285	$ 10,543,107

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. ORGANIZATION AND OPERATIONS

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

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

As of June 30, 2012 and 2011, the Ministry of Economic Affairs ("MOEA"), Republic of China owned 20.05% and 21.24% of the Corporation's issued common stock, respectively.

As of June 30, 2012 and 2011, the Corporation and its subsidiaries had about 23,700 and 22,900 employees, respectively.

For the six months ended June 30, 2012 and 2011, all the subsidiaries that comprised the consolidated financial statements and their changes are listed as follows:

Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) June 30 2012	Percentage of Ownership (%) June 30 2011	Additional Descriptions
China Steel Corporation	China Steel Express Corporation (CSE)	Ocean freight forwarding	100	100	
	C. S. Aluminium Corporation (CAC)	Production and sale of aluminum and other non-ferrous metal	100	100	
	Gains Investment Corporation (GIC)	General investment	100	100	
	China Prosperity Development Corporation	Real estate sale, rental and development service	100	100	
	China Steel Asia Pacific Holdings Pte Ltd.	Investment holding company	100	100	
	China Steel Global Trading Corporation (CSGT)	Steel product agency and trading service	100	100	
	China Steel Machinery Corporation (CSMC)	Manufacture of machinery and equipment	74	74	Direct and indirect ownerships amounted to 100%
	China Steel Security Corporation	Guard security and system security	100	100	
	Info-Champ Systems Corporation (ICSC)	Design and sale of IT hardware and software	100	100	
	CSC Steel Australia Holdings Pty Ltd. (CSCAU)	Investment holding company	100	100	
	Horng Yih Investment Corporation	General investment	100	100	
	Long Yuan Fa Investment Corporation	General investment	100	100	
	Goang Yaw Investment Corporation	General investment	100	100	
	Himag Magnetic Corporation	Manufacture and trading of magnetic powder	50	50	Direct and indirect ownerships amounted to 85%

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Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) June 30 2012	2011	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. below
	China Steel Chemical Corporation (CSCC)	Production and sale of coal chemistry and specialty chemicals	29	29	Refer to a. 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. 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 a. below
	China Steel Structure Co., Ltd. (CSSC)	Design, manufacture and sale of steel structure	33	33	Direct and indirect ownerships amounted to 37%, and refer to a. below
	China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Manufacture of steel product	51	51	
	China Steel Corporation India Pvt. Ltd.	Manufacture and sale of steel product (electromagnetic steel coil)	100	-	Investment in January 2012
	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	
	Transglory Investment Corporation (TIC)	General investment	50	50	Direct and indirect ownerships amounted to 100%
C.S. Aluminium 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. below
	Universal Exchange Inc.	Software programming	57	57	

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) June 30 2012	2011	Additional Descriptions
	Thintech Materials Technology Co., Ltd. (TMTC)	Target material and bimetal material tube sale	36	42	Direct and indirect ownerships amounted to 46% and 53% as of June 30, 2012 and 2011, respectively. Refer to b. below
Eminence Investment Corporation	Shin-Mau Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Gau Ruel Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%
	Ding Da Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Chiun Yu Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%
Shin-Mau Investment Corporation	Horng Chyuan Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
	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 (TTIL)	International trading and investment service	100	100	
	Thintech Global Limited	International trading and investment service	100	-	Investment in September 2011
	Thintech United Limited	Investment holding company	100	-	Investment in April 2012
Thintech International Limited	Nantong Zhongxing Materials Technology Co., Ltd. (NZMTCL)	Manufacture, processing and trading of target material	47	39	Increased investment and included in the consolidated entities in December 2011. Refer to a. below
Thintech Global Limited	Taicang Thintech Materials Co., Ltd.	Manufacture, processing and trading of target material	100	-	Investment in September 2011
Thintech United Limited	Thintech United Metal Resources (Taicang) Co., Ltd.	Refining, purification and sale of metal	65	-	Investment in April 2012
China Prosperity Development Corporation	CK Japan Co., Ltd.	Real estate sale and rental	80	-	Established in January 2012; direct and indirect ownerships amounted to 100%
China Steel Asia Pacific Holdings Pte Ltd.	CSC Steel Holdings Berhad (CSHB)	Investment holding company	46	46	Refer to a. below

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) June 30 2012	2011	Additional Descriptions
	Changzhou China Steel Precision Materials Corporation	Manufacture and sale of titanium-nickel alloy and non-ferrous metal	70	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 Bio-coal Sdn. Bhd. (formerly Ornaconstruction Corp. Sdn. Bhd.)	Manufacture of biomass coal	100	-	Group restructured in November 2011
CSC Steel Sdn. Bhd.	CSC Bio-coal Sdn. Bhd. (formerly Ornaconstruction Corp. Sdn. Bhd.)	Construction	-	100	Group restructured in November 2011
	Constant Mode Sdn. Bhd.	General investment	100	-	Investment in August 2011
China Steel Global Trading Corporation	Chung Mao Trading (Samoa) Co., Ltd.	Investment and trading service	100	100	
	CSGT (Singapore) Pte. Ltd.	Steel product agency and trading service	100	100	
	Chung Mao Trading (BVI) Co., Ltd.	Steel product agency and trading service	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)	Investment and trading service	100	100	
Chung Mao Trading (Samoa) Co., Ltd.	CSGT (Shanghai) Co., Ltd.	Steel product agency and trading service	100	100	
Chung Mao Trading (BVI) Co., Ltd.	CSGT Hong Kong Limited	Steel product agency and trading service	100	100	
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company	Steel cutting and processing	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	
	China Steel Management and Maintenance for Building Corporation	Building management	100	-	Established in January 2012
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. (CEVC)	Engineering design and construction	100	100	
	Xiamen Ecotek PRC Co., Ltd.	Metal materials agency and trading service	100	-	Established in November 2011
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	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	

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) June 30 2012	Percentage of Ownership (%) June 30 2011	Additional Descriptions
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	
	Yu Cheng Lime Corporation (YCC)	Manufacture of other non-metal mineral product	90	-	Investment in March 2012
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)

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

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

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

In June 2011, the subsidiaries DSC, CEC, EWIC, etc. further invested NT$228,678 thousand in the subsidiary CSSC, acquiring 8,100 thousand shares, which increased the Corporation's total equity in CSSC to 37%.

The subsidiary CHC invested NT$128,000 thousand to acquire 108 thousand shares (90% shareholding) of YCC from Chien Tai Cement Co., Ltd. through open competitive bidding on March 28, 2012. The fair value of the assets and liabilities of the investee at the date of investment were as follows:

Items	Amount
Current assets	
Property, plant and equipment	$ 5,459
Other assets	189,587
Current liabilities	433
Reserve for land value increment tax	(5,078)
Other liabilities	(45,985)
	(2,194)
	142,222
Multiplied by percentage of shareholding acquired	90%
Purchase price	128,000
Less: Cash acquired on the acquisition date	2,276
Net cash outflow for acquisition of YCC	$ 125,724

The acquisition of YCC by CHC was accounted for as a purchase as prescribed by Statement of Financial Accounting Standards (SFAS) No. 25, "Business Combination - Accounting Treatment under Purchase Method." Assuming the shareholding was acquired on January 1, 2011, pro forma consolidated operating result would not have significant impact on the consolidated statements of income.

The Corporation's shares are acquired and held by subsidiaries for investment 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 and accounting principles generally accepted in the Republic of China ("ROC GAAP").

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

Significant accounting policies are summarized as follows:

Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

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

Accounting Estimates

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

Current and Noncurrent Assets and Liabilities

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

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

Cash Equivalents

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

Financial Assets and Liabilities at Fair Value Through Profit or Loss

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

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

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

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

Available-for-sale Financial Assets

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

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

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

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

Held-to-maturity Financial Assets

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

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

Hedge Accounting

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

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

a. Fair value hedge

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

b. Cash flow hedge

   The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in stockholders' equity. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the amount recognized in stockholders' equity will be included in the initial cost of the asset or liability. However, if all or a portion of a loss recognized in stockholders' equity is not expected to be recovered in the future, the amount that is not expected to be recovered is reclassified into current profit or loss.

c. Hedge of a net investment in a foreign operation

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

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

Financial Assets Carried at Cost

Investments in non-publicly traded stocks, stocks traded in the Emerging Stock Market and certificates of entitlement are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same with that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Bond Investments with No Active Market

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

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

Impairment and Factoring of Accounts Receivable

a. Impairment of Accounts Receivable

   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) Occurrence of overdue accounts receivable;

   3) High probability of bankruptcy or financial re-organization of the debtor.

   Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable may 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 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 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.

b. Factoring of Accounts Receivable

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

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

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

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

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

Impairment of Assets

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

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

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

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

Allowance for Sales Discount

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

Inventories

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

Investments Accounted for by the Equity Method

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

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

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

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

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

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

Investments in Real Estate

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

Property, Plant and Equipment

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

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

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

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

Intangible Assets

Identifiable intangible assets (mainly computer software, carbon dioxide emission permit, nitrogen oxide emission reduction, and land use right) acquired are initially recorded at cost. Amortization is calculated by the straight-line method over estimated useful lives ranging from 3 to 99 years.

Assets Leased to Others and Idle Assets

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

Deferred Charges

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

Loss on Purchase Commitments

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

Reserve for Construction Guarantee

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

Pension Cost

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

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

Income Tax

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

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

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

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

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

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

Share-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under SFAS No. 39, "Accounting for Share-based Payment." Under the statement, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting year, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Treasury Stock

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

The Corporation accounts for its stock held by subsidiaries as treasury stock. The recorded cost of the stock is based on its carrying amount as of January 1, 2002 and reclassified to treasury stock. Shares of the Corporation that were acquired and held by less than 50%-owned subsidiaries of the Corporation after January 1, 2002 are reclassified to treasury stock at the acquisition cost.

Revenue Recognition

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

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

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

Reclassifications

Certain accounts in the consolidated financial statements as of and for the six months ended June 30, 2011 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the six months ended June 30, 2012 and are listed as follows:

	Before Reclassification	After Reclassification
Consolidated balance sheets		
Financial assets carried at cost - noncurrent	$ 3,573,000	$ -
Bond investments with no active market - noncurrent	-	3,573,000

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Financial Instruments

Starting January 1, 2011, the Corporation and its subsidiaries adopted the newly revised SFAS No. 34, "Financial Instruments: Recognition and Measurement." The main revisions are as follows: (1) impairment of finance lease receivables is 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 included. This accounting change did not have a significant impact on the Corporation and its subsidiaries' consolidated financial statements as of and for the six months ended June 30, 2011.

Operating Segments

Starting January 1, 2011, the Corporation and its subsidiaries adopted the newly issued SFAS No. 41, "Operating Segments." The requirements of the statement are based on the information about the components of the Corporation and its subsidiaries that management uses to make decisions about operating matters. SFAS No. 41 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Corporation's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20, "Segment Reporting" and the Corporation and its subsidiaries conformed to the disclosure requirement and provided the operating segments disclosure in the consolidated financial statements accordingly.

4. CASH AND CASH EQUIVALENTS

	June 30	
	2012	2011
Cash on hand	$ 38,283	$ 34,842
Checking accounts and demand deposits	5,770,855	6,098,732
Time deposits	13,418,897	8,138,217
Cash equivalents - Commercial paper and bonds	1,084,547	2,061,166
Cash in transit	3,370	-
	$ 20,315,952	$ 16,332,957

Foreign bank deposits of the Corporation were as follows:

	June 30	
	2012	2011
Japan - IYO Bank and Mega International Commercial Bank (in thousands of JPY)	¥ 3,216	¥ 3,902
Singapore - Daiwa Securities SMBC (in thousands of JPY)	21	21
	¥ 3,237	¥ 3,923
India - Standard Chartered Bank (in thousands of INR)	Rs 1,250	Rs -
Represented by N.T. dollars (in thousands)	NT$ 1,878	NT$ 1,402

As of June 30, 2012 and 2011, time deposits with maturities of over one year were NT$2,900 thousand and zero, 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$25,941 thousand (NT$14,926 thousand recorded as restricted assets - current and NT$11,015 thousand recorded as restricted assets - noncurrent) and NT$9,716 thousand (NT$4 thousand recorded as restricted assets - current and NT$9,712 thousand recorded as restricted assets - noncurrent) as of June 30, 2012 and 2011, respectively.

5. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	June 30	
	2012	2011
Financial assets held for trading		
Mutual funds	$ 993,241	$ 1,067,962
Quoted stocks and depositary receipts	634,463	1,281,160
Structured notes	40,478	38,218
Forward exchange contracts	36,301	5,234
Precious metals futures contracts	-	2,457
Convertible bonds	-	540
	1,704,483	2,395,571
Financial assets designated as at FVTPL		
Mutual funds	1,842,146	2,918,072
Structured notes	155,149	106,687
Quoted stocks	53,116	63,266
Convertible bonds	10,100	11,050
	2,060,511	3,099,075
	3,764,994	5,494,646
Less: Noncurrent portion	16,371	1,879
	$ 3,748,623	$ 5,492,767

(Continued)

	June 30	
	2012	2011
Financial liabilities held for trading		
Forward exchange contracts	$ 2,651	$ 2,228
Options (Note 22)	1,512	-
	4,163	2,228
Less: Noncurrent portion	-	697
	$ 4,163	$ 1,531

(Concluded)

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

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

Outstanding forward exchange contracts as of June 30, 2012 and 2011 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
June 30, 2012			
Buy	NTD/USD	July 2012 - April 2014	NTD1,218,746/USD41,676
Buy	NTD/JPY	February 2013 - December 2014	NTD240,222/JPY674,265
Sell	USD/NTD	July 2012	USD4,129/NTD122,107
Sell	HKD/NTD	July 2012	HKD17,078/NTD64,743
June 30, 2011			
Buy	NTD/USD	October 2011	NTD31,899/USD1,120
Buy	NTD/JPY	July 2011 - December 2014	NTD408,005/JPY1,142,130
Sell	USD/NTD	July 2011 - August 2011	USD13,895/NTD400,261
Sell	HKD/NTD	July 2011 - August 2011	HKD35,400/NTD131,898

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

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

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

e. The net valuation gains (losses) on financial instruments at FVTPL for the six months ended June 30, 2012 and 2011 were as follows:

	Six Months Ended June 30	
	2012	2011
Financial assets held for trading	$ 42,061	$ (15,526)
Financial assets designated as at FVTPL	15,100	13,549
Financial liabilities held for trading	(3,672)	(2,337)
	$ 53,489	$ (4,314)

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

	Six Months Ended June 30	
	2012	2011
Operating revenues	$ 31,326	$ 269
Operating costs	(2,612)	(10,958)
Nonoperating income and gains	25,835	8,981
Nonoperating expenses and losses	(1,060)	(2,606)
	$ 53,489	$ (4,314)

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30	
	2012	2011
Domestic quoted stocks (Note 11)	$ 4,969,227	$ 4,345,947
Mutual funds	2,172,992	2,761,973
Overseas quoted stocks	1,584,881	1,667,336
Private-placement domestic shares	447,946	304,715
Structured notes	-	43,836
	9,175,046	9,123,807
Less: Current portion	5,748,608	5,602,224
	$ 3,426,438	$ 3,521,583

The Corporation borrowed foreign-currency bank loans to hedge exchange rate fluctuation risks on the overseas quoted stocks in Maruichi Steel Tube Ltd. and Yodogawa Steel Works, Ltd. (Notes 23 and 32). Adjustments for change in valuation arising from exchange difference were recognized in profit or loss.

In September 2010, the Corporation invested in Reichi Precision Co., Ltd. through its private placement. According to the Securities Exchange Act, the securities which the Corporation acquired by private placement could be transferred freely in public market only after holding those shares for three years starting from the delivery date.

7. HEDGING DERIVATIVE FINANCIAL INSTRUMENTS

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

Outstanding forward exchange contracts as of June 30, 2012 and 2011 were as follows:

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
June 30, 2012			
Buy	NTD/USD	July 2012 - September 2015	NTD7,736,436/USD264,242
Buy	NTD/EUR	August 2012 - January 2014	NTD409,265/EUR9,646
Buy	NTD/JPY	July 2012 - June 2015	NTD1,554,571/JPY4,131,524
Buy	NTD/GBP	January 2013 - January 2015	NTD215,489/GBP4,627
Sell	USD/NTD	August 2012	USD764/NTD22,828
Sell	EUR/NTD	October 2012	EUR4,363/NTD168,894
June 30, 2011			
Buy	NTD/USD	July 2011 - June 2015	NTD7,578,631/USD249,520
Buy	NTD/EUR	July 2011 - December 2013	NTD1,968,556/EUR43,070
Buy	NTD/JPY	August 2011 - February 2014	NTD1,973,410/JPY5,531,546
Sell	USD/NTD	July 2011 - October 2011	USD1,798/NTD51,937
Sell	EUR/NTD	July 2011	EUR830/NTD34,860

Outstanding interest rate swap contracts as of June 30, 2012 were as follows:

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
NTD9,277,000	February 2017 - July 2018	0.988% - 1.14%	0.871% - 0.872%

The Corporation and its subsidiaries did not enter into any interest rate swap contract during the six months ended June 30, 2011.

Movements of hedging derivative financial instruments for the six months ended June 30, 2012 and 2011 were as follows:

	Six Months Ended June 30	
	2012	2011
Balance, beginning of period	$ 144,882	$ (572,060)
Unrealized loss of valuation	(154,718)	(381,385)
Transferred to profit and loss	(6,023)	(1,203)
Transferred to construction in progress and prepayments for equipment	60,138	307,652
Balance, end of period	$ 44,279	$ (646,996)

As of June 30, 2012 and 2011, the balances of hedging derivative assets (liabilities) were as follows:

	June 30	
	2012	2011
Hedging derivative assets - current	$ 136,527	$ 17,153
Hedging derivative assets - noncurrent	46,958	11,923
Hedging derivative liabilities - current	(81,473)	(562,512)
Hedging derivative liabilities - noncurrent	(57,733)	(113,560)
	$ 44,279	$ (646,996)

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

8. NOTES AND ACCOUNTS RECEIVABLE, NET

	June 30	
	2012	2011
Notes receivable	$ 1,789,959	$ 2,039,205
Less: Allowance for doubtful accounts	-	-
	$ 1,789,959	$ 2,039,205
Accounts receivable	$ 11,519,600	$ 10,030,177
Less: Allowance for doubtful accounts	102,414	288,660
Less: Allowance for sales discounts	143	335
	$ 11,417,043	$ 9,741,182

Movements of the allowance for doubtful accounts were as follows:

	Six Months Ended June 30		
	2012	2011	
	Accounts Receivable	Notes Receivable	Accounts Receivable
Balance, beginning of period	$ 168,880	$ 1,883	$ 371,113
Deduct: Reversal	66,466	1,883	76,692
Deduct: Written off	-	-	5,761
Balance, end of period	$ 102,414	$ -	$ 288,660

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 next banking day.

The related information for the Corporation, CHSC and CSCC's sale of accounts receivable for the six months ended June 30, 2012 and 2011 was as follows:

Transaction Counter-party	Advances Received at Period - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Period-end	Interest Rate on Advances Received (%)	Credit Line (In Billions of NTD)
Six months ended June 30, 2012						
Mega International Commercial Bank	$ 4,786,918	$ 6,668,189	$ 6,416,122	$ 5,038,985	1.23-1.52	$12.0
Bank of Taiwan	1,509,756	1,825,229	1,906,874	1,428,111	1.24-1.52	3.0
	$ 6,296,674	$ 8,493,418	$ 8,322,996	$ 6,467,096		

(Continued)

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

(Concluded)

9. INVENTORIES

	June 30	
	2012	2011
Finished products	$ 20,995,394	$ 20,423,313
Work in process	31,835,671	38,353,459
Raw materials	25,298,347	32,708,360
Supplies	7,843,716	6,227,093
Fuel	380,837	360,501
Raw materials and supplies in transit	6,121,810	6,980,729
Construction in progress (net of billing on contracts NT$43,833,761 thousand and NT$32,915,945 thousand as of June 30, 2012 and 2011, respectively)	8,178,862	7,204,810
Others	723,341	334,918
	$ 101,377,978	$ 112,593,183

As of June 30, 2012 and 2011, the allowance for inventory devaluation was NT$3,606,710 thousand and NT$2,293,673 thousand, respectively, and recorded as reduction in inventories. The cost of inventories recognized as operating costs for the six months ended June 30, 2012 and 2011 was NT$180,931,169 thousand and NT$174,082,397 thousand, respectively, (the difference between this cost and the operating costs in consolidated statements of income is due to costs not related to inventories, including investment loss recognized under equity method, impairment loss, and valuation loss on financial instruments, which were recognized by investment companies), which included the following items:

	Six Months Ended June 30	
	2012	2011
Provision for loss on inventories	$ 2,092,600	$ 1,021,746
Loss on purchase commitments	1,074,726	611,180
Loss on idle capacity	8,496	959
Income from scrap sales	(388,849)	(492,615)
Loss (Gain) on physical inventory	(98,544)	34,182
	$ 2,688,429	$ 1,175,452

Significant construction contracts as of June 30, 2012 and 2011 were as follows:

Expected Year to Complete	Construction in Progress	Advance Construction Receipts	Contract Price	Estimated Total Cost	Percentage of Completion (%)	Accumulated Construction Gain (Loss)
June 30, 2012						
Year 2012	$ 17,492,322	$ 17,739,651	$ 20,833,971	$ 20,209,354	0-99	$ 431,050
Year 2013	479,891	670,058	4,154,545	4,095,162	0-98	22,819
Year 2014	296,861	559,971	1,269,523	1,268,953	26	1,320
Year 2015	280,126	584,986	1,623,450	1,604,428	17	3,277
June 30, 2011						
Year 2011	16,105,193	15,669,774	17,547,606	16,670,482	42-99	876,420
Year 2012	2,287,552	849,612	6,114,996	6,341,802	3-34	(234,553)
Year 2014	69,678	214,617	1,033,333	1,033,333	7	(8)
Year 2015	182,269	501,146	1,540,348	1,522,300	12	2,123

Advance construction receipts (net of construction in progress of NT$24,857,892 thousand and NT$23,258,222 thousand as of June 30, 2012 and 2011, respectively) were NT$3,791,882 thousand and NT$2,575,017 thousand as of June 30, 2012 and 2011, respectively, and included in other current liabilities.

10. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	June 30	
	2012	2011
Guarantee debt certificates	$ 176,312	$ 173,302
Structured notes	114,874	126,002
	291,186	299,304
Less: Accumulated impairment	129,655	129,655
	$ 161,531	$ 169,649

a. As for the guarantee debt certificates, the maturity dates are from June 2014 to May 2021, interest is charged by the agreed formula, and actual interest rate was both zero as of June 30, 2012 and 2011.

b. As of June 30, 2012 and 2011, the maturity dates of the structured notes are from February 2018 to May 2024 and from April 2012 to March 2023, respectively. Interest is charged by the agreed formula and actual interest rate was 0%-7.3% and 0%-4.25% as of June 30, 2012 and 2011, respectively.

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	June 30	
	2012	2011
Unquoted common stocks		
Nacional Minerios S.A.	$ 3,268,550	$ -
Dongbu Metal Co., Ltd.	1,276,092	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
Yieh United Steel Corp.	257,600	257,600
Taiwan Rolling Stock Co., Ltd.	202,048	202,048

(Continued)

	June 30	
	2012	2011
Qingdao TECO Precision Mechatronics Co., Ltd. (Qingdao TECO)	$ 167,890	$ 230,375
Riselink Venture Capital Corp.	150,000	150,000
TaiGen Biopharmaceuticals Holding Limited (TGB)	106,928	109,562
Hanoi Steel Center Co., Ltd.	106,686	-
Aptos Technology Inc.	106,286	76,286
Adimmune Corporation (AC)	-	268,822
Taiwan High Speed Rail Corporation (THSRC)	-	-
Others	1,695,527	1,557,221
	9,163,800	5,954,199
Unquoted preferred stocks	317,025	425,762
Certificate of entitlement		
Formosa Ha Tinh Steel Corporation	1,169,726	468,585
Shanghai Bao Shan Lian Steel Products Co., Ltd.	9,926	-
	1,179,652	468,585
Others	-	34,833
	$ 10,660,477	$ 6,883,379

(Concluded)

The above equity investments, which were in unquoted stocks and certificate of entitlement and over which the Corporation and its subsidiaries had no significant influence, were carried at cost.

In November 2011, the Corporation acquired 4,751 thousand common shares (1% shareholding) of Nacional Minerios S.A. by investing NT$3,268,550 thousand (JPY8.5 billion). Nacional Minerios S.A. mainly engages in iron ore mining.

In September 2011, the subsidiary CSAPH recognized an impairment loss of NT$70,662 thousand (USD2,401 thousand) on the investment in Qingdao TECO.

The Corporation and the subsidiary EVCC acquired 21,465 thousand preferred shares of TGB for NT$318,313 thousand. The Corporation and EVCC evaluated the investment in TGB and recognized an impairment loss of NT$207,712 thousand in 2008. The Corporation and EVCC converted their preferred shares to 30,419 thousand common shares in June 2011. TGB mainly engages in drug research and development.

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

AC’s shares held by the Corporation and the subsidiaries CSCC and GIC were listed on the Taiwan Stock Exchange in May 2012; therefore, this investment was reclassified as available-for-sale financial assets - current (Note 6).

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 issue date, have a 9.5% dividend in the first two years and zero percent 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.

From June 2011, the Corporation consecutively invested a total of NT$1,169,726 thousand (USD39,500 thousand) in Formosa Ha Tinh Steel Corporation and acquired 5% of ownership. The main business of Formosa Ha Tinh Steel Corporation is manufacturing 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

	June 30	
	2012	**2011**
Unquoted preferred stocks - overseas		
East Asia United Steel Corporation (EAUS) - Preferred A	$ 3,754,000	$ 3,573,000
Others	16,057	11,449
Subordinated financial bonds	120,000	120,000
Bonds	9,283	8,924
	$ 3,899,340	$ 3,713,373

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 JPY10 billion (Notes 23 and 32). The Corporation thus has a stable supply of slab from this joint venture. The Corporation also signed a contract with the subsidiary CHSC to transfer the purchasing right of slabs from EAUS, and the Corporation receives royalty on this contract based on the volume purchased by CHSC.

In October 2009, the subsidiaries CSCC and EWIC acquired perpetual subordinated financial bonds from Taiwan Business Bank at cost of NT$100,000 thousand. The perpetual subordinated financial bonds could be redeemed by Taiwan Business Bank after 7 years from the issuance date. Interest rate was at 2.66% p.a. and 2.58% p.a. as of June 30, 2012 and 2011, 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 was at 3.21% p.a. and 3.25% p.a. as of June 30, 2012 and 2011, respectively.

In June 2011, the subsidiary EGI acquired NT$8,924 thousand (USD311 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. As of June 30, 2012, book value of the bonds was NT$9,283 thousand.

13. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	June 30			
	2012		2011	
	Amount	% of Ownership	Amount	% of Ownership
Unquoted companies				
Kaohsiung Arena Development Corporation (KADC)	$ 754,947	29	$ 752,102	29
Kaohsiung Rapid Transit Corporation (KRTC)	684,437	32	1,240,155	32
Hsin Hsin Cement Enterprise Corp. (HHCEC)	361,510	39	215,229	26
Eminent II Venture Capital Corporation (EVCCII)	249,455	46	-	-
Chateau International Development Co., Ltd.	241,794	20	206,910	23
Ascentek Venture Capital Corp.	181,112	39	166,647	39
Others	255,690		275,693	
	$ 2,728,945		$ 2,856,736	

In December 2011, the Corporation invested additional NT$155,919 thousand in HHCEC. Consequently, the Corporation's total equity in HHCEC is 39%, including 31% directly owned and 8% indirectly owned through CHC.

In May 2012, the Corporation acquired 25,000 thousand common shares (46% shareholding) of EVCCII by investing NT$250,000 thousand . EVCCII mainly engages in general investment.

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

Investment gains (losses) under the equity method for the six months ended June 30, 2012 and 2011 were as follows:

	Six Months Ended June 30	
	2012	2011
KADC	$ 16,961	$ 19,384
KRTC	(160,807)	(87,602)
Others	26,455	23,278
	$ (117,391)	$ (44,940)

Net investment losses of NT$117,972 thousand and NT$44,877 thousand were recorded as nonoperating expenses and losses, and NT$581 thousand and NT$63 thousand were recorded as operating revenue and operating cost for the six months ended June 30, 2012 and 2011, respectively.

14. OTHER FINANCIAL ASSETS

	June 30	
	2012	2011
Hedging foreign-currency deposits	$ 5,433,606	$ 7,330,400
Less: Current portion	5,259,897	4,865,736
	$ 173,709	$ 2,464,664

For the purpose of constructing the third cold-rolled plant, the Corporation signed contracts to purchase imported equipment in total of JPY16.15 billion. For the purposes of managing cash flows exposures arising from exchange rate fluctuations, the Corporation purchased foreign-currency deposits of JPY16 billion (NT$4,878,900 thousand) in January 2008. As of June 30, 2012 and 2011, the balance of the JPY deposits designated as hedging instrument was NT$300,320 thousand (JPY0.8 billion) and NT$653,822 thousand (JPY1.8 billion), respectively.

For the purpose of purchasing imported equipment as well as managing cash flows risk arising from exchange rate fluctuations, the Corporation and the subsidiary CEC purchased foreign-currency deposits. As of June 30, 2012 and 2011, the balance of the foreign-currency deposits designated as hedging instruments was NT$2,706,704 thousand (USD90,199 thousand and EUR308 thousand) and NT$3,623,947 thousand (USD124,181 thousand, EUR1,150 thousand, GBP18 thousand and JPY0.02 billion), respectively.

For the purpose of managing cash flow exposures on foreign-currency capital expenditure contracts, the Corporation and the subsidiary DSC and CAC entered into forward exchange contracts (Note 7). As of June 30, 2012 and 2011, the balance of foreign-currency deposits purchased for expired forward exchange contracts was NT$2,426,582 thousand (USD52,596 thousand, EUR3,293 thousand, GBP 3,213 thousand and JPY1.5 billion) and NT$3,052,631 thousand (USD39,172 thousand, EUR4,867 thousand and JPY4.8 billion), respectively.

The unrealized loss of NT$112,044 thousand and NT$158,131 thousand arising from the above deposits designated as hedging instruments was recognized as unrealized gain on financial instruments in stockholders' equity and minority interest for the six months ended June 30, 2012 and 2011, respectively. The unrealized gain on financial instruments of NT$29,180 thousand and the unrealized loss on financial instruments of NT$108,647 thousand in stockholders' equity and minority interest were transferred to construction in progress and prepayments for equipment for the six months ended June 30, 2012 and 2011, respectively.

As of June 30, 2012 and 2011, cash outflows would be expected from aforementioned contracts during the periods from 2012 to 2015 and from 2011 to 2015, respectively.

15. PROPERTY, PLANT AND EQUIPMENT

	Cost	Revaluation Increment	Total
June 30, 2012			
Cost and revaluation increment			
Land	$ 19,633,789	$ 39,546,244	$ 59,180,033
Land improvements	4,384,932	492,076	4,877,008
Buildings	84,645,006	2,413,134	87,058,140
Machinery and equipment	456,845,095	7,012,759	463,857,854

(Continued)

	Cost	Revaluation Increment	Total
Transportation equipment	$ 21,290,603	$ 8,018	$ 21,298,621
Other equipment	18,652,972	31,605	18,684,577
Spare parts	10,109,912	-	10,109,912
	615,562,309	49,503,836	665,066,145
Accumulated depreciation			
Land improvements	3,773,083	473,233	4,246,316
Buildings	27,879,226	1,972,991	29,852,217
Machinery and equipment	263,862,035	7,012,527	270,874,562
Transportation equipment	11,987,592	8,014	11,995,606
Other equipment	8,399,002	31,595	8,430,597
Spare parts	3,062,869	-	3,062,869
	318,963,807	9,498,360	328,462,167
Accumulated impairment			
Land	11,826	-	11,826
Buildings	7,354	-	7,354
Machinery and equipment	124,570	-	124,570
Other equipment	299,518	-	299,518
	443,268	-	443,268
Construction in progress and prepayments for equipment	83,141,713	-	83,141,713
	$ 379,296,947	$ 40,005,476	$ 419,302,423
June 30, 2011			
Cost and revaluation increment			
Land	$ 17,539,757	$ 32,754,016	$ 50,293,773
Land improvements	4,385,107	492,990	4,878,097
Buildings	75,407,232	2,415,863	77,823,095
Machinery and equipment	423,565,498	7,271,906	430,837,404
Transportation equipment	19,093,208	8,991	19,102,199
Other equipment	18,441,548	31,618	18,473,166
Spare parts	9,146,732	-	9,146,732
	567,579,082	42,975,384	610,554,466
Accumulated depreciation			
Land improvements	3,702,559	470,309	4,172,868
Buildings	25,703,889	1,918,717	27,622,606
Machinery and equipment	246,721,890	7,271,587	253,993,477
Transportation equipment	11,327,525	8,987	11,336,512
Other equipment	7,323,316	31,608	7,354,924
Spare parts	2,637,847	-	2,637,847
	297,417,026	9,701,208	307,118,234
Accumulated impairment			
Land	11,826	-	11,826
Machinery and equipment	128,828	-	128,828
Other equipment	287,826	-	287,826
	428,480	-	428,480
Construction in progress and prepayments for equipment	76,294,561	-	76,294,561
	$ 346,028,137	$ 33,274,176	$ 379,302,313

(Concluded)

Information about capitalized interest on the purchase of property, plant and equipment for the six months ended June 30, 2012 and 2011 was disclosed as follows:

	Six Months Ended June 30	
	2012	**2011**
Interest expense before capitalization	$ 1,691,736	$ 1,303,832
Less: Capitalized interest - construction in progress and prepayments for equipment	398,554	353,370
Interest expense through income statement	$ 1,293,182	$ 950,462
Capitalization annual rates	0.8904%-1.51%	0.88%-1.89%

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 2011 and 2008, the Corporation revalued its land in accordance with the current assessed land value. Therefore, the total increments on land revaluation were NT$6,088,169 thousand and NT$26,913,284 thousand, after the deduction of the reserve for land value increment tax of NT$1,338,450 thousand and NT$6,502,342 thousand, and net increment of NT$4,749,719 thousand and NT$20,410,942 thousand was credited to unrealized revaluation increment in 2011 and 2008, respectively. For the six months ended June 30, 2012 and 2011, upon retirement or sale of revalued properties, the unrealized revaluation increment decreased by NT$1,655 thousand and NT$7,851 thousand, respectively, and recognized in profit or loss. As of June 30, 2012 and 2011, the balance of reserve for land value increment tax was NT$10,011,916 thousand and NT$8,673,466 thousand, and the balance of the unrealized revaluation increment was NT$26,609,211 thousand and NT$21,863,904 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 revaluation 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 was 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
Six months ended June 30, 2012			
Balance, beginning of period	$ 1,842,655	$ 403,515	$ 2,246,170
Addition	264,267	-	264,267
Reduction	(99,365)	(3)	(99,368)
Balance, end of period	$ 2,007,557	$ 403,512	$ 2,411,069
Six months ended June 30, 2011			
Balance, beginning of period	$ 1,705,839	$ 403,274	$ 2,109,113
Addition	137,591	-	137,591
Reduction	(77,671)	-	(77,671)
Balance, end of period	$ 1,765,759	$ 403,274	$ 2,169,033

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

17. ASSETS LEASED TO OTHERS, NET

	June 30	
	2012	2011
Cost		
Land	$ 2,779,755	$ 3,018,507
Buildings	210,969	210,572
	2,990,724	3,229,079
Accumulated depreciation		
Buildings	59,293	54,461
Accumulated impairment		
Land	8,825	197,243
	$ 2,922,606	$ 2,977,375

On June 30, 2010, the subsidiary CHSC signed a land lease contract with a third party on the Kaohsiung Long Dong Section (book value NT$2,640,958 thousand). The lease term provided that the construction period cannot exceed 14 months and the operating period is 20 years (starting date of the operation was August 2011). The rent is calculated monthly in accordance with the contract during the construction period and the operating period. For the six months ended June 30, 2012 and 2011, the rental income was NT$35,524 thousand and NT$17,646 thousand, respectively, and recorded as nonoperating income and gains.

In August 2011, considering the changes in economic 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.

18. IDLE ASSETS, NET

	June 30	
	2012	2011
Land	$ 3,131,555	$ 3,131,555
Machinery and equipment	1,435,219	822,098
Less: Accumulated depreciation	112,406	96,815
Accumulated impairment	1,693,831	1,889,399
	$ 2,760,537	$ 1,967,439

Idle assets were land and equipment not used in operation.

In August 2011, considering the changes in economic environment and land repotting, the subsidiary CHSC authorized real estate appraisers to re-appraise the Kaohsiung Long Hua Section, Tainan Kuo An Section and Shin Bin Industrial District and reversed NT$164,844 thousand of impairment loss. The subsidiary HLSC acquired the collaterals of Jenn An Steel Co., Ltd. Parts of the machinery and equipment in the collaterals were reclassified from property, plant and equipment to idle assets due to their not-in-operation status.

19. SHORT-TERM LOANS AND OVERDRAFT

	June 30	
	2012	2011
Unsecured loans - interest at 0.549%-8.7% p.a. and 0.527%-17% p.a. as of June 30, 2012 and 2011, respectively	$ 30,205,161	$ 57,639,373
Bank overdraft - interest at 0.5%-6.32% p.a. and 0.31%-7.02% p.a. as of June 30, 2012 and 2011, respectively	1,917,176	2,151,395
Letters of credit - interest at 0.54%-1.48% p.a. and 0.5954%-1.96% p.a. as of June 30, 2012 and 2011, respectively	3,683,087	4,380,880
Secured loans - interest at 0.825%-0.83% p.a.	-	899,000
	$ 35,805,424	$ 65,070,648

The above unsecured loans as of June 30, 2012, which included USD73,185 thousand (NT$2,186,768 thousand), were used to hedge the exchange rate fluctuations on investment in CSVC (Note 32).

20. COMMERCIAL PAPER PAYABLE

	June 30	
	2012	2011
Commercial paper - interest at 0.62%-1.14% p.a. and 0.392%-1.078% p.a. as of June 30, 2012 and 2011, respectively	$ 26,397,100	$ 19,008,700
Less: Unamortized discounts	9,653	7,186
	$ 26,387,447	$ 19,001,514

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., Taiwan Finance Corporation, Bank of Taiwan, Taiwan Cooperative Bills Finance Corporation and etc.

21. ACCRUED EXPENSES

	June 30	
	2012	2011
Salaries and incentive bonus	$ 4,917,827	$ 5,433,385
Bonus to employees, and remuneration to directors and supervisors	2,356,797	4,655,867
Reserve for construction guarantee	817,260	893,849
Interest	664,650	516,900
Repair and construction	542,158	820,654
Others	3,527,855	3,741,243
	$ 12,826,547	$ 16,061,898

22. BONDS PAYABLE

	June 30	
	2012	2011
5-year unsecured bonds - issued at par by the Corporation in:		
November 2006; repaid in November 2011; interest at 2.07% p.a.	$ -	$ 5,600,000
December 2008; repayable in December 2012 and December 2013; interest at 2.08% p.a., payable annually	12,950,000	12,950,000
December 2008; repayable in December 2012 and December 2013; interest at 2.42% p.a., payable annually	9,600,000	9,600,000
October 2011, repayable in October 2015 and October 2016; interest at 1.36% p.a., payable annually	9,300,000	-
7-year unsecured bonds - issued at par by the Corporation in:		
December 2008; repayable in December 2014 and December 2015; interest at 2.30% p.a., payable annually	7,000,000	7,000,000
October 2011, repayable in October 2017 and October 2018; interest at 1.57% p.a., payable annually	10,400,000	-
Liability component of unsecured domestic convertible bonds - issued by CEC	600,000	-
	49,850,000	35,150,000
Add: Accrued interest	542	-
Less: Issuance cost of bonds payable	29,187	17,386
Unamortized discount on bonds payable	31,900	-
Current portion	11,272,543	5,599,499
	$ 38,516,912	$ 29,533,115

In February 2012, the subsidiary CEC issued NT$600,000 thousand of 3-year unsecured domestic convertible bonds with face value of NT$100 thousand each and zero interest coupon; the bond issuance had been approved by the government. The issuance cost was NT$4,900 thousand and the proceeds were used to increase operating capital and indirectly invest in CEVC. Between one month after the issuance date and 10 days before the maturity date, bondholders may request CEC to convert the bonds into its common shares. Between one month after the issuance date and 40 days before the maturity date, if the closing price of CEC's shares in the secondary financial market is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of initial issued convertible bonds, CEC may redeem by cash the remaining bonds at their face value. On the repurchase date (February 20, 2014), two years after the issuance date, bondholders may request CEC to repurchase the bonds at their face value plus interest (100.501% of face value). As of June 30, 2012, no convertible bond was redeemed or converted.

According to SFAS No. 34 and No. 36, the subsidiary CEC has separately accounted for the embedded derivatives and the host contract - bonds payable. The embedded derivatives, including put options and call options, were recognized in financial liabilities at fair value through profit or loss (Note 5) and measured at fair value.

23. LONG-TERM DEBT

	June 30	
	2012	**2011**
Syndicated bank loans		
Bank of Taiwan and other banks loan to CHSC		
Repayable in 13 equal semiannual installments from March 2013 to March 2019, interest at 1.5856% p.a.	$ 7,000,000	$ -
Repayable in March 2019 with a revolving credit, interest at 1.6015% p.a.	2,250,000	-
Mega International Commercial Bank and other banks loan to CHSC		
Repayable in 14 equal semiannual installments from April 2007 to October 2013 and repaid early in March 2012; interest at 1.3541% p.a.	-	2,142,858
Bank of Taiwan and other banks loan to DSC		
Repayable in 14 equal semiannual installments from January 2012 to July 2018; interest at 1.298%-1.3389% p.a. and 1.1898%-1.2274% p.a. as of June 30, 2012 and 2011, respectively	48,007,000	44,500,000
Repayable in 10 equal semiannual installments from August 2012 to February 2017; interest at 1.501%-1.5484% p.a. and 1.3959%-1.44% p.a. as of June 30, 2012 and 2011, respectively	20,000,000	500,000
Taiwan Cooperative Bank and other banks loan to HLSC		
Repayable in June 2015 with a revolving credit, interest at 1.5246%-1.5867% p.a. and 1.4133%-1.4619% p.a. as of June 30, 2012 and 2011, respectively	2,400,000	2,400,000
Mortgage loans		
Due on various dates through January 2017, interest at 0.84%-1.8007% p.a. and 0.552%-1.63% p.a. as of June 30, 2012 and 2011, respectively	19,391,204	18,543,057
Bank loans		
Due on various dates through June 2017, interest at 0.53586%-5.30127% p.a. and 0.54313%-5.74841% p.a. as of June 30, 2012 and 2011, respectively	12,197,248	10,593,100
	111,245,452	78,679,015
Less: Syndicated loan fee	134,051	136,374
Current portion	20,512,742	4,943,608
	$ 90,598,659	$ 73,599,033

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

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 non-revolving credit line and NT$8 billion unsecured loans with a revolving credit line. As of June 30, 2012, CHSC has revoked the credit line of NT$8 billion.

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 a revolving credit line and NT$2.5 billion unsecured loan with a revolving credit line. No unsecured loan was used as of June 30, 2012. 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 300%.

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, 2011, CHSC and HLSC were in compliance with the syndicated credit facility agreement. As of June 30, 2012, the Corporation held directly and indirectly 41% equity of CHSC and had all of the seats in the board of directors and controlled its operation; CHSC held 100% equity of HLSC and had all of the seats in the board of directors and supervisors.

b. In February 2008, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT$51.7 billion credit line. Under the agreement, the Corporation should hold at least 40% of DSC's issued shares and have over half of the seats in the board of directors. In December 2009, DSC entered into another syndicated credit facility agreement with Bank of Taiwan and 12 other banks for a NT$20 billion credit line. Under the agreement, the Corporation should hold at least 80% of DSC's issued shares and have over half of the seats in the board of directors. As of June 30, 2012, the Corporation held 100% equity of DSC and had all of the seats in the board of directors.

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

24. LONG-TERM NOTES PAYABLE

	June 30	
	2012	**2011**
Long-term notes - interest at 0.79%-1.234% p.a. and 0.71%-1.135% p.a. as of June 30, 2012 and 2011, respectively	$ 21,300,000	$ 15,480,000
Less: Unamortized discounts	18,020	10,274
	$ 21,281,980	$ 15,469,726

The Corporation and its subsidiaries entered into fixed rate commercial paper contracts with Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, 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 Bank, Mega International Commercial Bank and etc.

25. RESTRUCTURED LOANS PAYABLE (ONLY AS OF JUNE 30, 2011)

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

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

	Secured Loans	Unsecured Loans	DSC Recorded as Restructured Loans Payable	Adjustments on Allocation of Acquisition Cost for DSC	Total Restructured Loans Payable After Allocation of Acquisition Cost
Six months ended June 30, 2011					
Balance, beginning of period	$ 3,349,544	$ 1,232,989	$ 4,582,533	$ (13,135)	$ 4,569,398
Repayment during the period	(3,349,544)	(1,232,989)	(4,582,533)	-	(4,582,533)
Adjustments on allocation of acquisition cost for DSC	-	-	-	13,135	13,135
Balance, end of period	$ -	$ -	$ -	$ -	$ -

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 by the end of March 2011.

26. PENSION PLANS

The pension plan under the Labor Pension Act (the “LPA”) is a defined contribution plan. Based on the LPA, the Corporation and its domestic subsidiaries make monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages. The pension plan under local regulations for foreign subsidiaries is also a defined contribution plan. Such pension costs of the Corporation and its domestic subsidiaries were NT$185,828 thousand and NT$170,629 thousand for the six months ended June 30, 2012 and 2011, respectively.

The Corporation and its domestic subsidiaries have retirement plan in accordance with the Labor Standards Law of the ROC. Retirement benefits are based on employee's length of service and his/her average salaries and wages of the last six months before retirement. The Corporation and its domestic subsidiaries make contributions, equal to a certain percentage of salaries, to a pension fund, which are deposited in the Bank of Taiwan in the name of, and administered by the employees' pension fund supervisory committee. The Corporation and the subsidiaries, such as CSGT, ICSC, CHC and etc., also made contributions, equal to a certain percentage of salaries of management personnel, to another pension fund, which are deposited and administered by the officers' pension fund management committee. Such pension costs of the Corporation and its domestic subsidiaries for the six months ended June 30, 2012 and 2011 were NT$480,351 thousand and NT$622,059 thousand, respectively.

27. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	Due Within One Year	Due After One Year	Total
June 30, 2012			
Assets			
Notes and accounts receivable, net	$ 12,848,147	$ 358,855	$ 13,207,002
Inventories	99,588,835	1,789,143	101,377,978
	$ 112,436,982	$ 2,147,998	$ 114,584,980
Liabilities			
Notes and accounts payable	$ 13,035,718	$ 118,736	$ 13,154,454
Advance construction receipts in excess of construction in progress (included in other current liabilities)	1,286,210	2,505,672	3,791,882
	$ 14,321,928	$ 2,624,408	$ 16,946,336
June 30, 2011			
Assets			
Notes and accounts receivable, net	$ 11,771,499	$ 8,888	$ 11,780,387
Inventories	109,559,989	3,033,194	112,593,183
	$ 121,331,488	$ 3,042,082	$ 124,373,570
Liabilities			
Notes and accounts payable	$ 11,804,379	$ 331,035	$ 12,135,414
Advance construction receipts in excess of construction in progress (included in other current liabilities)	1,190,466	1,384,551	2,575,017
	$ 12,994,845	$ 1,715,586	$ 14,710,431

28. STOCKHOLDERS' EQUITY OF PARENT COMPANY

a. Capital stock

In July 2011, the Corporation issued 678,308 thousand common shares through capitalization of retained earnings of NT$6,783,084 thousand; the capital increase has 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 capital increase has been registered with the government. Total proceeds, net of issuance cost, exceeded par value by 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 allocated for employees; for employees of the Corporation, 74,305 thousand shares, and for employees of the subsidiaries, 2,027 thousand shares. These options were vested immediately. In August 2011, all the above options were exercised.

In August 2011, options granted to employees were priced by 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%

In August 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			June 30	
Purpose of Treasury Stock	**Beginning of Period**	**Addition**	**Reduction**	**Thousand Shares**	**Book Value**
Six months ended June 30, 2012					
Shares acquired and held by subsidiaries	295,065	8,765	552	303,278	$ 8,359,796
Six months ended June 30, 2011					
Shares acquired and held by subsidiaries	284,762	-	5,920	278,842	$ 8,002,155

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

For the six months ended June 30, 2012 and 2011, the subsidiaries sold 1,000 thousand shares and 10,829 thousand shares of the Corporation for proceeds of NT$28,498 thousand and NT$370,078 thousand, respectively.

For the six months ended June 30, 2012 and 2011, the proceeds of treasury stock sold, calculated by shareholding percentage, amounted to NT$15,740 thousand and NT$202,169 thousand, respectively, and after deducting book values, resulted in the amounts of NT$2,029 thousand and NT$52,786 thousand recorded as capital surplus, respectively. As of June 30, 2012 and 2011, the market values of the treasury shares calculated by combined holding percentage were NT$8,491,773 thousand and NT$9,647,950 thousand, respectively.

c. Overseas depositary receipts

In May 1992, February 1997, October 2003 and August 2011, for the purpose of working capital expansion and in accordance with the instruction of the ROC's 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 GDRs account for 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 June 30, 2012 and 2011, the outstanding depositary receipts were 3,090,716 units and 3,698,353 units, equivalent to 61,814,591 common shares (including 271 fractional shares) and 73,967,301 common shares (including 241 fractional shares), which represented 0.41% and 0.55% of the outstanding common shares, respectively.

d. Preferred stock

Preferred stockholders have the following entitlements and obligation:

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) Redeemable by the Corporation and convertible to common stock by preferred stockholders with the ratio of 1:1.

e. Capital surplus

Capital surplus comprised the followings:

	June 30	
	2012	**2011**
Additional paid-in capital	$ 31,154,766	$ 15,717,185
Treasury stock transactions	4,637,582	4,028,838
Long-term stock investments	487,053	371,295
Others	8,099	8,099
	$ 36,287,500	$ 20,125,417

The capital surplus from shares issued in excess of par and treasury stock transactions may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation paid-in capital and once a year). The 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;

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 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 shares held by subsidiaries is lower than the carrying value of the Corporation's shares held by subsidiaries, the Corporation should appropriate a special reserve 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 June 30, 2012, the Corporation had fully reversed the special reserve for net debit balance of certain items in stockholders' equity, and the remaining unreversed special reserve was held for the capital demand of certain expansion projects.

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

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

	Six Months Ended June 30	
	2012	**2011**
Bonus to employees	$ 293,411	$ 1,225,313
Remuneration to directors and supervisors	5,501	22,975
	$ 298,912	$ 1,248,288

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 shares are resolved to be distributed to employees, 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.

Legal reserve shall be appropriated until it has reached the Corporation's paid-in capital. This reserve may be used to offset a deficit. When the Corporation incurs no loss and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

The Corporation's stockholders in their June 2012 and 2011 meetings approved the following appropriations of the 2011 and 2010 earnings, respectively.

	Appropriation of Earnings		Dividend Per Share (NT Dollars)	
	2011	2010	2011	2010
Legal reserve	$ 1,949,368	$ 3,758,683		
Preferred stocks				
Cash dividends	47,835	76,153	$ 1.25	$ 1.99
Stock dividends	5,740	19,134	0.15	0.50
			$ 1.40	$ 2.49
Common stocks				
Cash dividends	15,196,671	26,920,523	$ 1.01	$ 1.99
Stock dividends	2,256,932	6,763,950	0.15	0.50
	$ 19,456,546	$ 37,538,443	$ 1.16	$ 2.49

As of June 30, 2012 and 2011, the cash dividends declared have not been distributed to stockholders and were recorded as dividends payable. Capitalization of retained earnings of 2011 for NT$2,262,672 thousand has been approved by the government and will be effective on August 1, 2012.

The bonus to employees and the remuneration to directors and supervisors for 2011 and 2010 approved in the aforementioned stockholders' meetings were as follows (settled by cash):

	Years Ended December 31			
	2011		2010	
	Bonus to Employees	Remuneration to Directors and Supervisors	Bonus to Employees	Remuneration to Directors and Supervisors
Amounts approved in stockholders' meetings	$ 1,399,259	$ 26,236	$ 2,701,965	$ 50,662
Amounts recognized in respective financial statements	1,399,259	26,236	2,701,965	50,662
Difference	$ -	$ -	$ -	$ -

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

g. Unrealized revaluation increment

Unrealized revaluation increment comprised of the following:

	June 30	
	2012	2011
Revaluation increment of property, plant and equipment (Note 15)	$ 26,609,211	$ 21,863,904
Recognized in proportion to the ownership percentage in long-term stock investments	146,557	2,020
	$ 26,755,768	$ 21,865,924

h. Unrealized gain on financial instruments

For the six months ended June 30, 2012 and 2011, movements of unrealized gain on financial instruments were as follows:

	Available-for-sale Financial Assets	Equity-method Investments	Unrealized Gain or Loss on Cash Flow Hedging	Total
Six months ended June 30, 2012				
Balance, beginning of period	$ 3,079,773	$ (341,916)	$ 283,062	$ 3,020,919
Recognized in stockholders' equity	280,391	72,457	(97,416)	255,432
Transferred to construction in progress and prepayments for equipment	-	-	(37,152)	(37,152)
Balance, end of period	$ 3,360,164	$ (269,459)	$ 148,494	$ 3,239,199
Six months ended June 30, 2011				
Balance, beginning of period	$ 2,938,550	$ (593,445)	$ 29,272	$ 2,374,377
Recognized in stockholders' equity	226,458	(63,471)	(68,730)	94,257
Transferred to construction in progress and prepayments for equipment	-	-	13,069	13,069
Balance, end of period	$ 3,165,008	$ (656,916)	$ (26,389)	$ 2,481,703

For the six months ended June 30, 2012 and 2011, unrealized gain on financial instruments in cash flow hedge was as follows:

	Six Months Ended June 30	
	2012	2011
Unrealized loss on cash flow hedging	$ (117,369)	$ (82,807)
Tax effect	19,953	14,077
Net (recognized in stockholders' equity)	$ (97,416)	$ (68,730)

(Continued)

	Six Months Ended June 30	
	2012	2011
Unrealized loss (gain) on cash flow hedging instruments transferred to construction in progress and prepayments for equipment	$ (44,762)	$ 15,746
Tax effect	7,610	(2,677)
Net (transferred out of stockholders' equity)	$ (37,152)	$ 13,069

(Concluded)

i. Cumulative translation adjustments

Changes in composition of cumulative translation adjustments for the six months ended June 30, 2012 and 2011 were as follows:

	Six Months Ended June 30	
	2012	2011
Balance, beginning of period	$ 17,192	$ (101,443)
Recognized in stockholders' equity	(207,964)	(288,590)
Balance, end of period	$ (190,772)	$ (390,033)

29. INCOME TAX

a. A reconciliation of income tax expense based on consolidated income before income tax and income tax for the six months ended June 30, 2012 and 2011, respectively, was as follows:

	Six Months Ended June 30	
	2012	2011
Income tax expense at the statutory rate	$ 591,377	$ 3,566,314
Tax effect adjusting items		
Permanent differences		
Investment loss recognized under equity method - domestic	20,892	10,396
Tax-exempt income	(31,902)	(41,946)
Dividends income allotted by domestic investee	(4,244)	(25,810)
Gain on valuation of financial instruments and on disposal of investments, net	(14,972)	(11,677)
Others	(63,941)	18,811
Temporary differences		
Unrealized loss on purchase commitments	73,589	58,014
Difference between tax reporting and financial reporting - depreciation methods	38,503	51,792
Unrealized (realized) provision for loss on inventories	(464,451)	17,138
Realized loss on construction and service commitments	(80,536)	(77,867)
Unrealized (realized) impairment loss of financial assets	7,557	(41,698)
Unrealized (realized) exchange gain or loss	4,856	(40,798)
Realized preferential severance pay	(35,071)	(31,533)
Others	60,456	38,074
Investment tax credits used	-	(496,454)
Loss carryforwards used	(1,367)	(22)

(Continued)

	Six Months Ended June 30	
	2012	2011
Tax benefit from loss carryforwards	$ 680,778	$ 51,694
Additional income tax under the Alternative Minimum Tax Act	103	7,468
Additional 10% income tax on unappropriated earnings	30,898	52,463
Income tax currently payable	812,525	3,104,359
Adjustments for prior years' tax	844,003	155,140
Current income tax expense	1,656,528	3,259,499
Deferred tax - temporary differences, investment tax credits, and loss carryforwards included	(1,134,026)	(87,604)
	$ 522,502	$ 3,171,895

(Concluded)

b. Change in income tax payable

	Six Months Ended June 30	
	2012	2011
Balance, beginning of period	$ 3,376,691	$ 6,272,105
Current income tax expense	1,656,528	3,259,499
Payment in the current period	(2,519,479)	(4,420,245)
Deferred income tax assets used for linked tax filing	(694,722)	(1,165,973)
Transferred to other receivables	(68,280)	164,700
Balance, end of period	$ 1,750,738	$ 4,110,086

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

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

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

	June 30	
	2012	2011
Current		
Deferred income tax assets		
Investment tax credits	$ 1,684,748	$ 1,281,339
Unrealized provision for loss on inventories	589,019	361,758
Unrealized loss on construction and service commitments	249,091	389,392
Unrealized loss on purchase commitments	182,795	100,382
Unrealized reserve for construction guarantee	138,934	151,954
Unrealized sales allowance	97,133	75,308

(Continued)

	June 30	
	2012	2011
Estimated preferential severance pay	$ 55,160	$ 89,449
Loss carryforwards	53,508	28,501
Others	246,143	449,576
	3,296,531	2,927,659
Less: Valuation allowance	129,530	248,715
	3,167,001	2,678,944
Deferred income tax liabilities		
Difference between tax reporting and financial reporting - inventory	(15,990)	(14,613)
Others	(12,671)	(6,651)
	(28,661)	(21,264)
Total deferred income tax assets - current, net	3,138,340	2,657,680
Noncurrent		
Deferred income tax assets		
Investment tax credits	2,287,795	1,859,823
Impairment loss on financial assets	965,333	971,055
Loss carryforwards	1,348,447	350,213
Unrealized gain from affiliates	151,560	149,929
Others	801,950	759,659
	5,555,085	4,090,679
Less: Valuation allowance	2,489,870	1,664,206
	3,065,215	2,426,473
Deferred income tax liabilities		
Difference between tax reporting and financial reporting - depreciation methods	(1,483,070)	(1,486,428)
Foreign investment income	(1,081,401)	(999,372)
Others	(73,480)	(96,155)
	(2,637,951)	(2,581,955)
Total deferred income tax assets (liabilities) - noncurrent, net	427,264	(155,482)
Total deferred income tax assets	$ 3,565,604	$ 2,502,198

(Concluded)

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

As of June 30, 2012, investment tax credits comprised:

Tax Credit Source	Total Creditable and Remaining Creditable Amount	Expiry Year
Purchase of machinery and equipment	$ 3,967,333	2016
Investments in important technology-based enterprises	5,210	2012
	$ 3,972,543	

The above investment tax credits were recorded as deferred income tax assets - current for NT$1,684,748 thousand and deferred income tax assets - noncurrent for NT$2,287,795 thousand.

As of June 30, 2012, the Corporation and its subsidiaries had unused loss carryforwards of NT$8,245,410 thousand (tax amounted to NT$1,401,955 thousand), with expiry years from 2013 to 2023.

The Corporation's income tax returns through 2008 and the subsidiaries' income tax returns through 2008 to 2011 have been examined by the tax authorities.

d. Information about integrated income tax was as follows:

	June 30	
	2012	**2011**
Imputation credit account (ICA)	$ 2,987,157	$ 4,081,408
Unappropriated earnings generated before January 1, 1998	15,440	15,440

The creditable ratio for distribution of 2011 and 2010 earnings was 17.84% (estimated) and 11.52%, respectively.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to domestic shareholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution. Nonresident stockholders, including holders of overseas depository receipts, are allowed only a tax credit from the 10% income tax on unappropriated earnings, which can be used to offset withholding income tax on dividends paid. The estimated creditable ratio for the 2011 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

30. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	Six Months Ended June 30							
	2012				2011			
	Operating Cost	Operating Expense	Others	Total	Operating Cost	Operating Expense	Others	Total
Personnel								
Salary	$ 9,837,956	$ 2,160,964	$ 345,831	$ 12,344,751	$ 11,322,264	$ 2,397,063	$ 385,792	$ 14,105,119
Labor and health insurance	596,541	111,351	26,011	733,903	528,191	100,165	23,101	651,457
Pension and consolation costs	566,152	161,611	22,165	749,928	659,148	158,336	19,572	837,056
Others	586,522	200,243	30,124	816,889	623,168	208,110	32,503	863,781
	$ 11,587,171	$ 2,634,169	$ 424,131	$ 14,645,471	$ 13,132,771	$ 2,863,674	$ 460,968	$ 16,457,413
Depreciation	$ 13,561,294	$ 320,059	$ 38,962	$ 13,920,315	$ 12,814,463	$ 286,365	$ 25,597	$ 13,126,425
Amortization	83,602	23,609	2,014	109,225	127,079	19,251	2,065	148,395

31. EARNINGS PER SHARE

	Amount (Numerator)		Shares (Denominator) (Thousand)	Earnings Per Share (NT Dollars)	
	Before Tax	After Tax		Before Tax	After Tax
Six months ended June 30, 2012					
Consolidated net income attributable to the Corporation's stockholders	$ 1,928,772	$ 1,945,090			
Less: Dividends on preferred shares	26,563	26,788			
Basic EPS					
Consolidated net income attributable to the Corporation's common stockholders	1,902,209	1,918,302	14,964,649	$ 0.13	$ 0.13

(Continued)

	Amount (Numerator)		Shares (Denominator)	Earnings Per Share (NT Dollars)	
	Before Tax	After Tax	(Thousand)	Before Tax	After Tax
Effect of dilutive potential common stock					
Add: Bonus to employees	$ -	$ -	58,401		
Diluted EPS					
Consolidated net income attributable to the Corporation's common stockholders plus effect of potential dilutive common stock	$ 1,902,209	$ 1,918,302	15,023,050	$ 0.13	$ 0.13
Six months ended June 30, 2011					
Consolidated net income attributable to the Corporation's stockholders	$ 17,303,594	$ 15,344,413			
Less: Dividends on preferred shares	30,208	26,788			
Basic EPS					
Consolidated net income attributable to the Corporation's common stockholders	17,273,386	15,317,625	14,135,300	1.22	1.08
Effect of dilutive potential common stock					
Add: Dividends on preferred shares	30,208	26,788	38,268		
Bonus to employees	-	-	119,904		
Diluted EPS					
Consolidated net income attributable to the Corporation's common stockholders plus effect of potential dilutive common stock	$ 17,303,594	$ 15,344,413	14,293,472	1.21	1.07

(Concluded)

Preferred shares were not included in the calculation of diluted EPS for the six months ended June 30, 2012 because of their anti-dilutive effect.

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 dividends distributed out of earnings for the year ended December 31, 2012 and 2011. This adjustment caused the basic and diluted after income tax EPS for the six months ended June 30, 2011 to decrease from NT$1.16 to NT$1.08 and from NT$1.14 to NT$1.07, respectively.

32. FINANCIAL INSTRUMENTS

a. As of June 30, 2012 and 2011, the information of fair values was as follows:

	June 30			
	2012		2011	
	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)	$ 3,728,693	$ 3,728,693	$ 5,486,955	$ 5,486,955
Available-for-sale financial assets (including noncurrent)	9,175,046	9,175,046	9,123,807	9,123,807
Held-to-maturity financial assets	161,531	161,531	169,649	169,649
Financial assets carried at cost	10,660,477		6,883,379	
Bond investments with no active market	3,899,340	3,899,340	3,713,373	3,713,373
Other financial assets (including noncurrent)	5,433,606	5,433,606	7,330,400	7,330,400
Refundable deposits	425,814	425,814	357,194	357,194
Consolidated liabilities				
Bonds payable (including current portion)	49,789,455	50,409,995	35,132,614	35,924,326
Long-term debt (including current portion)	111,111,401	111,111,401	78,542,641	78,542,641
Long-term notes payable	21,281,980	21,281,980	15,469,726	15,469,726
Derivative financial instruments				
Consolidated assets				
Financial assets at fair value through profit or loss (including noncurrent)	36,301	36,301	7,691	7,691
Hedging derivative assets (including noncurrent)	183,485	183,485	29,076	29,076
Consolidated liabilities				
Financial liabilities at fair value through profit or loss (including noncurrent)	4,163	4,163	2,228	2,228
Hedging derivative liabilities (including noncurrent)	139,206	139,206	676,072	676,072

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

1) The carrying values of cash and cash equivalents, notes and accounts receivable, other receivables (excluding tax refund receivable), restricted assets, short-term loans and overdraft, commercial paper payable, notes and accounts payable, accrued expenses, dividends payable and other payables, approximate fair value because of the short maturities of these instruments.

2) The fair values of financial instruments at fair value through profit or loss, available-for-sale financial assets and hedging derivative 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 by using 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 translations to New Taiwan dollars use exchange rates based on the buying rates quoted by the Central Bank and on the rates quoted by Reuters.

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 June 30, 2012 and 2011 were from 0.53586% to 5.30127% and from 0.54313% to 5.74841%, respectively.

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

	Amount Determined by Quoted Market Price		**Amount Determined by Using Valuation Technique**	
	June 30		**June 30**	
	2012	**2011**	**2012**	**2011**
Consolidated assets				
Financial assets at fair value through profit or loss (including noncurrent)	$ 3,533,066	$ 5,342,050	$ 231,928	$ 152,596
Available-for-sale financial assets (including noncurrent)	8,727,100	8,775,256	447,946	348,551
Held-to-maturity financial assets	-	-	161,531	169,649
Bond investments with no active market	-	-	3,899,340	3,713,373
Other financial assets (including noncurrent)	-	-	5,433,606	7,330,400
Hedging derivative assets (including noncurrent)	-	-	183,485	29,076
Refundable deposits	-	-	425,814	357,194
Consolidated liabilities				
Financial liabilities at fair value through profit or loss (including noncurrent)	-	-	4,163	2,228
Hedging derivative liabilities (including noncurrent)	-	-	139,206	676,072
Bonds payable (including current portion)	50,409,995	35,924,326	-	-
Long-term debt (including current portion)	-	-	111,111,401	78,542,641
Long-term notes payable	-	-	21,281,980	15,469,726

d. Valuation gains arising from changes in fair value of financial instruments determined using valuation techniques were NT$5,018 thousand and NT$2,175 thousand for the six months ended June 30, 2012 and 2011, respectively.

e. As of June 30, 2012 and 2011, financial liabilities exposed to cash flow interest rate risk amounted to NT$168,198,805 thousand and NT$159,083,015 thousand, respectively, and financial liabilities exposed to fair value interest rate risk amounted to NT$76,176,902 thousand and NT$54,134,128 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$205,315 thousand and NT$1,691,736 thousand, respectively, for the six months ended June 30, 2012 and NT$144,314 thousand and NT$1,303,832 thousand, respectively, for the six months ended June 30, 2011.

g. Financial risks

1) Market risk

Market risk includes exchange rate risk, fair value risk of 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 with fixed interest rate, but the fair value of the bonds payable may be influenced by 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$1,363,165 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 is considered insignificant because the fair value of mutual funds has little fluctuation. If the share price of publicly traded stocks increases or decreases by 1%, the fair value will increase or decrease by about NT$76,896 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.

Endorsements/guarantees provided to the consolidated entities as of June 30, 2012 were as follows:

Endorsement/Guarantee Provider	**Counter - Party**	**Ending Balance**
China Steel Corporation	Dragon Steel Corporation	USD 422,756 thousand
China Steel Structure Co., Ltd.	United Steel Constructure Corporation	NTD 1,305,000 thousand
	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	NTD 328,680 thousand
	United Steel Construction Vietnam Co., Ltd.	NTD 328,680 thousand
United Steel Constructure Corporation	China Steel Structure Co., Ltd.	NTD 5,741,368 thousand
Chine Steel Global Trading Corporation	Chung Mao Trading (SAMOA) Co.	USD 3,000 thousand
	CSGT International Corporation	USD 3,200 thousand
China Steel Express Corporation	CSE Transport Corporation (Panama)	USD 111,000 thousand
	CSEI Transport Panama Corp. (Panama)	USD 49,976 thousand
China Prosperity Development Corporation	CK Japan Co., Ltd.	JPY 1,550,000 thousand

3) Liquidity risk

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

Financial assets at fair value through profit or loss and available-for-sale financial assets could be sold readily 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 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$1,681,988 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. The subsidiary DSC purchased interest rate swap contracts to effectively hedge the interest rate fluctuations on bank loans.

		Designated Hedging Instrument		
			Changes in Fair Value	
			Six Months Ended June 30	
Hedge Type	**Hedged Item**	**Financial Instrument**	**2012**	**2011**
Fair value hedge	Investments in EAUS (recorded as bond investments with no active market - noncurrent)	Debt in JPY	$ 150,480	$ 9,405
Fair value hedge	Investments in Maruichi Steel Tube Ltd. (recorded as available-for-sale financial assets - noncurrent)	Debt in JPY	39,520	2,470
Fair value hedge	Investments in Yodogawa Steel Works, Ltd. (recorded as available-for-sale financial assets - noncurrent)	Debt in JPY	18,453	1,153
Hedge of a net investment in a foreign operation	Investment in CSCAU (one of consolidated entities and the amount was eliminated)	Debt in AUD	5,955	(18,955)
Hedge of a net investment in a foreign operation	Investment in CSVC (one of consolidated entities and the amount was eliminated)	Debt in USD	57,084	114,125
Cash flow hedge	Contracts for purchasing machinery and equipment	Bank deposit - foreign-currency	(112,044)	(158,131)
Cash flow hedge	Contracts for purchasing machinery and equipment, contracts for selling and purchasing goods and bank loans	Forward exchange and interest rate swap contracts	(160,741)	(382,588)

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

As of June 30, 2012 and 2011, the fair values of the above foreign currency deposits on cash flow hedge were NT$5,433,606 thousand and NT$7,330,400 thousand, respectively, recorded as other financial assets (including noncurrent) (Note 14).

33. RELATED PARTY TRANSACTIONS

a. Related parties

Related Parties	Relationship with the Corporation
Kaohsiung Rapid Transit Corporation	Equity method investee
Kaohsiung Arena Development Corp.	Equity method investee
TaiAn Technologies Corporation	Equity method investee
Hsin Hsin Cement Enterprise Co. (HHCEC)	Equity method investee
Kaohsiung Port Cargo Handling Services Corp.	Equity investee of the Corporation's subsidiary
International Carbide Technology Co., Ltd.	Equity investee of the Corporation's subsidiary
China Synthetic Rubber Corporation (CSRC)	Director of the Corporation's subsidiary
Taiwan Cement Corp. (TCC)	Director of the Corporation's subsidiary
Asia Cement Corp.	Director of the Corporation's subsidiary
Universal Cement Corp.	Director of the Corporation's subsidiary
Southeast Cement Co., Ltd.	Director of the Corporation's subsidiary
RSEA Engineering Corp.	Director of the Corporation's subsidiary, dismissed in June 2011
Great Grandeul Steel Co., Ltd.	Director of the Corporation's subsidiary
Dai-Ichi High Frequency Co., Ltd.	Director of the Corporation's subsidiary
Hua Eng Wire & Cable Co., Ltd.	Director of the Corporation's subsidiary
CTCI Corporation	Supervisor of the Corporation's subsidiary
Chun Yu Corporation	Supervisor of the Corporation's subsidiary
Chia Hsin Cement Corporation	Supervisor of the Corporation's subsidiary
Berlin Co., Ltd. (BC)	Supervisor of the Corporation's subsidiary, elected in June 2011
CSBC Corporation Taiwan (CSBC)	The Corporation is its director
Tang Eng Iron Works Co., Ltd. (TEI)	The Corporation is its director
Adimmune Corp.	The Corporation is its supervisor
Shanghai Summit Metal Products Co., Ltd.	The Corporation's subsidiary is its director
Pacific Harbour Stevedoring Corp.	The Corporation's subsidiary is its director and supervisor
CSC Educational Foundation	Foundation established mainly from the Corporation's donation
Others	Substantial control and significant influence over investees, but no material transaction

b. Significant related-party transactions were as follows:

Sales

Sales to related parties (including CSBC and etc.) were NT$3,460,927 thousand (2% of operating revenues) and NT$3,836,344 thousand (2% of operating revenues), respectively, for the six months ended June 30, 2012 and 2011.

Purchases

Purchases from related parties (including HHCEC and etc.) were NT$278,757 thousand and NT$244,214 thousand, respectively, for the six months ended June 30, 2012 and 2011.

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$382,245 thousand and NT$400,422 thousand, respectively, for the six months ended June 30, 2012 and 2011. 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$1,006,686 thousand (8% of account balance, including CSBC and CSRC, etc.) and NT$952,348 thousand (8% of account balance, including CSBC and CSRC, etc.), respectively, as of June 30, 2012 and 2011.

2) Notes and accounts payable

   Notes and accounts payable to related parties were NT$196,012 thousand (1% of account balance, including BC and HHCEC, etc.) and NT$201,938 thousand (2% of account balance, including BC and HHCEC, etc.), respectively, as of June 30, 2012 and 2011.

34. MORTGAGED OR PLEDGED ASSETS

As of June 30, 2012 and 2011, the Corporation and its subsidiaries' assets mortgaged or pledged as collateral for long-term bank loans, short-term bank loans and overdraft, performance guarantees, etc. were as follows (listed according to their carrying amounts):

	June 30	
	2012	**2011**
Property, plant and equipment, net	$ 128,960,028	$ 128,376,166
Restricted assets - demand and time deposits	7,174,070	6,297,819
Stocks (Note)	5,507,600	8,501,220
Idle assets, net	786,504	859,667
Assets leased to others, net	135,207	163,019
	$ 142,563,409	$ 144,197,891

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

35. SIGNIFICANT COMMITMENTS AND CONTINGENCIES AS OF JUNE 30, 2012

In addition to those disclosed in Note 23, significant commitments and contingencies of the Corporation and its subsidiaries as of June 30, 2012 were as follows:

a. The Corporation and its subsidiaries provide letters of credits of NT$3.8 billion guaranteed by financial institutions for several construction and lease contracts, and guarantee notes of NT$77.1 billion to banks and owners 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$43.1 billion were signed but not yet recorded.

d. Construction contracts of NT$36.9 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 to 10 years. Contracted annual purchases of 11,100,000 metric tons of coal, 20,530,000 metric tons of iron ore, and 2,660,000 metric tons of limestone are at prices negotiable with the counter parties. Purchase commitments as of June 30, 2012 were USD15.4 billion (including 14,940,000 metric tons of coal, 94,540,000 metric tons of iron ore, and 2,000,000 metric tons of limestone).

f. Endorsements/guarantees provided to the consolidated entities as of June 30, 2012 were as follows:

Endorsement/Guarantee Provider	**Counterparty**	**Ending Balance**
China Steel Corporation	Dragon Steel Corporation	USD 422,756 thousand
China Steel Structure Co., Ltd.	United Steel Constructure Corporation	NTD 1,305,000 thousand
	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	NTD 328,680 thousand
	United Steel Construction Vietnam Co., Ltd.	NTD 328,680 thousand
United Steel Constructure Corporation	China Steel Structure Co., Ltd.	NTD 5,741,368 thousand
Chine Steel Global Trading Corporation	Chung Mao Trading (SAMOA) Co.	USD 3,000 thousand
	CSGT International Corporation	USD 3,200 thousand
China Steel Express Corporation	CSE Transport Corporation (Panama)	USD 111,000 thousand
	CSEI Transport Panama Corp. (Panama)	USD 49,976 thousand
China Prosperity Development Corporation	CK Japan Co., Ltd.	JPY 1,550,000 thousand

36. SUBSEQUENT EVENTS

a. In July 2012, the corporation issued NT$5 billion of 7-year unsecured bonds and NT$15 billion of 10-year unsecured bonds, totaling NT$20 billion.

b. In April 2012, the subsidiary CSCAU signed a share purchase agreement to invest NT$9.15 billion (AUD305,200 thousand) in Roy Hill Holdings Pty Ltd. This investment had been approved by the government authorities. According to the share purchase agreement, the subsidiary CSCAU paid NT$1,422,376 thousand (AUD45,858 thousand) in July 2012.

37. 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 mechanical, 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 steel coil, steel pipe and other steel products.

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

	CSC	DSC	CHSC	Other Segments	Adjustment and Elimination	Consolidated
Six months ended June 30, 2012						
Revenues from other than consolidated entities	$ 103,276,701	$ 25,653,289	$ 20,998,052	$ 40,710,780	$ -	$ 190,638,822
Revenues among consolidated entities	7,398,719	9,584,426	1,761,464	22,633,455	(41,378,064)	-
Total revenues	$ 110,675,420	$ 35,237,715	$ 22,759,516	$ 63,344,235	$ (41,378,064)	$ 190,638,822
Segment profit (loss)	$ (147,471)	$ (504,611)	$ (960,964)	$ 5,239,193	$ 373,369	$ 3,999,516
Interest income						205,315
Nonoperating income and gains						848,389
Interest expense						(1,293,182)
Investment loss recognized under equity method, net						(117,972)
Nonoperating expenses and losses						(390,195)
Income before income tax						$ 3,251,871
Identifiable assets	$ 292,996,331	$ 197,551,854	$ 28,452,713	$ 134,088,735	$ (33,384,047)	$ 619,705,586
Investments accounted for by the equity method						2,728,945
Total assets						$ 622,434,531
Six months ended June 30, 2011						
Revenues from other than consolidated entities	$ 112,608,684	$ 25,598,373	$ 23,215,160	$ 38,980,880	$ -	$ 200,403,097
Revenues among consolidated entities	7,525,632	11,320,357	117,896	23,649,469	(42,613,354)	-
Total revenues	$ 120,134,316	$ 36,918,730	$ 23,333,056	$ 62,630,349	$ (42,613,354)	$ 200,403,097
Segment profit (loss)	$ 12,518,046	$ 2,526,297	$ (566,818)	$ 5,923,920	$ (217,564)	$ 20,183,881
Interest income						144,314
Nonoperating income and gains						824,379
Interest expense						(950,462)
Investment loss recognized under equity method, net						(44,877)
Nonoperating expenses and losses						(334,319)
Income before income tax						$ 19,822,916
Identifiable assets	$ 282,347,641	$ 184,715,934	$ 31,708,847	$ 118,962,165	$ (40,817,517)	$ 576,917,070
Investments accounted for by the equity method						2,856,736
Total assets						$ 579,773,806

38. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

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

	June 30					
	2012			2011		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
Monetary financial assets						
USD	$ 618,453	29.88	$ 18,479,368	$ 493,119	28.725	$ 14,164,894
JPY	13,210,562	0.3754	4,959,245	19,206,623	0.3573	6,862,526
MYR	338,438	9.0145	3,050,847	381,386	9.1325	3,483,009
CNY	549,883	4.701	2,585,000	355,306	4.4655	1,586,619
VND	693,149,396	0.0014	956,546	203,211,744	0.0013	273,320
INR	1,189,535	0.5302	630,691	-	-	-
AUD	16,884	30.375	512,855	15,747	30.825	485,387
EUR	5,485	37.56	206,025	8,434	41.63	351,089
SGD	8,209	23.52	193,074	7,400	23.38	173,014

(Continued)

	June 30					
	2012			2011		
	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)	Foreign Currencies (Thousands)	Exchange Rate	New Taiwan Dollars (Thousands)
GBP	$ 3,247	46.72	$ 151,723	$ 83	46.19	$ 3,836
HKD	30,680	3.853	118,208	45,848	3.691	169,226
Non-monetary financial assets						
JPY	4,026,000	0.3754	1,511,360	4,656,000	0.3573	1,663,589
USD	20,764	29.88	620,418	16,673	28.725	478,929
SGD	1,593	23.52	37,458	1,593	23.38	37,235
Investments accounted for by the equity method						
CNY	13,892	4.701	65,306	15,834	4.4655	70,706
EUR	1,617	37.56	60,748	1,660	41.63	69,126
Monetary financial liabilities						
USD	597,811	29.88	17,865,581	457,574	28.725	13,143,823
JPY	15,563,920	0.3754	5,842,695	14,060,888	0.3573	5,023,955
CNY	916,230	4.701	4,307,198	495,672	4.4655	2,213,424
AUD	21,291	30.375	646,701	21,747	30.825	670,364
VND	416,087,548	0.0014	574,201	268,501,392	0.0013	361,134
MYR	22,937	9.0145	206,766	17,594	9.1325	160,680
SGD	2,634	23.52	61,955	2,775	23.38	64,885
EUR	1,062	37.56	39,903	1,065	41.63	44,342

(Concluded)

Derivative Financial Instruments

	Currency	Contract Exchange Rate	Contract Amount (In Thousands)
June 30, 2012			
Forward exchange contracts - buy	NTD/USD	27.208-30.874	NTD8,955,182/USD305,918
Forward exchange contracts - buy	NTD/EUR	38.865-46.432	NTD409,265/EUR9,646
Forward exchange contracts - buy	NTD/JPY	0.306779-0.3913	NTD1,794,793/JPY4,805,789
Forward exchange contracts - buy	NTD/GBP	45.7-46.68	NTD215,489/GBP4,627
Forward exchange contracts - sell	USD/NTD	29.45-29.898	USD4,893/NTD144,935
Forward exchange contracts - sell	EUR/NTD	38.67-38.955	EUR4,363/NTD168,894
Forward exchange contracts - sell	HKD/NTD	3.79-3.797	HKD17,078/NTD64,743
June 30, 2011			
Forward exchange contracts - buy	NTD/USD	28.2847-31.894	NTD7,610,530/USD250,640
Forward exchange contracts - buy	NTD/EUR	39.3-47.622	NTD1,968,556/EUR43,070
Forward exchange contracts - buy	NTD/JPY	0.305779-0.37945	NTD2,381,415/JPY6,673,676
Forward exchange contracts - sell	USD/NTD	28.477-29.488	USD15,693/NTD452,198
Forward exchange contracts - sell	HKD/NTD	3.705-3.7282	HKD35,400/NTD131,898
Forward exchange contracts - sell	EUR/NTD	42	EUR830/NTD34,860

39. PRE-DISCLOSURE FOR ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

According to the Order No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Corporation and its subsidiaries' pre-disclosure information on the adoption of International Financial Reporting Standards (IFRSs) was as follows:

a. On May 14, 2009, the FSC announced the "Framework for Adoption of International Financial Reporting Standards by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange Corp., Taiwan GreTai Securities Market or Emerging

Stock Market should prepare their consolidated financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards, International Accounting Standards, Interpretations, and related guidance issued by the FSC. To comply with this framework, the Corporation has set up a project team and made a plan to adopt IFRSs. Leading the implementation of this plan is Vice President of Finance Division. The main contents of the plan, anticipated schedule and status of execution as of June 30, 2012 were as follows:

Contents of Plan	Responsible Department	Status of Execution
1) Planning and identification stage (2009.04.01-2010.12.31)		
• Establish the IFRSs task force	Accounting Department	Finished
• Set up a work plan for IFRSs adoption	Accounting Department	Finished
• Complete the identification of GAAP differences	Accounting Department	Finished
• Complete the identification of consolidated entities under IFRSs	Accounting Department	Finished
2) Evaluation and determination stage (2010.01.01-2011.12.31)		
• Complete the impact evaluation of optional exemptions in IFRS 1 “First-time Adoption of International Financial Reporting Standards”	Accounting Department	Finished
• Complete the impact evaluation of the IT systems	IT Department	Finished (Unreviewed)
• Determine IFRSs accounting policies	Accounting Department	Finished
• Determine the selection of optional exemptions in IFRS 1 “First-time Adoption of International Financial Reporting Standards”	Accounting Department	Finished
3) Implementation and review stage (2011.01.01-2013.12.31)		
• Complete the impact evaluation of the modification to the relevant internal controls	Internal Audit Office	In progress (Unreviewed)
• Complete the preparation of opening balance sheets under IFRSs	Accounting Department	Finished
• Prepare comparative financial information under IFRSs for 2012	Accounting Department	In progress
• Complete the modification of the relevant internal controls (including financial reporting process and related IT systems)	Internal Audit Office, Accounting Department and IT Department	In progress (Unreviewed)

b. As of June 30, 2012, the material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs and their effects were as follows:

1) Reconciliation of consolidated balance sheets as of January 1, 2012: Table 1.

2) Reconciliation of consolidated balance sheets as of June 30, 2012: Table 2.

3) Reconciliation of consolidated statements of income for the six months ended June 30, 2012: Table 3.

4) Appropriation for special reserve at the date of transition to IFRSs

   In accordance with Order No. 1010012865 issued by the FSC on April 6, 2012, at the first-time adoption of IFRSs, an entity shall appropriate to special reserve the amount of increase in retained earnings that resulted from unrealized revaluation increment and cumulative translation differences (gain) because of the entity's use of exemptions under IFRS 1. However, if the amount of the increase in retained earnings that resulted from all IFRSs adjustments is smaller than the amount of unrealized revaluation increment and cumulative translation differences (gain) reclassified to retained earnings, only the amount of the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve will be reversed in proportion to the usage, disposal or reclassification of the related assets.

   As of January 1, 2012, the Corporation and its subsidiaries reclassified unrealized revaluation increment of NT$26,757,590 thousand and cumulative translation differences of NT$17,192 thousand to retained earnings. However, the increase in retained earnings from all IFRSs adjustments was smaller than the amounts of unrealized revaluation increment and cumulative translation differences; therefore, the Corporation and its subsidiaries appropriated NT$21,636,278 thousand, the increase in retained earnings from all IFRSs adjustments at the first-time adoption of IFRSs, to special reserve. For the six months ended June 30, 2012, the Corporation and its subsidiaries reversed NT$1,337 thousand of special reserve in proportion to the usage, disposal or reclassification of the related assets.

5) Exemptions from IFRS 1

   IFRS 1, "First-time Adoption of International Financial Reporting Standards," establishes the procedures for first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Corporation and its subsidiaries are required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in their opening consolidated balance sheets at the date of transition to IFRSs (January 1, 2012), except for optional exemptions to such retrospective application provided under IFRS 1. The main optional exemptions the Corporation and its subsidiaries adopted are summarized as follows:

   a) Business combinations

      The Corporation and its subsidiaries elected not to apply IFRS 3, "Business Combination," retrospectively to business combinations that occurred before the date of transition to IFRSs. Therefore, the carrying amounts of goodwill, assets, liabilities and minority interest generated from past business combinations in the opening consolidated balance sheets remain the same as their carrying amounts under ROC GAAP as of December 31, 2011.

      The above exemption also applies to past acquisitions of investments in associates.

   b) Share-based payment

      The Corporation and its subsidiaries elected the exemption from applying IFRS 2, "Share-based Payment," retrospectively for the shared-based payment transactions granted and vested before the date of transition to IFRSs.

c) Deemed cost

The Corporation and its subsidiaries elected to use ROC GAAP revaluations of the designated property, plant and equipment and investment property at the date of transition to IFRSs as deemed cost at the date of revaluation.

d) Employee benefits

The Corporation and its subsidiaries elected to recognize all cumulative actuarial gains and losses relating to employee benefits in retained earnings at the date of transition to IFRSs.

e) Cumulative translation differences

The Corporation and its subsidiaries elected to deem the cumulative translation differences on all foreign operations as zero and recognized the amount in retained earnings at the date of transition to IFRSs.

f) Designation of previously recognized financial assets and liabilities

The Corporation and its subsidiaries elected to designate previously recognized financial assets carried at cost as financial assets at fair value through profit or loss and available-for-sale financial assets at the date of transition to IFRSs.

The effects arising from the above exemptions are stated in 6) Notes to the significant reconciliation items of transition to IFRSs.

6) Notes to the significant reconciliation items of transition to IFRSs:

The material differences between the existing accounting policies and the accounting policies to be adopted under IFRSs were as follows:

<u>Presentation difference</u>

A Time deposits with deposit terms of over three months

Under ROC GAAP, time deposits that can be withdrawn at any moment without detriment to the principal are classified as cash.

Under IFRSs, cash equivalents are defined as investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Therefore, only short-term investments, such as those with maturity of three months or less from the date of acquisition, normally qualify for classification as cash equivalents. Under IFRSs, time deposits with deposit terms of over three months are reclassified as other financial assets.

As of June 30, 2012 and January 1, 2012, the amounts reclassified from cash to other financial assets were NT$3,125,963 thousand and NT$5,348,764 thousand, respectively.

B Deferred income tax assets/liabilities

Under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred income tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits, and valuation allowance account is not used.

In addition, under ROC GAAP, deferred tax assets or liabilities are classified as current or noncurrent in accordance with the classification of their related assets or liabilities. However, if deferred income tax assets or liabilities do not relate to assets or liabilities in the financial statements, they are classified as either current or noncurrent based on the expected length of time before they are realized or settled. Under IFRSs, deferred tax assets or liabilities are classified as noncurrent assets or liabilities.

As of June 30, 2012 and January 1, 2012, the amounts reclassified from current deferred income tax assets to noncurrent assets were NT$3,141,017 thousand and NT$3,623,367 thousand, respectively; the amounts reclassified from current deferred income tax liabilities to noncurrent liabilities were NT$2,677 thousand and zero, respectively.

C Classification of property, plant and equipment, assets leased to others and idle assets

Under ROC GAAP, assets leased to others are classified under property, plant and equipment or other assets, and idle assets are classified under other assets. Under IFRSs, the aforementioned items are classified as investment property or property, plant and equipment according to their nature.

As of June 30, 2012 and January 1, 2012, the amounts reclassified from assets leased to others under property, plant and equipment to investment property were NT$4,541,735 thousand and NT$3,827,965 thousand, respectively; the amounts reclassified from assets leased to others under other assets to property, plant and equipment were zero and NT$27,533 thousand, respectively; the amounts reclassified from assets leased to others under other assets to investment property were NT$2,922,606 thousand and NT$3,038,314 thousand, respectively; the amounts reclassified from idle assets under other assets to property, plant and equipment were NT$1,318,594 thousand and NT$670,017 thousand, respectively; the amounts reclassified from idle assets under other assets to investment property were both NT$1,441,943 thousand.

D Unrealized revaluation increment / Reserve for land value increment tax

Under current Guidelines Governing the Preparation of Financial Reports by Securities Issuers, reserve for land value increment tax recognized due to revaluation on land is classified as long-term liabilities.

Under IFRSs, ROC GAAP revaluations are selected as deemed cost for the designated land at the date of transition to IFRSs; thus, the related reserve for land value increment tax should be reclassified to deferred income tax liabilities - land value increment tax.

As of January 1, 2012, the Corporation and its subsidiaries adjusted unrealized revaluation increment to retained earnings under the requirement of IFRS 1. The amount adjusted from unrealized revaluation increment to retained earnings was NT$26,757,590 thousand. As of June 30, 2012 and January 1, 2012, the amounts reclassified from reserve for land value increment tax to deferred income tax liabilities - land value increment tax were NT$10,240,123 thousand and NT$10,194,138 thousand, respectively.

Recognition and measurement difference

(a) Financial assets carried at cost

Under current Guidelines Governing the Preparation of Financial Reports by Securities Issuers, shares that are not listed on the Taiwan Stock Exchange Corporation or Taiwan GreTai Securities Market and of which the holder has no significant influence over the investee should be classified as financial assets carried at cost.

Under IFRSs, financial assets should be classified as financial assets at fair value through profit or loss and measured at fair value if they meet the definition of held for trading. Equity instruments that are designated as available-for-sale financial assets or are not designated as at

FVTPL should be classified as available-for-sale financial assets and measured at fair value.

As of June 30, 2012 and January 1, 2012, the amounts reclassified from financial assets carried at cost to financial assets at fair value through profit or loss and available-for-sale financial assets were NT$10,660,477 thousand and NT$10,603,195 thousand, respectively; financial assets at fair value through profit or loss were adjusted for an increase of NT$313,309 thousand and NT$315,040 thousand, respectively; available-for-sale financial assets were adjusted for an increase of NT$13,184,224 thousand and NT$12,974,988 thousand, respectively; unrealized gain on available-for-sale financial assets was adjusted for an increase of NT$2,802,129 thousand and NT$2,685,896 thousand, respectively.

(b) Defined benefit pension plans

Under ROC GAAP, actuarial gains and losses should be accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized in profit or loss over the average remaining service period of those employees who are still in service and expected to receive pension benefits. Under IFRSs, the Corporation and its subsidiaries should carry out actuarial valuation on defined benefit plans in accordance with IAS No. 19, "Employee Benefits," and will recognize actuarial gains and losses immediately in full in the period in which they occur, as other comprehensive income. The actuarial gains and losses recognized in other comprehensive income are recognized immediately in retained earnings in the statement of changes in equity. The subsequent reclassification to profit or loss is not permitted.

Under ROC GAAP, there is no requirement for other long-term employee benefits (other than pensions). Under IFRSs, actuarial gains and losses should all be recognized immediately in profit or loss.

Under ROC GAAP, unrecognized net transition obligation, resulting from first-time adoption of SFAS No. 18, "Accounting for Pensions," should be amortized in pension cost by the straight-line method over the average remaining service period of those employees who are still in service and expected to receive pension benefits. Due to no transition application under IAS No. 19, "Employee Benefits," unrecognized net transition obligation and related amounts should be all recognized in retained earnings at the date of transition to IFRSs.

Under ROC GAAP, minimum pension liability is the minimum amount of pension liability that is required to be recognized on the balance sheets. If the accrued pension liability recorded on the books is less than the minimum amount, the difference shall be recognized. Under IFRSs, there is no requirement for minimum pension liability.

At the date of transition to IFRSs, the Corporation and its subsidiaries performed the actuarial valuation on defined benefit plans under IAS No. 19, "Employee Benefits," and recognized the valuation difference under the requirement of IFRS 1. As of June 30, 2012 and January 1, 2012, accrued pension cost was adjusted for an increase of NT$6,895,257 thousand and NT$6,916,895 thousand, respectively; net loss not recognized as pension cost was adjusted for a decrease of NT$230,770 thousand and NT$230,590 thousand, respectively; deferred income tax assets were adjusted for an increase of NT$1,222,392 thousand and NT$1,219,725 thousand, respectively; retained earnings were adjusted for a decrease of NT$5,699,068 thousand and NT$5,662,987 thousand, respectively. Pension cost for the six months ended June 30, 2012 was also adjusted for a decrease of NT$22,177 thousand (decrease of operating costs NT$7,821 thousand, selling expenses NT$601 thousand and general and administrative expenses NT$16,068 thousand and increase of nonoperating expenses and losses NT$2,313 thousand).

(c) Treasury stock

Under ROC GAAP, stocks of the parent company held by its subsidiaries are accounted for as its own treasury stock. The Corporation first adopted ROC SFAS No. 30, "Accounting for Treasury Stock," which required that the recorded cost of the stock should be based on its carrying amount as of January 1, 2002 and reclassified to treasury stock. The carrying amount of the stock may not be the same as its original acquisition cost.

Under IFRSs, treasury stock should be recorded initially at acquisition cost and shown as a deduction in stockholders' equity. There is no transition application; thus, the treasury stock and related accounts in the statement of changes in equity should be retrospective.

As of January 1, 2012, the Corporation adjusted the treasury stock retrospectively, and the major effects were as follow: Capital surplus was increased by NT$385,962 thousand, retained earnings were decreased by NT$141,373 thousand, unrealized gain on available-for-sale financial assets was increased by NT$112,926 thousand and treasury stock was increased by NT$167,784 thousand.

(d) Offset of deferred income tax

Under ROC GAAP, the current deferred income tax liabilities and assets of the same taxable entity should be offset against each other and presented as a net amount; the same for the noncurrent deferred income tax liabilities and assets.

Under IFRSs, an entity should offset deferred income tax assets and deferred income tax liabilities only if:

i. The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and,

ii. The deferred income tax assets and the deferred income tax liabilities related to income taxes levied by the same taxation authority on either:

   i) The same taxable entity; or

   ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

c. The Corporation and its subsidiaries have made the above assessments in accordance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Therefore, actual results may differ from these assessments.

TABLE 1

CHINA STEEL CORPORATION AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED BALANCE SHEETS AS OF JANUARY 1, 2012
(In Thousands of New Taiwan Dollars)

Assets

ROC GAAP Item	ROC GAAP Amount	Effects of Transition to IFRSs: Presentation Difference	Effects of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	Note
CURRENT ASSETS					CURRENT ASSETS	
Cash and cash equivalents	$ 17,480,092	$ (5,348,764)	$ -	$ 12,131,328	Cash and cash equivalents	A
Financial assets at fair value through profit or loss - current	3,124,636	-	315,040	3,439,676	Financial assets at fair value through profit or loss - current	(a)
Available-for-sale financial assets - current	5,375,249	-	14,462	5,389,711	Available-for-sale financial assets - current	(a)
Held-to-maturity financial assets - current	60,550	-	-	60,550	Held-to-maturity financial assets - current	
Hedging derivative assets - current	115,768	-	-	115,768	Hedging derivative assets - current	
Notes receivable, net	1,901,604	-	-	1,901,604	Notes receivable, net	
Accounts receivable, net	10,213,979	-	-	10,213,979	Accounts receivable, net	
Other receivables	2,346,521	(452,975)	-	1,893,546	Other receivables	
-	-	453,304	-	453,304	Current tax assets	
Other financial assets - current	3,710,158	5,285,688	-	8,995,846	Other financial assets - current	A
Inventories	115,961,466	-	32,272	115,993,738	Inventories	
Deferred income tax assets - current	3,623,367	(3,623,367)	-	-	-	B
Restricted assets - current	6,906,442	-	-	6,906,442	Restricted assets - current	
Others	5,776,246	(329)	1,232	5,777,149	Others	
Total current assets	176,596,078	(3,686,443)	363,006	173,272,641	Total current assets	
INVESTMENTS					INVESTMENTS	
Financial assets at fair value through profit or loss - noncurrent	23,979	-	-	23,979	Financial assets at fair value through profit or loss - noncurrent	
Available-for-sale financial assets - noncurrent	3,369,657	-	12,960,526	16,330,183	Available-for-sale financial assets - noncurrent	(a)
Held-to-maturity financial assets - noncurrent	109,171	-	-	109,171	Held-to-maturity financial assets - noncurrent	
Hedging derivative assets - noncurrent	124,920	-	-	124,920	Hedging derivative assets - noncurrent	
Financial assets carried at cost - noncurrent	10,603,195	-	(10,603,195)	-	-	(a)
Bond investments with no active market - noncurrent	4,050,222	-	-	4,050,222	Bond investments with no active market - noncurrent	
Investments accounted for by the equity method	2,618,993	-	(10,479)	2,608,514	Investments accounted for by the equity method	
Investments in real estate	381,905	(381,905)	-	-	-	
Prepaid long-term stock investments	10,000	(10,000)	-	-	-	
Other financial assets - noncurrent	2,119,688	63,076	-	2,182,764	Other financial assets - noncurrent	A
Total investments	23,411,730	(328,829)	2,346,852	25,429,753	Total investments	
PROPERTY, PLANT AND EQUIPMENT					PROPERTY, PLANT AND EQUIPMENT	
Cost and revaluation increment	623,552,077	(3,554,278)	181,113	620,178,912	Cost	
Less: Accumulated depreciation	317,415,604	(276,865)	11,330	317,150,069	Less: Accumulated depreciation	
Accumulated impairment	443,719	(274,540)	-	169,179	Accumulated impairment	
	305,692,754	(3,002,873)	169,783	302,859,664		C
Construction in progress and prepayments for equipment	96,851,192	(721,960)	212,309	96,341,541	Construction in progress	
Net property, plant and equipment	402,543,946	(3,724,833)	382,092	399,201,205	Net property, plant and equipment	
INTANGIBLE ASSETS	2,246,170	(598,605)	(21,224)	1,626,341	INTANGIBLE ASSETS	
-	-	8,690,127	-	8,690,127	INVESTMENT PROPERTY	C
OTHER ASSETS					OTHER ASSETS	
Assets leased to others, net	3,065,847	(3,065,847)	-	-	-	C
Idle assets, net	2,111,960	(2,111,960)	-	-	-	C
Refundable deposits	428,431	-	-	428,431	Refundable deposits	
Deferred income tax assets - noncurrent	-	3,623,367	3,483,564	7,106,931	Deferred income tax assets	B, (b), (d)
Restricted assets - noncurrent	335,660	-	-	335,660	Restricted assets - noncurrent	
Deferred charge and others	945,793	1,203,023	(18,744)	2,130,072	Others	
Total other assets	6,887,691	(351,417)	3,464,820	10,001,094	Total other assets	
TOTAL	$ 611,685,615	$ -	$ 6,535,546	$ 618,221,161	TOTAL	

Liabilities And Stockholders' Equity

ROC GAAP Item	ROC GAAP Amount	Effects of Transition to IFRSs: Presentation Difference	Effects of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	Note
CURRENT LIABILITIES					CURRENT LIABILITIES	
Short-term loans and overdraft	$ 59,918,010	$ -	$ -	$ 59,918,010	Short-term loans and overdraft	
Commercial paper payable	22,357,900	-	-	22,357,900	Commercial paper payable	
Financial liabilities at fair value through profit or loss - current	90	-	-	90	Financial liabilities at fair value through profit or loss - current	
Hedging derivative liabilities - current	53,331	-	-	53,331	Hedging derivative liabilities - current	
Notes payable	1,066,418	-	-	1,066,418	Notes payable	
Accounts payable	10,131,244	-	-	10,131,244	Accounts payable	
Income tax payable	3,376,691	-	-	3,376,691	Current tax liabilities	
Accrued expenses	13,912,683	(13,912,683)	-	-	-	
Other payables	8,456,717	12,403,015	-	20,859,732	Other payables	
-	-	2,810,630	-	2,810,630	Provisions	
Bonds payable - current portion	11,270,086	-	-	11,270,086	Bonds payable - current portion	
Long-term debt - current portion	11,715,737	-	-	11,715,737	Long-term debt - current portion	
Others	6,546,124	(1,300,962)	(80,349)	5,164,813	Others	
Total current liabilities	148,805,031	-	(80,349)	148,724,682	Total current liabilities	
LONG-TERM LIABILITIES					LONG-TERM LIABILITIES	
Hedging derivative liabilities - noncurrent	42,475	-	-	42,475	Hedging derivative liabilities - noncurrent	
Bonds payable	37,944,340	-	-	37,944,340	Bonds payable	
Long-term debt	75,533,461	-	-	75,533,461	Long-term debt	
Long-term notes payable	24,813,719	-	-	24,813,719	Long-term notes payable	
Total long-term liabilities	138,333,995	-	-	138,333,995	Total long-term liabilities	
RESERVE FOR LAND VALUE INCREMENT TAX	10,194,138	(10,194,138)	-	-	-	D
OTHER LIABILITIES					OTHER LIABILITIES	
Accrued pension cost	754,105	-	6,916,895	7,671,000	Accrued pension cost	(b)
Deferred income tax liabilities - noncurrent	543,499	10,194,138	2,342,512	13,080,149	Deferred income tax liabilities	B, D, (d)
Others	946,910	-	-	946,910	Others	
Total other liabilities	2,244,514	10,194,138	9,259,407	21,698,059	Total other liabilities	
Total liabilities	299,577,678	-	9,179,058	308,756,736	Total liabilities	
STOCKHOLDERS' EQUITY OF PARENT COMPANY					EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	
Capital stock	150,844,773	-	-	150,844,773	Capital stock	
Capital surplus	36,247,705	-	(63,109)	36,184,596	Capital surplus	(c)
Retained earnings					Retained earnings	
Legal reserve	52,829,209	-	-	52,829,209	Legal reserve	
Special reserve	7,615,701	-	21,636,278	29,251,979	Special reserve	4)
Unappropriated earnings	19,606,971	-	-	19,606,971	Unappropriated earnings	D, (b), (c), 4)
Total retained earnings	80,051,881	-	21,636,278	101,688,159	Total retained earnings	
Other equity adjustments					Other equity adjustments	
Unrealized revaluation increment	26,757,590	-	(26,757,590)	-	-	D
Unrealized gain on financial instruments	3,020,919	(255,142)	2,798,822	5,564,599	Unrealized gain from available-for-sales financial assets	(a), (c)
-	-	317,084	-	317,084	Cash flow hedging reserve	
-	-	(61,942)	5,015	(56,927)	Other equity of equity method investees, net	
Cumulative translation adjustments	17,192	-	(17,192)	-	Foreign currency translation reserve	
Net loss not recognized as pension cost	(230,590)	-	230,590	-	-	(b)
Treasury stock	(8,122,461)	-	(167,784)	(8,290,245)	Treasury stock	(c)
Total other equity adjustments	21,442,650	-	(23,908,139)	(2,465,489)	Total other equity adjustments	
Total stockholders' equity of parent company	288,587,009	-	(2,334,970)	286,252,039	Total equity attributable to shareholders of the parent	
MINORITY INTEREST	23,520,928	-	(308,542)	23,212,386	Noncontrolling interests	
Total stockholders' equity	312,107,937	-	(2,643,512)	309,464,425	Total shareholders' equity	
TOTAL	$ 611,685,615	$ -	$ 6,535,546	$ 618,221,161	TOTAL	

CHINA STEEL CORPORATION AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2012
(In Thousands of New Taiwan Dollars)

Assets

ROC GAAP Item	ROC GAAP Amount	Effects of Transition to IFRSs: Presentation Difference	Effects of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	Note
CURRENT ASSETS					CURRENT ASSETS	
Cash and cash equivalents	$ 20,315,952	$ (3,125,963)	$ 3	$ 17,189,992	Cash and cash equivalents	A
Financial assets at fair value through profit or loss - current	3,748,623	-	313,309	4,061,932	Financial assets at fair value through profit or loss - current	(a)
Available - for - sale financial assets - current	5,748,608	-	18,446	5,767,054	Available-for-sale financial assets - current	(a)
Hedging derivative assets - current	136,527	-	-	136,527	Hedging derivative assets - current	
Notes receivable, net	1,789,959	-	-	1,789,959	Notes receivable, net	
Accounts receivable, net	11,417,043	-	-	11,417,043	Accounts receivable, net	
Other receivables	2,021,779	(84,151)	-	1,937,628	Other receivables	
-	-	100,074	-	100,074	Current tax assets	
Other financial assets - current	5,259,897	3,024,910	-	8,284,807	Other financial assets - current	A
Inventories	101,377,978	-	24,035	101,402,013	Inventories	
Deferred income tax assets - current	3,141,017	(3,141,017)	-	-	-	B
Restricted assets - current	6,989,750	-	-	6,989,750	Restricted assets - current	
Others	8,309,691	(2,892)	1,298	8,308,097	Others	
Total current assets	170,256,824	(3,229,039)	357,091	167,384,876	Total current assets	
INVESTMENTS					INVESTMENTS	
Financial assets at fair value through profit or loss - noncurrent	16,371	-	-	16,371	Financial assets at fair value through profit or loss - noncurrent	
Available-for-sale financial assets - noncurrent	3,426,438	-	13,165,778	16,592,216	Available-for-sale financial assets - noncurrent	(a)
Held-to-maturity financial assets - noncurrent	161,531	-	-	161,531	Held-to-maturity financial assets - noncurrent	
Hedging derivative assets - noncurrent	46,958	-	-	46,958	Hedging derivative assets - noncurrent	
Financial assets carried at cost - noncurrent	10,660,477	-	(10,660,477)	-	-	(a)
Bond investments with no active market - noncurrent	3,899,340	-	-	3,899,340	Bond investments with no active market - noncurrent	
Investments accounted for by the equity method	2,728,945	-	(1,842)	2,727,103	Investments accounted for bythe equity method	
Investments in real estate	381,905	(381,905)	-	-	-	
Other financial assets - noncurrent	173,709	101,053	-	274,762	Other financial assets - noncurrent	A
Total investments	21,495,674	(280,852)	2,503,459	23,718,281	Total investments	
PROPERTY, PLANT AND EQUIPMENT					PROPERTY, PLANT AND EQUIPMENT	
Cost and revaluation increment	665,066,145	(3,754,988)	181,113	661,492,270	Cost	
Less: Accumulated depreciation	328,462,167	(322,948)	14,711	328,153,930	Less: Accumulated depreciation	
Accumulated impairment	443,268	(275,652)	-	167,616	Accumulated impairment	
	336,160,710	(3,156,388)	166,402	333,170,724		C
Construction in progress and prepayments for equipment	83,141,713	(1,547,980)	248,796	81,842,529	Construction in progress	
Net property, plant and equipment	419,302,423	(4,704,368)	415,198	415,013,253	Net property, plant and equipment	
INTANGIBLE ASSETS	2,411,069	(796,597)	(21,224)	1,593,248	INTANGIBLE ASSETS	
-	-	9,288,189	-	9,288,189	INVESTMENT PROPERTY	C
OTHER ASSETS					OTHER ASSETS	
Assets leased to others, net	2,922,606	(2,922,606)	-	-	-	C
Idle assets, net	2,760,537	(2,760,537)	-	-	-	C
Refundable deposits	425,814	-	-	425,814	Refundable deposits	
Deferred income tax assets - noncurrent	1,830,450	3,141,017	2,551,652	7,523,119	Deferred income tax assets	B, (b), (d)
Restricted assets - noncurrent	210,261	-	-	210,261	Restricted assets - noncurrent	
Deferred charge and others	818,873	2,264,793	(18,193)	3,065,473	Others	
Total other assets	8,968,541	(277,333)	2,533,459	11,224,667	Total other assets	
TOTAL	$ 622,434,531	$ -	$ 5,787,983	$ 628,222,514	TOTAL	

Liabilities And Stockholders' Equity

ROC GAAP Item	ROC GAAP Amount	Effects of Transition to IFRSs: Presentation Difference	Effects of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	Note
CURRENT LIABILITIES					CURRENT LIABILITIES	
Short-term loans and overdraft	$ 35,805,424	$ -	$ -	$ 35,805,424	Short-term loans and overdraft	
Commercial paper payable	26,387,447	-	-	26,387,447	Commercial paper payable	
Financial liabilities at fair value through profit or loss - current	4,163	-	-	4,163	Financial liabilities at fair value through profit or loss - current	
Hedging derivative liabilities - current	81,473	-	-	81,473	Hedging derivative liabilities - current	
Notes payable	619,518	-	-	619,518	Notes payable	
Accounts payable	12,534,936	-	-	12,534,936	Accounts payable	
Income tax payable	1,750,738	-	(3,846)	1,746,892	Current tax liabilities	
Accrued expenses	12,826,547	(12,826,547)	-	-	-	
Dividends payable	18,121,094	-	-	18,121,094	Dividends payable	
Other payables	10,116,525	10,079,291	-	20,195,816	Other payables	
-	-	3,868,273	-	3,868,273	Provisions	
Bonds payable - current portion	11,272,543	-	-	11,272,543	Bonds payable - current portion	
Long-term debt - current portion	20,512,742	-	-	20,512,742	Long-term debt - current portion	
Deferred income tax liabilities - current	2,677	(2,677)	-	-	-	B
Others	8,308,756	(1,121,017)	(58,962)	7,128,777	Others	
Total current liabilities	158,344,583	(2,677)	(62,808)	158,279,098	Total current liabilities	
LONG-TERM LIABILITIES					LONG-TERM LIABILITIES	
Hedging derivative liabilities - noncurrent	57,733	-	-	57,733	Hedging derivative liabilities - noncurrent	
Bonds payable	38,516,912	-	-	38,516,912	Bonds payable	
Long-term debt	90,598,659	-	-	90,598,659	Long-term debt	
Long-term notes payable	21,281,980	-	-	21,281,980	Long-term notes payable	
Total long-term liabilities	150,455,284	-	-	150,455,284	Total long-term liabilities	
RESERVE FOR LAND VALUE INCREMENT TAX	10,240,123	(10,240,123)	-	-	-	D
OTHER LIABILITIES					OTHER LIABILITIES	
Accrued pension cost	708,975	-	6,895,257	7,604,232	Accrued pension cost	(b)
Deferred income tax liabilities - noncurrent	1,403,186	10,242,800	1,411,612	13,057,598	Deferred income tax liabilities	B, D, (d)
Others	978,460	-	-	978,460	Others	
Total other liabilities	3,090,621	10,242,800	8,306,869	21,640,290	Total other liabilities	
Total liabilities	322,130,611	-	8,244,061	330,374,672	Total liabilities	
STOCKHOLDERS' EQUITY OF PARENT COMPANY					EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	
Capital stock	150,844,773	-	-	150,844,773	Capital stock	
Capital surplus	36,287,500	-	(101,712)	36,185,788	Capital surplus	(c)
Retained earnings					Retained earnings	
Legal reserve	54,778,577	-	-	54,778,577	Legal reserve	
Special reserve	7,615,701	-	21,634,941	29,250,642	Special reserve	4)
Unappropriated earnings	4,358,187	-	16,130	4,374,317	Unappropriated earnings	D, (b), (c), 4)
Total retained earnings	66,752,465	-	21,651,071	88,403,536	Total retained earnings	
Other equity adjustments					Other equity adjustments	
Unrealized revaluation increment	26,755,768	-	(26,755,768)	-	-	D
Unrealized gain on financial instruments	3,239,199	(47,203)	2,914,886	6,106,882	Unrealized gain from available-for-sales financial assets	(a), (c)
-	-	109,287	-	109,287	Cash flow hedging reserve	
-	-	(62,084)	8,240	(53,844)	Other equity of equity method investees, net	
Cumulative translation adjustments	(190,772)	-	(19,461)	(210,233)	Foreign currency translation reserve	
Net loss not recognized as pension cost	(230,770)	-	230,770	-	-	(b)
Treasury stock	(8,359,796)	-	(166,949)	(8,526,745)	Treasury stock	(c)
Total other equity adjustments	21,213,629	-	(23,788,282)	(2,574,653)	Total other equity adjustments	
Total stockholders' equity of parent company	275,098,367	-	(2,238,923)	272,859,444	Total equity attributable to shareholders of the parent	
MINORITY INTEREST	25,205,553	-	(217,155)	24,988,398	Noncontrolling interests	
Total stockholders' equity	300,303,920	-	(2,456,078)	297,847,842	Total shareholders' equity	
TOTAL	$ 622,434,531	$ -	$ 5,787,983	$ 628,222,514	TOTAL	

TABLE 3

CHINA STEEL CORPORATION AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2012
(In Thousands of New Taiwan Dollars)

ROC GAAP Item	ROC GAAP Amount	Effects of Transition to IFRSs: Presentation Difference	Effects of Transition to IFRSs: Recognition and Measurement Difference	IFRSs Amount	IFRSs Item	NOTE
OPERATING REVENUES	$ 190,638,822	$ -	$ (29,061)	$ 190,609,761	OPERATING REVENUES	
OPERATING COSTS	180,984,990	-	(21,983)	180,963,007	OPERATING COSTS	(b)
GROSS PROFIT	9,653,832	-	(7,078)	9,646,754	GROSS PROFIT	
REALIZED GAIN FROM AFFILIATES	15,618	-	-	15,618	REALIZED GAIN FROM AFFILIATES	
REALIZED GROSS PROFIT	9,669,450	-	(7,078)	9,662,372	REALIZED GROSS PROFIT	
OPERATING EXPENSES					OPERATING EXPENSES	
Research and development	847,440	-	-	847,440	Research and development	
Selling	2,230,183	-	(1,553)	2,228,630	Selling	(b)
General and administrative	2,592,311	33,414	(24,086)	2,601,639	General and administrative	(b)
Total operating expenses	5,669,934	33,414	(25,639)	5,677,709	Total operating expenses	
OPERATING INCOME	3,999,516	(33,414)	18,561	3,984,663	OPERATING INCOME	
NONOPERATING INCOME AND GAINS					NONOPERATING INCOME AND GAINS	
Interest income	205,315	-	-	205,315	Interest income	
Exchange gain, net	250,294	-	223	250,517	Exchange gain, net	
Others	598,095	(2,200)	19,257	615,152	Others	
Total nonoperating income and gains	1,053,704	(2,200)	19,480	1,070,984	Total nonoperating income and gains	
NONOPERATING EXPENSES AND LOSSES					NONOPERATING EXPENSES AND LOSSES	
Interest expense	1,293,182	-	-	1,293,182	Interest expense	
Investment loss recognized under equity method, net	117,972	-	(921)	117,051	Equity in losses of equity method investees, net	
Others	390,195	(35,614)	23,581	378,162	Others	
Total nonoperating expenses and losses	1,801,349	(35,614)	22,660	1,788,395	Total nonoperating expenses and losses	
INCOME BEFORE INCOME TAX	3,251,871	-	15,381	3,267,252	INCOME BEFORE INCOME TAX	
INCOME TAX	522,502	-	(1,616)	520,886	INCOME TAX	
NET INCOME	$ 2,729,369	$ -	$ 16,997	$ 2,746,366	NET INCOME	
ATTRIBUTABLE TO					ATTRIBUTABLE TO	
Stockholders of parent company	$ 1,945,090			$ 1,959,883	Stockholders of the parent	
Minority interest	784,279			786,483	Noncontrolling interest	
	$ 2,729,369			$ 2,746,366		