China Steel Corporation and Subsidiaries

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and the Stockholders
China Steel Corporation

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

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

As discussed in Note 1 to the accompanying consolidated financial statements, certain subsidiaries (all unlisted companies) included in the consolidated financial statements were unreviewed. As of September 30, 2012 and 2011, these subsidiaries' total assets amounted to NT$80,947,617 thousand and NT$68,946,210 thousand, or 13% and 11%, respectively, of consolidated total assets, and their total liabilities amounted to NT$24,557,354 thousand and NT$23,997,517 thousand, or both 8% of consolidated total liabilities. For the nine months ended September 30, 2012 and 2011, their net operating revenues amounted to NT$33,007,291 thousand and NT$40,016,771 thousand, or 12% and 13%, respectively, of consolidated net operating revenues, and their net income amounted to NT$4,533,760 thousand and NT$3,757,609 thousand, or 114% and 17%, respectively, of consolidated net income. As discussed in Note 13 to the accompanying consolidated financial statements, the aggregate carrying value of the Corporation and its subsidiaries' investments accounted for by the equity method amounted to NT$2,570,465 thousand and NT$2,682,537 thousand as of September 30, 2012 and 2011, respectively, and the net investment loss amounted to NT$247,606 thousand and NT$222,294 thousand for the nine months ended September 30, 2012 and 2011, respectively. These amounts and the additional disclosures shown in Note 35 to the accompanying consolidated financial statements were based on the investees' unreviewed financial statements for the same reporting period as that of the Corporation.

Based on our reviews, except for the effects of any adjustments that might have been determined to be necessary had the financial statements of the subsidiaries and equity method investees referred to in the preceding paragraph been reviewed, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements of the Corporation and its subsidiaries for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the order VI-0960064020 promulgated on November 15, 2007 by the Financial Supervisory Commission under the Executive Yuan, and accounting principles generally accepted in the Republic of China.

October 26, 2012

Notice to Readers

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
SEPTEMBER 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 (Note 4)	$ 16,031,287	3	$ 16,512,300	3
Financial assets at fair value through profit or loss - current (Notes 5 and 29)	3,399,679	1	3,141,532	-
Available-for-sale financial assets - current (Notes 6 and 29)	5,393,406	1	5,123,467	1
Hedging derivative assets - current (Notes 7 and 29)	87,290	-	167,479	-
Notes receivable, net (Notes 8, 26 and 30)	1,729,308	-	1,881,300	-
Accounts receivable, net (Notes 3, 8, 26 and 30)	10,739,805	2	9,694,370	2
Other receivables	2,775,394	-	2,920,412	-
Other financial assets - current (Notes 14 and 29)	4,337,046	1	4,987,611	1
Inventories (Notes 9 and 26)	99,677,519	16	123,206,275	21
Deferred income tax assets - current	3,128,577	-	2,511,409	-
Restricted assets - current (Notes 4 and 31)	6,814,544	1	6,040,754	1
Others	7,709,494	1	5,913,930	1
Total current assets	161,823,349	26	182,100,839	30
INVESTMENTS				
Financial assets at fair value through profit or loss - noncurrent (Notes 5 and 29)	3,863	-	33,116	-
Available-for-sale financial assets - noncurrent (Notes 6 and 29)	3,374,283	1	3,526,523	1
Held-to-maturity financial assets - noncurrent (Notes 10 and 29)	159,306	-	170,870	-
Hedging derivative assets - noncurrent (Notes 7 and 29)	18,512	-	162,798	-
Financial assets carried at cost - noncurrent (Notes 11 and 29)	12,290,133	2	7,036,034	1
Bond investments with no active market - noncurrent (Notes 12 and 29)	3,921,850	1	4,117,447	1
Investments accounted for by the equity method (Note 13)	2,570,465	-	2,682,537	1
Investments in real estate	381,905	-	381,905	-
Other financial assets - noncurrent (Notes 14 and 29)	51,764	-	2,386,538	-
Total investments	22,772,081	4	20,497,768	4
PROPERTY, PLANT AND EQUIPMENT (Notes 7, 14, 15 and 31)				
Land	20,141,471	3	18,773,728	3
Land improvements	4,384,932	1	4,385,107	1
Buildings	85,691,509	14	75,746,549	13
Machinery and equipment	457,606,608	73	425,364,675	71
Transportation equipment	21,150,853	3	19,605,308	3
Other equipment	18,157,129	3	17,516,929	3
Spare parts	10,202,805	2	8,996,457	1
Total cost	617,335,307	99	570,388,753	95
Revaluation increment	49,385,869	8	43,368,282	7
Cost and revaluation increment	666,721,176	107	613,757,035	102
Less: Accumulated depreciation	334,316,554	54	311,665,504	52
Accumulated impairment	445,358	-	428,975	-
	331,959,264	53	301,662,556	50
Construction in progress and prepayments for equipment	95,698,553	16	86,985,052	15
Net property, plant and equipment	427,657,817	69	388,647,608	65
INTANGIBLE ASSETS (Note 16)	2,448,827	-	2,137,142	-
OTHER ASSETS				
Assets leased to others, net (Notes 17 and 31)	2,921,248	1	3,060,715	1
Idle assets, net (Notes 18 and 31)	2,734,240	-	2,122,122	-
Refundable deposits (Note 29)	485,207	-	479,217	-
Deferred income tax assets - noncurrent	1,983,982	-	-	-
Restricted assets - noncurrent (Notes 4 and 31)	239,873	-	309,112	-
Deferred charge and others	807,007	-	938,083	-
Total other assets	9,171,557	1	6,909,249	1
TOTAL	$ 623,873,631	100	$ 600,292,606	100

	2012		2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Short-term loans and overdraft (Notes 19 and 31)	$ 39,888,046	7	$ 64,387,220	11
Commercial paper payable (Notes 20 and 31)	31,337,323	5	23,754,776	4
Financial liabilities at fair value through profit or loss - current (Notes 5 and 29)	2,521	-	22,106	-
Hedging derivative liabilities - current (Notes 7 and 29)	123,537	-	126,370	-
Notes payable (Notes 26 and 30)	512,715	-	937,111	-
Accounts payable (Notes 26 and 30)	12,750,501	2	9,740,542	2
Income tax payable	2,053,013	-	4,885,276	1
Accrued expenses (Note 21)	12,743,962	2	13,614,138	2
Other payables	8,691,768	1	9,283,147	1
Bonds payable - current portion (Notes 22 and 29)	11,273,771	2	5,599,799	1
Long-term debt - current portion (Notes 23, 29 and 31)	21,487,611	4	11,259,246	2
Deferred income tax liabilities - current	3,547	-	-	-
Others (Notes 9 and 26)	8,302,177	1	7,102,785	1
Total current liabilities	149,170,492	24	150,712,516	25
LONG-TERM LIABILITIES				
Hedging derivative liabilities - noncurrent (Notes 7 and 29)	73,196	-	30,104	-
Bonds payable (Notes 22 and 29)	58,383,754	10	29,534,600	5
Long-term debt (Notes 23, 29 and 31)	80,799,100	13	77,476,173	13
Long-term notes payable (Notes 24 and 29)	20,291,364	3	23,871,856	4
Total long-term liabilities	159,547,414	26	130,912,733	22
RESERVE FOR LAND VALUE INCREMENT TAX (Note 15)	10,240,123	2	8,855,688	2
OTHER LIABILITIES				
Accrued pension cost	701,914	-	556,918	-
Deferred income tax liabilities - noncurrent	1,317,311	-	195,116	-
Others	955,657	-	919,293	-
Total other liabilities	2,974,882	-	1,671,327	-
Total liabilities	321,932,911	52	292,152,264	49
STOCKHOLDERS' EQUITY OF PARENT COMPANY (Notes 7, 14, 15, 27 and 31)				
Capital stock - NT$10 par value, authorized 17,000,000 thousand shares				
Common shares - issued 15,272,477 thousand shares and 15,046,209 thousand shares as of September 30, 2012 and 2011, respectively	152,724,765	24	150,462,093	25
Preferred shares - issued 38,268 thousand shares	382,680	-	382,680	-
Total capital stock	153,107,445	24	150,844,773	25
Capital surplus	36,652,352	6	36,147,304	6
Retained earnings				
Legal reserve	54,778,577	9	52,829,209	9
Special reserve	7,615,701	1	7,615,701	1
Unappropriated earnings	150,425	-	113,292	-
Net income of parent company for the nine months ended September 30	3,808,200	1	20,067,096	3
Total retained earnings	66,352,903	11	80,625,298	13
Other equity adjustments				
Unrealized revaluation increment	26,753,711	4	22,008,259	4
Unrealized gain on financial instruments	3,169,117	-	3,234,911	-
Cumulative translation adjustments	(229,262)	-	62,716	-
Net loss not recognized as pension cost	(230,591)	-	(79,210)	-
Treasury stock - 309,835 thousand shares and 304,500 thousand shares as of September 30, 2012 and 2011, respectively	(8,415,634)	(1)	(8,351,779)	(1)
Total other equity adjustments	21,047,341	3	16,874,897	3
Total stockholders' equity of parent company	277,160,041	44	284,492,272	47
MINORITY INTEREST	24,780,679	4	23,648,070	4
Total stockholders' equity	301,940,720	48	308,140,342	51
TOTAL	$ 623,873,631	100	$ 600,292,606	100

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

(With Deloitte & Touche review report dated October 26, 2012)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	2012		2011	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES (Notes 5, 13, 30 and 33)	$ 274,446,644	100	$ 303,886,060	100
OPERATING COSTS (Notes 5, 9, 13 and 30)	260,522,736	95	267,901,876	88
GROSS PROFIT	13,923,908	5	35,984,184	12
REALIZED GAIN FROM AFFILIATES	23,427	-	25,581	-
REALIZED GROSS PROFIT	13,947,335	5	36,009,765	12
OPERATING EXPENSES				
Research and development	1,242,829	1	1,287,930	1
Selling	3,321,066	1	3,540,625	1
General and administrative	3,528,436	1	4,257,777	1
Total operating expenses	8,092,331	3	9,086,332	3
OPERATING INCOME	5,855,004	2	26,923,433	9
NONOPERATING INCOME AND GAINS				
Interest income (Note 29)	289,124	-	239,679	-
Dividend income	269,939	-	283,901	-
Gain on sale of investments, net (Note 6)	241,635	-	32,819	-
Exchange gain, net	394,582	-	494,774	-
Reversal of impairment loss, net (Notes 11, 17 and 18)	1,015	-	277,802	-
Others (Notes 5, 7, 17 and 30)	701,529	1	626,899	1
Total nonoperating income and gains	1,897,824	1	1,955,874	1
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 15 and 29)	2,023,278	1	1,491,395	1
Investment loss recognized under equity method, net (Note 13)	248,249	-	222,169	-
Others (Note 5)	582,337	-	893,803	-
Total nonoperating expenses and losses	2,853,864	1	2,607,367	1
INCOME BEFORE INCOME TAX	4,898,964	2	26,271,940	9
INCOME TAX	934,612	1	4,361,795	2
NET INCOME	$ 3,964,352	1	$ 21,910,145	7

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 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	$ 3,808,200	1	$ 20,067,096	6
Minority interest	156,152	-	1,843,049	1
	$ 3,964,352	1	$ 21,910,145	7

	2012		2011	
	Before Income Tax	**After Income Tax**	**Before Income Tax**	**After Income Tax**
EARNINGS PER SHARE (Note 28)				
Basic	$ 0.26	$ 0.25	$ 1.58	$ 1.40
Diluted	$ 0.26	$ 0.25	$ 1.57	$ 1.39

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

(With Deloitte & Touche review report dated October 26, 2012) (Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 3,964,352	$ 21,910,145
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	21,136,193	19,458,727
Amortization	164,004	192,992
Deferred income tax	(1,406,124)	(75,651)
Realized gain from affiliates	(23,427)	(25,581)
Provision for loss on inventories	4,103,910	618,933
Investment loss recognized under equity method, net	247,606	222,294
Cash dividends received from equity method investees	54,517	20,712
Gain on sale of investments	(412,278)	(177,876)
Impairment loss on financial assets	63,740	128,037
Reversal of impairment loss on non-financial assets	(1,015)	(348,270)
Compensation cost of share-based payment	-	101,522
Loss on purchase commitments	596,270	312,992
Others	(328,516)	327,792
Net changes in operating assets and liabilities		
Financial instruments held for trading	(437,257)	511,467
Notes receivable	172,296	14,651
Accounts receivable	(525,826)	(1,875,000)
Other receivables	(474,968)	(908,057)
Inventories	12,278,068	(34,162,593)
Other current assets	(1,933,248)	437,961
Notes payable	(553,703)	460,841
Accounts payable	2,619,257	(386,795)
Income tax payable	(560,676)	(385,556)
Accrued expenses	(1,172,448)	(2,156,657)
Other payables	(1,362,623)	255,278
Other current liabilities	1,754,752	(76,246)
Net cash provided by operating activities	37,962,856	4,396,062
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	(3,752,835)	(14,314,326)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	4,015,146	15,612,793
Acquisition of available-for-sale financial assets	(3,524,269)	(4,316,661)
Proceeds from disposal of available-for-sale financial assets	4,269,074	5,259,199
Acquisition of held-to-maturity financial assets	(53,493)	(9,144)
Proceeds from disposal of held-to-maturity financial assets	59,437	39,518
Acquisition of financial assets carried at cost	(2,327,269)	(887,942)
Proceeds from disposal of financial assets carried at cost	388,439	34,645

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CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	2012	2011
Proceeds from the capital reduction on financial assets carried at cost	$ 37,107	$ 16,063
Acquisition of bond investments with no active market	(1,358)	(12,695)
Proceeds from disposal of bond investments with no active market	-	1,439
Acquisition of investments accounted for by the equity method	(250,000)	(6,750)
Proceeds from disposal of investments accounted for by the equity method	9,033	13,460
Net cash outflow for acquisition of subsidiaries	(125,724)	-
Proceeds from the capital reduction on investments accounted for by the equity method	26,950	-
Decrease (increase) in other financial assets	1,648,681	(2,248,562)
Acquisition of property, plant and equipment	(46,178,057)	(41,850,538)
Proceeds from disposal of property, plant and equipment	63,427	49,770
Increase in refundable deposits	(56,775)	(259,191)
Decrease (increase) in restricted assets	187,685	(157,745)
Increase in intangible assets	(332,485)	(151,103)
Decrease in other assets	26,522	184,191
Net cash used in investing activities	(45,870,764)	(43,003,579)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans and overdraft	(19,978,735)	17,284,076
Increase in commercial paper payable	8,979,423	6,892,789
Issuance of bonds payable	20,595,100	-
Repayments of bonds payable	-	(8,100,000)
Proceeds from long-term debt	41,764,726	14,177,939
Repayments of long-term debt and restructured loans payable	(26,302,501)	(6,687,612)
Increase (decrease) in long-term notes payable	(4,522,355)	18,475,197
Increase in other liabilities	29,979	39,590
Cash dividends paid by parent company	(14,916,057)	(26,093,644)
Capital increase by cash	-	23,738,755
Purchase of parent company's shares by subsidiaries	(547,903)	(680,281)
Disposal of parent company's shares held by subsidiaries	48,416	433,924
Increase (decrease) in minority interest	1,309,010	(1,198,998)
Net cash provided by financing activities	6,459,103	38,281,735
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,448,805)	(325,782)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	17,480,092	16,838,082
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 16,031,287	$ 16,512,300

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CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	2012	2011
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 1,832,755	$ 1,538,878
Capitalized interest	(393,312)	(410,541)
Interest paid (excluding capitalized interest)	$ 1,439,443	$ 1,128,337
Income tax paid	$ 3,244,181	$ 4,823,002
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Cash paid for acquisition of property, plant and equipment		
Acquisition of property, plant and equipment	$ 47,159,517	$ 39,310,815
Decrease (increase) in payable for equipment purchased	(981,460)	2,539,723
	$ 46,178,057	$ 41,850,538
Cash dividends paid to stockholders		
Total cash dividends payable to stockholders	$ 15,244,506	$ 26,996,676
Acquisition of cash dividends distributed by parent company	(308,554)	(887,533)
Increase in dividends payable	(19,895)	(15,499)
	$ 14,916,057	$ 26,093,644
NON-CASH FINANCING ACTIVITIES		
Current portion of long-term liabilities	$ 32,761,382	$ 16,859,045

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

(With Deloitte & Touche review report dated October 26, 2012) (Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 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. The shares of the subsidiary Thintech Materials Technology Co., Ltd. have been approved to be traded on Taiwan GreTai Securities Market on September 4, 2012. The subsidiary Dragon Steel Corporation has issued shares to the public.

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

As of September 30, 2012 and 2011, the Corporation and its subsidiaries had about 23,800 and 22,000 employees, respectively.

For the nine months ended September 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 (%) September 30 2012	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 (%) September 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	48	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	64	57	
	Thintech Materials Technology Co., Ltd. (TMTC)	Target material and bimetal material tube sale	36	41	Direct and indirect ownerships amounted to 46% and 52% as of September 30, 2012 and 2011, respectively. Refer to b. below

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) September 30 2012	2011	Additional Descriptions
Eminence Investment Corporation	Shin-Mau Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Gau Ruel Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%
	Ding Da Investment Corporation	General investment	30	30	Direct and indirect ownerships amounted to 100%
	Chiun Yu Investment Corporation	General investment	25	25	Direct and indirect ownerships amounted to 100%
Shin-Mau Investment Corporation	Horng Chyuan Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
	Chi Yih Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
Gau Ruel Investment Corporation	Lih Ching Loong Investment Corporation	General investment	5	5	Direct and indirect ownerships amounted to 100%
	Sheng Lih Dar Investment Corporation	General investment	4	4	Direct and indirect ownerships amounted to 100%
Ding Da Investment Corporation	Jiing Cherng Fa Investment Corporation	General investment	4	4	Direct and indirect ownerships amounted to 100%
Betacera Inc.	Lefkara Ltd.	Electronic ceramics trading	100	100	
Lefkara Ltd.	Shang Hai Xike Ceramic Electronic Co., Ltd.	Manufacture and sale of electronic ceramics	100	100	
	Betacera (Su Zhou) Co., Ltd.	Manufacture and sale of electronic ceramics	100	100	
	Suzhou Betacera Technology Co., Ltd.	Manufacture and sale of life-saving equipment for aviation and shipping	100	100	
Thintech Materials Technology Co., Ltd.	Thintech International Limited (TTIL)	International trading and investment service	100	100	
	Thintech Global Limited	International trading and investment service	100	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	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
	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

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) September 30 2012	2011	Additional Descriptions
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	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	
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

(Continued)

Name of Investor	Name of Investee	Main Business	Percentage of Ownership (%) September 30 2012	2011	Additional Descriptions
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, BETA and NZMTCL 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, BETA and NZMTCL. The actual operation of CSHB is also controlled by the board of directors. The Corporation's subsidiaries had control of more than half of the voting rights in the board of directors. Therefore, the Corporation had control-in-substance over the aforementioned entities and included them in the consolidated entities.

b. The chairman and general manager of TMTC are designated by 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 and 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.

Certain subsidiaries (all unlisted companies) included in the consolidated financial statements were unreviewed. As of September 30, 2012 and 2011, these subsidiaries' total assets amounted to NT$80,947,617 thousand and NT$68,946,210 thousand, or 13% and 11%, respectively, of consolidated total assets, and their total liabilities amounted to NT$24,557,354 thousand and NT$23,997,517 thousand, or both 8% of consolidated total liabilities. For the nine months ended September 30, 2012 and 2011, their net operating revenues amounted to NT$33,007,291 thousand and NT$40,016,771 thousand, or 12% and 13%, respectively, of consolidated net operating revenues, and their net income amounted to NT$4,533,760 thousand and NT$3,757,609 thousand, or 114% and 17%, respectively, of consolidated net income. These amounts were based on the investees' unreviewed financial statements for the same reporting period as that of the Corporation.

The Corporation's shares are acquired and held by subsidiaries for 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, the Order VI-0960064020 promulgated on November 15, 2007, by the Financial Supervisory Commission ("FSC") under the Executive Yuan, and accounting principles generally accepted in the Republic of China ("ROC GAAP"). Except for the changes in accounting principles stated in Note 3, the accounting principles adopted by the Corporation and its subsidiaries in 2012 are the same as those adopted in the consolidated financial statements for the year ended December 31, 2011.

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:

Reclassifications

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

	Before Reclassification	After Reclassification
Consolidated balance sheets		
Financial assets carried at cost - noncurrent	$ 3,975,000	$ -
Bond investments with no active market - noncurrent	-	3,975,000

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) impairments 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 nine months ended September 30, 2011.

Operating Segments

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

	September 30	
	2012	2011
Cash on hand	$ 38,248	$ 36,250
Checking accounts and demand deposits	5,112,711	4,316,039
Time deposits	9,815,980	10,126,946
Cash in transit	-	79
Cash equivalents - Commercial paper and bonds	1,064,348	2,032,986
	$ 16,031,287	$ 16,512,300

Foreign bank deposits of the Corporation were as follows:

	September 30	
	2012	**2011**
Japan - IYO Bank and Mega International Commercial Bank (in thousands of JPY)	¥ 2,597	¥ 6,622
Singapore - Daiwa Securities SMBC (in thousands of JPY)	17	21
	¥ 2,614	¥ 6,643
India - Standard Chartered Bank (in thousands of INR)	Rs 2,873	Rs -
Represented by N.T. dollars (in thousands)	NT$ 2,585	NT$ 2,641

As of September 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 MOEA on "Development of Amorphous Ribbon Manufacturing Technology" and other projects. Deposits for these projects were NT$60,267 thousand (NT$19,624 thousand recorded as restricted assets - current and NT$40,643 thousand recorded as restricted assets - noncurrent) and NT$16,904 thousand (NT$1,691 thousand recorded as restricted assets - current and NT$15,213 thousand recorded as restricted assets – noncurrent) as of September 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:

	September 30	
	2012	**2011**
Financial assets held for trading		
Mutual funds	$ 1,275,363	$ 977,769
Quoted stocks and depositary receipts	774,471	509,502
Structured notes	3,031	43,528
Forward exchange contracts	24,190	42,600
	2,077,055	1,573,399
Financial assets designated as at FVTPL		
Mutual funds	1,137,433	1,322,134
Structured notes	144,014	217,332
Quoted stocks	34,890	51,633
Convertible bonds	10,150	10,150
	1,326,487	1,601,249
	3,403,542	3,174,648
Less: Noncurrent portion	3,863	33,116
	$ 3,399,679	$ 3,141,532

(Continued)

	September 30	
	2012	2011
Financial liabilities held for trading		
Forward exchange contracts	$ 2,491	$ 22,106
Options (Note 22)	30	-
	$ 2,521	$ 22,106

(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 September 30, 2012 and 2011 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2012			
Buy	NTD/USD	October 2012 - April 2014	NTD1,110,088/USD38,012
Buy	NTD/JPY	February 2013 - December 2014	NTD240,222/JPY674,265
Sell	HKD/NTD	October 2012	HKD11,125/NTD42,938
Sell	USD/NTD	October 2012	USD7,737/NTD231,279
September 30, 2011			
Buy	NTD/USD	October 2011	NTD28,709/USD1,008
Buy	NTD/JPY	December 2011 - December 2014	NTD362,811/JPY1,017,860
Sell	HKD/NTD	October 2011	HKD35,400/NTD131,020
Sell	USD/NTD	October 2011	USD10,371/NTD301,862

d. For the nine months ended September 30, 2011, precious metals futures contracts were entered to manage risks due to price fluctuations on precious metals. There was no outstanding precious metals futures contract as of September 30, 2011. The Corporation and its subsidiaries did not enter into any precious metals futures contract during the nine months ended September 30, 2012.

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

	Nine Months Ended September 30	
	2012	2011
Financial assets held for trading	$ 79,725	$ (247,566)
Financial assets designated as at FVTPL	29,303	5,303
Financial liabilities held for trading	(2,802)	(8,644)
	$ 106,226	$ (250,907)

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

	Nine Months Ended September 30	
	2012	2011
Operating revenues	$ 84,669	$ -
Operating costs	(312)	(289,423)
Nonoperating income and gains	24,359	42,826
Nonoperating expenses and losses	(2,490)	(4,310)
	$ 106,226	$ (250,907)

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30	
	2012	2011
Domestic quoted stocks (Note 11)	$ 5,080,153	$ 4,124,966
Mutual funds	1,746,690	2,360,206
Overseas quoted stocks	1,531,063	1,745,820
Private-placement domestic shares	409,783	372,587
Structured notes	-	46,411
	8,767,689	8,649,990
Less: Current portion	5,393,406	5,123,467
	$ 3,374,283	$ 3,526,523

The Corporation sold the shares of Taiwan Semiconductor Manufacturing Company in September 2012 and the gain on sale of the investment was NT$207,416 thousand, recorded as nonoperating income and gains.

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 29). 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 only 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 contract as well as from interest rate fluctuations on bank loans.

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

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
September 30, 2012			
Buy	NTD/USD	October 2012 - March 2016	NTD7,747,084/USD264,240
Buy	NTD/EUR	October 2012 - March 2014	NTD437,048/EUR10,541
Buy	NTD/GBP	January 2013 - January 2015	NTD215,489/GBP4,627
Buy	NTD/JPY	November 2012 - June 2015	NTD1,546,396/JPY4,108,991
Sell	EUR/NTD	October 2012	EUR2,400/NTD92,825
September 30, 2011			
Buy	NTD/USD	October 2011 - September 2015	NTD8,993,069/USD299,645
Buy	NTD/EUR	October 2011 - December 2013	NTD1,034,879/EUR23,718
Buy	NTD/GBP	November 2011 - January 2015	NTD473,160/GBP10,089
Buy	NTD/JPY	October 2011 - February 2014	NTD1,467,719/JPY4,115,840
Sell	USD/NTD	October 2011 - February 2012	USD1,322/NTD39,058

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

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
NT$9,277,000	February 2017 - July 2018	0.988% - 1.14%	0.879% - 0.881%

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

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

	Nine Months Ended September 30	
	2012	2011
Balance, beginning of period	$ 144,882	$ (572,060)
Unrealized gain (loss) of valuation	(295,956)	214,127
Transferred to profit and loss	(4,505)	(1,041)
Transferred to construction in progress and prepayments for equipment	64,648	532,777
Balance, end of period	$ (90,931)	$ 173,803

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

	September 30	
	2012	2011
Hedging derivative assets - current	$ 87,290	$ 167,479
Hedging derivative assets - noncurrent	18,512	162,798
Hedging derivative liabilities - current	(123,537)	(126,370)
Hedging derivative liabilities - noncurrent	(73,196)	(30,104)
	$ (90,931)	$ 173,803

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

8. NOTES AND ACCOUNTS RECEIVABLE, NET

	September 30	
	2012	**2011**
Notes receivable	$ 1,729,308	$ 1,881,300
Less: Allowance for doubtful accounts	-	-
	$ 1,729,308	$ 1,881,300
Accounts receivable	$ 10,795,563	$ 9,945,193
Less: Allowance for doubtful accounts	55,554	250,358
Less: Allowance for sales discounts	204	465
	$ 10,739,805	$ 9,694,370

Movements of the allowance for doubtful accounts were as follows:

	Nine Months Ended September 30		
	2012	**2011**	
	Accounts Receivable	**Notes Receivable**	**Accounts Receivable**
Balance, beginning of period	$ 168,880	$ 1,883	$ 371,113
Deduct: Reversal	113,310	1,883	118,310
Written off	16	-	2,445
Balance, end of period	$ 55,554	$ -	$ 250,358

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 nine months ended September 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)
Nine months ended September 30, 2012						
Mega International Commercial Bank	$ 4,786,918	$ 10,088,501	$ 9,985,423	$ 4,889,996	1.24-1.52	$12.0
Bank of Taiwan	1,509,756	2,587,272	2,941,814	1,155,214	1.24-1.52	3.0
	$ 6,296,674	$ 12,675,773	$ 12,927,237	$ 6,045,210		

(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)
Nine months ended September 30, 2011						
Mega International Commercial Bank	$ 5,222,519	$ 10,393,992	$ 10,265,867	$ 5,350,644	1.01-1.50	$12.0
Bank of Taiwan	923,545	2,337,829	2,115,909	1,145,465	1.06-1.50	3.0
Taipei Fubon Bank	63,716	-	63,716	-	-	0.4
	$ 6,209,780	$ 12,731,821	$ 12,445,492	$ 6,496,109		

(Concluded)

9. INVENTORIES

	September 30 2012	September 30 2011
Finished products	$ 18,001,028	$ 21,795,739
Work in process	32,906,848	43,975,443
Raw materials	26,638,643	36,622,509
Supplies	8,242,327	6,670,390
Fuel	391,648	369,441
Raw materials and supplies in transit	5,200,492	4,894,121
Construction in progress (net of billing on contracts NT$42,606,141 thousand and NT$41,417,115 thousand as of September 30, 2012 and 2011, respectively)	7,946,008	8,464,259
Others	350,525	414,373
	$ 99,677,519	$ 123,206,275

As of September 30, 2012 and 2011, the allowance for inventory devaluation was NT$5,716,998 thousand and NT$1,981,737 thousand, respectively, and recorded as reduction in inventories. The cost of inventories recognized as operating costs for the nine months ended September 30, 2012 and 2011 was NT$260,458,684 thousand and NT$267,554,328 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:

	Nine Months Ended September 30 2012	Nine Months Ended September 30 2011
Provision for loss on inventories	$4,103,910	$ 618,933
Loss on purchase commitments	596,270	312,992
Loss on idle capacity	9,862	8,354
Income from scrap sales	(578,535)	(732,404)
Loss (Gain) on physical inventory	(98,031)	33,134
	$4,033,476	$ 241,009

Significant construction contracts as of September 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)
September 30, 2012						
Year 2012	$ 14,535,694	$ 13,848,656	$ 14,597,541	$ 13,725,466	99	$ 869,225
Year 2013	4,460,921	3,578,123	8,593,943	8,838,012	5-89	(275,518)
Year 2014	370,185	610,425	1,269,523	1,263,810	0-33	1,672
Year 2015	288,779	593,563	1,623,450	1,604,428	18	3,376
Year 2020	11	-	4,284,935	4,284,935	-	-
September 30, 2011						
Year 2011	17,249,389	16,718,050	18,395,650	17,434,506	57-99	961,145
Year 2012	6,094,602	3,434,192	10,462,796	10,803,922	0-74	(363,664)
Year 2014	74,793	214,617	1,033,333	1,033,333	7	-
Year 2015	220,177	535,251	1,540,348	1,522,300	14	2,568

Advance construction receipts (net of construction in progress of NT$35,157,398 thousand and NT$20,936,934 thousand as of September 30, 2012 and 2011, respectively) were NT$3,943,118 thousand and NT$3,069,681 thousand as of September 30, 2012 and 2011, respectively, and included in other current liabilities.

10. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	September 30	
	2012	2011
Guarantee debt certificates	$ 175,465	$ 177,875
Structured notes	113,496	122,650
	288,961	300,525
Less: Accumulated impairment	129,655	129,655
	$ 159,306	$ 170,870

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 September 30, 2012 and 2011.

b. As of September 30, 2012 and 2011, the maturity dates of the structured notes are from February 2018 to May 2024 and April 2012, respectively. Interest is charged by the agreed formula and actual interest rate was 0%-7.3% and 0%-2.0539% as of September 30, 2012 and 2011, respectively.

11. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	September 30	
	2012	2011
Unquoted common stocks		
Nacional Minerios S.A.	$ 3,268,550	$ -
KJTC Pty Ltd.	1,403,937	-
Dongbu Metal Co., Ltd.	1,276,092	1,276,092
Industrial Bank of Taiwan	1,000,000	1,000,000

(Continued)

	September 30	
	2012	2011
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
Qingdao TECO Precision Mechatronics Co., Ltd. (Qingdao TECO)	164,603	171,262
Riselink Venture Capital Corp.	124,950	150,000
Aptos Technology Inc.	106,286	76,286
Hanoi Steel Center Co., Ltd.	104,597	108,829
TaiGen Biopharmaceuticals Holding Limited	104,158	108,549
Adimmune Corporation (AC)	-	268,822
Taiwan High Speed Rail Corporation (THSRC)	-	-
Others	1,684,755	1,718,218
	10,523,769	6,163,899
Unquoted preferred stocks	317,792	393,624
Certificate of entitlement		
Formosa Ha Tinh Steel Corporation	1,438,646	468,585
Shanghai Bao Shan Lian Steel Products Co., Ltd.	9,926	9,926
	1,448,572	478,511
	$ 12,290,133	$ 7,036,034

(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 July 2012, the subsidiary CSCAU invested NT$1,422,376 thousand (AUD45,858 thousand) in KJTC Pty Ltd. and acquired 13% shareholding of common shares. KJTC Pty Ltd. mainly engages in mining investment.

In September 2011, the subsidiary CSAPH recognized an impairment loss of NT$70,003 thousand (USD2,401 thousand) on the investment in Qingdao TECO, recorded as a reduction of reversal of impairment loss.

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$1,438,646 thousand (USD48,500 thousand) in Formosa Ha Tinh Steel Corporation and acquired 5% of ownership. The main business of Formosa Ha Tinh Steel Corporation is manufacture and trading of steel products.

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

12. BOND INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	September 30	
	2012	**2011**
Unquoted preferred stocks - overseas		
East Asia United Steel Corporation (EAUS) - Preferred A	$ 3,777,000	$ 3,975,000
Others	15,749	12,978
Subordinated financial bonds	120,000	120,000
Bonds	9,101	9,469
	$ 3,921,850	$ 4,117,447

In May 2003, the Corporation signed a slab production joint-venture contract with Sumitomo Metal Industries, Ltd. (had changed title to Nippon Steel & Sumitomo Metal Corporation as of October 2012) and Sumitomo Corporation. In July 2003, the joint venture company EAUS was established. The Corporation invested in EAUS JPY10 billion (Notes 23 and 29). The Corporation thus has a stable supply of slab from this joint venture. The Corporation also signed a contract with the subsidiary CHSC to transfer the purchasing right of slabs from EAUS, and the Corporation receives royalty on this contract based on the volume purchased by CHSC.

In 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 September 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 September 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.

13. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	September 30			
	2012		2011	
	Amount	% of Ownership	Amount	% of Ownership
Unquoted companies				
Kaohsiung Arena Development Corporation (KADC)	$ 766,076	29	$ 762,398	29
Kaohsiung Rapid Transit Corporation (KRTC)	490,683	32	1,031,869	32
Hsin Hsin Cement Enterprise Corp. (HHCEC)	383,777	39	215,312	26
Chateau International Development Co., Ltd. (CIDC)	256,634	20	222,201	23
Eminent II Venture Capital Corporation (EVCCII)	248,447	46	-	-
Ascentek Venture Capital Corp.	189,030	39	162,334	39
Others	235,818		288,423	
	$ 2,570,465		$ 2,682,537	

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 based on the investees' unreviewed financial statements for the nine months ended September 30, 2012 and 2011 were as follows:

	Nine Months Ended September 30	
	2012	2011
HHCEC	$ 29,216	$ (496)
KADC	28,090	29,681
CIDC	24,236	30,155
KRTC	(354,561)	(295,889)
Others	25,413	14,255
	$ (247,606)	$ (222,294)

Net investment losses of NT$248,249 thousand and NT$222,169 thousand were recorded as nonoperating expenses and losses, and NT$643 thousand and NT$125 thousand were recorded as operating revenue and operating cost for the nine months ended September 30, 2012 and 2011, respectively.

14. OTHER FINANCIAL ASSETS

	September 30	
	2012	2011
Hedging foreign-currency deposits	$ 4,388,810	$ 7,374,149
Less: Current portion	4,337,046	4,987,611
	$ 51,764	$ 2,386,538

For the purpose of constructing the third cold-rolled plant, the Corporation signed contracts to purchase imported equipment in total of JPY16.15 billion. For the purposes of managing cash flows exposures arising from exchange rate fluctuations, the Corporation purchased foreign-currency deposits of JPY16 billion (NT$4,878,900 thousand) in January 2008. As of September 30, 2012 and 2011, the balance of the JPY deposits designated as hedging instrument was NT$302,160 thousand (JPY0.8 billion) and NT$717,077 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 September 30, 2012 and 2011, the balance of the foreign-currency deposits designated as hedging instruments was NT$2,042,518 thousand (USD66,738 thousand and EUR2,308 thousand) and NT$3,825,369 thousand (USD123,480 thousand, EUR1,476 thousand and GBP18 thousand), 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 September 30, 2012 and 2011, the balance of foreign-currency deposits purchased for expired forward exchange contracts was NT$2,044,132 thousand (USD62,689 thousand, EUR2,094 thousand, JPY 0.3 billion and GBP 191 thousand) and NT$2,831,703 thousand (USD38,379 thousand, EUR9,825 thousand and JPY3.2 billion), respectively.

The unrealized loss of NT$149,555 thousand and the unrealized gain of NT$340,259 thousand on the above deposits designated as hedging instruments were recognized as unrealized gain on financial instruments in stockholders' equity and minority interest for the nine months ended September 30, 2012 and 2011, respectively. The unrealized gain on financial instruments of NT$58,090 thousand and the unrealized loss on financial instruments of NT$128,909 thousand in stockholders' equity and minority interest were transferred to construction in progress and prepayments for equipment for the nine months ended September 30, 2012 and 2011, respectively.

As of September 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
September 30, 2012			
Cost and revaluation increment			
Land	$ 20,141,471	$ 39,546,244	$ 59,687,715
Land improvements	4,384,932	492,076	4,877,008
Buildings	85,691,509	2,413,134	88,104,643
Machinery and equipment	457,606,608	6,894,802	464,501,410
Transportation equipment	21,150,853	8,018	21,158,871
Other equipment	18,157,129	31,595	18,188,724
Spare parts	10,202,805	-	10,202,805
	617,335,307	49,385,869	666,721,176
Accumulated depreciation			
Land improvements	3,790,534	474,115	4,264,649
Buildings	28,482,649	1,987,241	30,469,890
Machinery and equipment	268,678,868	6,894,595	275,573,463
Transportation equipment	12,149,040	8,014	12,157,054

(Continued)

	Cost	Revaluation Increment	Total
Other equipment	$ 8,663,387	$ 31,586	$ 8,694,973
Spare parts	3,156,525	-	3,156,525
	324,921,003	9,395,551	334,316,554
Accumulated impairment			
Land	11,826	-	11,826
Buildings	7,312	-	7,312
Machinery and equipment	126,650	-	126,650
Other equipment	299,570	-	299,570
	445,358	-	445,358
Construction in progress and prepayments for equipment	95,698,553	-	95,698,553
	$ 387,667,499	$ 39,990,318	$ 427,657,817
September 30, 2011			
Cost and revaluation increment			
Land	$ 18,773,728	$ 33,293,135	$ 52,066,863
Land improvements	4,385,107	492,990	4,878,097
Buildings	75,746,549	2,415,863	78,162,412
Machinery and equipment	425,364,675	7,125,685	432,490,360
Transportation equipment	19,605,308	8,991	19,614,299
Other equipment	17,516,929	31,618	17,548,547
Spare parts	8,996,457	-	8,996,457
	570,388,753	43,368,282	613,757,035
Accumulated depreciation			
Land improvements	3,720,902	471,381	4,192,283
Buildings	26,161,887	1,932,968	28,094,855
Machinery and equipment	250,328,166	7,125,392	257,453,558
Transportation equipment	11,648,510	8,987	11,657,497
Other equipment	7,557,927	31,608	7,589,535
Spare parts	2,677,776	-	2,677,776
	302,095,168	9,570,336	311,665,504
Accumulated impairment			
Land	11,826	-	11,826
Machinery and equipment	129,309	-	129,309
Other equipment	287,840	-	287,840
	428,975	-	428,975
Construction in progress and prepayments for equipment	86,985,052	-	86,985,052
	$ 354,849,662	$ 33,797,946	$ 388,647,608

(Concluded)

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

	Nine Months Ended September 30	
	2012	2011
Interest expense before capitalization	$ 2,581,261	$ 2,036,218
Less: Capitalized interest - construction in progress and prepayments for equipment	557,983	544,823
Interest expense through income statement	$ 2,023,278	$ 1,491,395
Capitalization annual rates	0.8904% - 1.60%	0.84% - 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 nine months ended September 30, 2012 and 2011, upon retirement or sale of revalued properties, the unrealized revaluation increment decreased by NT$3,628 thousand and NT$10,297 thousand, respectively, and recorded as recognized in profit or loss. As of September 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$26,607,238 thousand and NT$21,861,458 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
Nine months ended September 30, 2012			
Balance, beginning of period	$ 1,842,655	$ 403,515	$ 2,246,170
Addition	332,485	-	332,485
Reduction	(129,820)	(8)	(129,828)
Balance, end of period	$ 2,045,320	$ 403,507	$ 2,448,827
Nine months ended September 30, 2011			
Balance, beginning of period	$ 1,705,839	$ 403,274	$ 2,109,113
Addition	151,103	-	151,103
Reduction	(123,074)	-	(123,074)
Balance, end of period	$ 1,733,868	$ 403,274	$ 2,137,142

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

17. ASSETS LEASED TO OTHERS, NET

	September 30	
	2012	2011
Cost		
Land	$ 2,779,755	$ 2,920,878
Buildings	210,572	210,572
	2,990,327	3,131,450
Accumulated depreciation		
Buildings	60,254	55,619
Accumulated impairment		
Land	8,825	15,116
	$ 2,921,248	$ 3,060,715

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 nine months ended September 30, 2012 and 2011, the rental income was NT$53,286 thousand and NT$34,567 thousand, respectively, and recorded as nonoperating income and gains.

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

18. IDLE ASSETS, NET

	September 30	
	2012	2011
Land	$ 3,131,555	$ 3,131,555
Machinery and equipment	1,435,219	822,098
Less: Accumulated depreciation	139,221	107,405
Accumulated impairment	1,693,313	1,724,126
	$ 2,734,240	$ 2,122,122

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, recorded as nonoperating income and gains. The subsidiary HLSC acquired the collaterals of Jenn An Steel Co., Ltd. Parts of the machinery and equipment in the collaterals were reclassified from property, plant and equipment to idle assets due to their not-in-operation status.

19. SHORT-TERM LOANS AND OVERDRAFT

	September 30	
	2012	2011
Unsecured loans - interest at 0.5425%-8.7% p.a. and 0.59%-7.02% p.a. as of September 30, 2012 and 2011, respectively	$ 33,502,945	$ 56,255,898
Letters of credit - interest at 0.47%-1.48% p.a. and 0.73%-2.1083% p.a. as of September 30, 2012 and 2011, respectively	4,032,136	6,422,689
Bank overdraft - interest at 0.5%-7.35% p.a. and 0.5%-7.02% p.a. as of September 30, 2012 and 2011, respectively	2,289,197	1,708,633
Secured loans - interest at 5.88%-6.18% p.a.	63,768	-
	$ 39,888,046	$ 64,387,220

The above unsecured loans as of September 30, 2012, which included USD73,185 thousand (NT$2,143,955 thousand), were used to hedge the exchange rate fluctuations on investment in CSVC (Note 29).

20. COMMERCIAL PAPER PAYABLE

	September 30	
	2012	2011
Commercial paper - interest at 0.579%-1.16% p.a. and 0.34%-1.25% p.a. as of September 30, 2012 and 2011, respectively	$ 31,346,100	$ 23,765,400
Less: Unamortized discounts	8,777	10,624
	$ 31,337,323	$ 23,754,776

The above commercial paper was secured by Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Taching Bill Finance Ltd., Grand Bills Finance Corp., Dah Chung Bills Finance Corp., Taiwan Cooperative Bank, Taiwan Finance Corporation, Chinatrust Financial Corporation, Bank of Taiwan, Taipei Fubon Bank, JihSun Bank, Union Bank of Taiwan, Taiwan

Business Bank, Taiwan Cooperative Bills Finance Corporation, E. Sun Bank, Taishin Bank and Huanan Commercial Bank and etc.

21. ACCRUED EXPENSES

	September 30 2012	September 30 2011
Salaries and incentive bonus	$ 5,266,573	$ 5,970,498
Repair and construction	1,103,235	587,699
Interest	938,162	717,276
Reserve for construction guarantee	817,122	892,815
Bonus to employees, and remuneration to directors and supervisors	674,582	1,930,392
Others	3,944,288	3,515,458
	$ 12,743,962	$ 13,614,138

22. BONDS PAYABLE

	September 30 2012	September 30 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	-
August 2012, repayable in August 2018 and August 2019; interest at 1.37% p.a., payable annually	5,000,000	-
10-year unsecured bonds - issued at par by the Corporation in:		
August 2012, repayable in August 2021 and August 2022; interest at 1.50% p.a., payable annually	15,000,000	-
Liability component of unsecured domestic convertible bonds - issued by CEC	475,200	-
	69,725,200	35,150,000
Add: Accrued interest	726	-
Less: Issuance cost of bonds payable	48,342	15,601
Unamortized discount on bonds payable	20,059	-
Current portion	11,273,771	5,599,799
	$ 58,383,754	$ 29,534,600

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 September 30, 2012, the convertible bonds with NT$124,800 thousand face value have been converted into 2,204 thousand shares of CEC's common stock.

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

	September 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.	$ 6,980,000	$ -
Repayable in March 2019 with a revolving credit, interest at 1.6047% 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 1.4408% p.a.	-	2,142,857
Bank of Taiwan and other banks loan to DSC		
Repayable in 14 equal semiannual installments from January 2012 to July 2018; interest at 1.3051%-1.3463% p.a. and 1.2827%-1.3232% p.a. as of September 30, 2012 and 2011, respectively	44,314,000	51,700,000
Repayable in 10 equal semiannual installments from August 2012 to February 2017; interest at 1.5112%-1.5589% p.a. and 1.4796%-1.5263% p.a. as of September 30, 2012 and 2011, respectively	18,000,000	500,000
Taiwan Cooperative Bank and other banks loan to HLSC		
Repayable in June 2015 with a revolving credit, interest at 1.5634 % p.a. and 1.5338% p.a. as of September 30, 2012 and 2011, respectively	1,600,000	1,800,000
Mortgage loans		
Due on various dates through April 2032, interest at 0.5625%-1.8007 % p.a. and 0.552% -1.71% p.a. as of September 30, 2012 and 2011, respectively	17,188,080	18,536,461
Bank loans		
Due on various dates through June 2017, interest at 0.53586%-4.78964% p.a. and 0.54313%-5.65328% p.a. as of September 30, 2012 and 2011, respectively	12,133,192	14,186,479
	102,465,272	88,865,797

(Continued)

	September 30	
	2012	2011
Less: Syndicated loan fee	$ 178,561	$ 130,378
Current portion	21,487,611	11,259,246
	$ 80,799,100	$ 77,476,173

(Concluded)

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 loan with a non-revolving credit line and NT$9 billion unsecured loan 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 loan with a non-revolving credit line and NT$8 billion unsecured loan with a revolving credit line. As of September 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 September 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 September 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 July 2012, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 17 other banks for a NT$35 billion credit line, which consists of NT$30 billion secured loan with a non-revolving credit line and NT$5 billion secured commercial paper with a revolving credit line. No secured loan and commercial paper were used as of September 30, 2012. Under the agreement, the Corporation and its related parties should collectively hold at least 80% of DSC's issued shares and have over half of the seats in the board of directors.

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

As of September 30, 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. dollars to hedge the exchange rate fluctuations on investments in EAUS, CSCAU and CSVC (Note 29) and on the available-for-sale financial assets in Maruichi Steel Tube Ltd. and Yodogawa Steel Works, Ltd. (Notes 6 and 29).

24. LONG-TERM NOTES PAYABLE

	September 30	
	2012	2011
Long-term notes - interest at 0.79%-1.232% p.a. and 0.79%-1.205% p.a. as of September 30, 2012 and 2011, respectively	$ 20,300,000	$ 23,890,000
Less: Unamortized discounts	8,636	18,144
	$ 20,291,364	$ 23,871,856

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

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

25. RESTRUCTURED LOANS PAYABLE (ONLY AS OF SEPTEMBER 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 nine months ended September 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
Nine months ended September 30, 2011					
Balance, beginning of period	$ 3,349,544	$ 1,232,989	$ 4,582,533	$ (13,135)	$ 4,569,398
Repayment during the period	(3,349,544)	(1,232,989)	(4,582,533)	-	(4,582,533)
Adjustments on allocation of acquisition cost for DSC	-	-	-	13,135	13,135
Balance, end of period	$ -	$ -	$ -	$ -	$ -

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. 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
September 30, 2012			
Assets			
Notes and accounts receivable, net	$ 12,153,735	$ 315,378	$ 12,469,113
Inventories	94,998,422	4,679,097	99,677,519
	$ 107,152,157	$ 4,994,475	$ 112,146,632
Liabilities			
Notes and accounts payable	$ 12,643,718	$ 619,498	$ 13,263,216
Advance construction receipts in excess of construction in progress (included in other current liabilities)	1,367,451	2,575,667	3,943,118
	$ 14,011,169	$ 3,195,165	$ 17,206,334
September 30, 2011			
Assets			
Notes and accounts receivable, net	$ 11,532,564	$ 43,106	$ 11,575,670
Inventories	118,652,395	4,553,880	123,206,275
	$ 130,184,959	$ 4,596,986	$ 134,781,945
Liabilities			
Notes and accounts payable	$ 10,062,477	$ 615,176	$ 10,677,653
Advance construction receipts in excess of construction in progress (included in other current liabilities)	1,316,425	1,753,256	3,069,681
	$ 11,378,902	$ 2,368,432	$ 13,747,334

27. STOCKHOLDERS' EQUITY OF PARENT COMPANY

a. Capital stock

In August 2012 and July 2011, the Corporation issued 226,268 thousand and 678,308 thousand common shares through capitalization of retained earnings of NT$2,262,672 thousand and NT$6,783,084 thousand, respectively; the capital increases have been registered with the government.

The Corporation's board of directors approved an issuance of 840,000 thousand new shares with NT$10 par value at issuance price of NT$28.3248 per share, and the record date of capital increase was on August 1, 2011. The 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			September 30	
Purpose of Treasury Stock	**Beginning of Period**	**Addition**	**Reduction**	**Thousand Shares**	**Book Value**
Nine months ended September 30, 2012					
Shares acquired and held by subsidiaries	295,065	15,552	782	309,835	$ 8,415,634
Nine months ended September 30, 2011					
Shares acquired and held by subsidiaries	284,762	26,679	6,941	304,500	$ 8,351,779

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 and the Corporation's capital increase from retained earnings. The decrease of treasury stock was mainly due to subsidiaries' sale of the Corporation's shares and change in percentage of ownership.

For the nine months ended September 30, 2012 and 2011, the subsidiaries sold 1,769 thousand shares and 12,679 thousand shares of the Corporation for proceeds of NT$48,415 thousand and NT$433,924 thousand, respectively.

For the nine months ended September 30, 2012 and 2011, the proceeds of treasury stock sold, calculated by shareholding percentage, amounted to NT$21,693 thousand and NT$237,433 thousand, respectively, and after deducting book values, resulted in the amounts of NT$3,200 thousand and NT$61,941 thousand, recorded as capital surplus, respectively. As of September 30, 2012 and 2011, the market values of the treasury shares calculated by combined holding percentage were NT$8,288,097 thousand and NT$9,104,538 thousand, respectively.

c. Overseas depositary receipts

In May 1992, February 1997, October 2003 and August 2011, for the purpose of working capital expansion and accordance with the instruction of the ROC's MOEA, the largest shareholder of the Corporation, the Corporation issued 126,512,550 units of Global Depositary Receipts ("GDR"). The depositary receipts then increased by 6,844,969 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 2,667,150,644 shares (including 264 fractional shares). Under relevant regulations, the GDR holders may also request the conversion to the shares represented by the GDR. The foreign investors may also request the reissuance of such depositary receipts within the originally approved units. As of September 30, 2012 and 2011, the outstanding depositary receipts were 2,815,064 units and 4,061,839 units, equivalent to 56,301,564 common shares (including 284 fractional shares) and 81,237,051 common shares (including 271 fractional shares), which represented 0.37% and 0.54% 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:

	September 30	
	2012	**2011**
Additional paid-in capital	$ 31,154,766	$ 31,154,766
Treasury stock transactions	4,947,307	4,590,857
Long-term stock investments	542,180	393,582
Others	8,099	8,099
	$ 36,652,352	$ 36,147,304

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 equal to the difference between market price and carrying value multiplied by the percentage of ownership. The Corporation may release a portion of this special reserve when such debit balances are partially or fully reversed. As of September 30, 2012, the Corporation had fully reversed the special reserve for net debit balance for the adjustments to 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:

	Nine Months Ended September 30	
	2012	**2011**
Bonus to employees	$ 391,215	$ 1,469,733
Remuneration to directors and supervisors	9,145	26,537
	$ 400,360	$ 1,496,270

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

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 the following:

	September 30	
	2012	2011
Revaluation increment of property, plant and equipment (Note 15)	$ 26,607,238	$ 21,861,458
Recognized in proportion to the ownership percentage in long-term stock investments	146,473	146,801
	$ 26,753,711	$ 22,008,259

h. Unrealized gain on financial instruments

For the nine months ended September 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
Nine months ended September 30, 2012				
Balance, beginning of period	$ 3,079,773	$ (341,916)	$ 283,062	$ 3,020,919
Recognized in stockholders' equity	301,904	63,041	(168,282)	196,663
Transferred to construction in progress and prepayments for equipment	-	-	(48,465)	(48,465)
Balance, end of period	$ 3,381,677	$ (278,875)	$ 66,315	$ 3,169,117
Nine months ended September 30, 2011				
Balance, beginning of period	$ 2,938,550	$ (593,445)	$ 29,272	$ 2,374,377
Recognized in stockholders' equity	122,866	424,004	286,653	833,523
Transferred to construction in progress and prepayments for equipment	-	-	27,011	27,011
Balance, end of period	$ 3,061,416	$ (169,441)	$ 342,936	$ 3,234,911

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

	Nine Months Ended September 30	
	2012	2011
Unrealized gain (loss) on cash flow hedging	$ (202,750)	$ 345,365
Tax effect	34,468	(58,712)
Net (recognized in stockholders' equity)	$ (168,282)	$ 286,653
Unrealized loss (gain) on cash flow hedging instruments transferred to construction in progress and prepayments for equipment	$ (58,392)	$ 32,543
Tax effect	9,927	(5,532)
Net (transferred out of stockholders' equity)	$ (48,465)	$ 27,011

i. Cumulative translation adjustments

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

	Nine Months Ended September 30	
	2012	2011
Balance, beginning of period	$ 17,192	$ (101,443)
Recognized in stockholders' equity	(246,454)	164,159
Balance, end of period	$ (229,262)	$ 62,716

28. EARNINGS PER SHARE

	Amount (Numerator)		Shares (Denominator) (Thousand)	Earnings Per Share (NT Dollars)	
	Before Tax	After Tax		Before Tax	After Tax
Nine months ended September 30, 2012					
Consolidated net income attributable to the Corporation's stockholders	$ 3,988,780	$ 3,808,200			
Less: Dividends on preferred shares	42,086	40,181			
Basic EPS					
Consolidated net income attributable to the Corporation's common stockholders	3,946,694	3,768,019	14,962,642	$ 0.26	$ 0.25
Effect of dilutive potential common stock					
Add: Bonus to employees	-	-	46,337		
Diluted EPS					
Consolidated net income attributable to the Corporation's common stockholders plus effect of potential dilutive common stock	$ 3,946,694	$ 3,768,019	15,008,979	0.26	0.25
Nine months ended September 30, 2011					
Consolidated net income attributable to the Corporation's stockholders	$ 22,706,073	$ 20,067,096			
Less: Dividends on preferred shares	45,465	40,181			
Basic EPS					
Consolidated net income attributable to the Corporation's common stockholders	22,660,608	20,026,915	14,310,076	1.58	1.40
Effect of dilutive potential common stock					
Add: Dividends on preferred shares	45,465	40,181	38,268		
Bonus to employees	-	-	106,603		
Diluted EPS					
Consolidated net income attributable to the Corporation's common stockholders plus effect of potential dilutive common stock	$ 22,706,073	$ 20,067,096	14,454,947	1.57	1.39

Preferred shares were not included in the calculation of diluted EPS for the nine months ended September 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, 2011. This adjustment caused the basic and diluted after income tax EPS for the nine months ended September 30, 2011 to decrease from NT$1.42 to NT$1.40 and from NT$1.41 to NT$1.39, respectively.

29. FINANCIAL INSTRUMENTS

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

	September 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)	$ 3,379,352	$ 3,379,352	$ 3,132,048	$ 3,132,048
Available-for-sale financial assets (including noncurrent)	8,767,689	8,767,689	8,649,990	8,649,990
Held-to-maturity financial assets	159,306	159,306	170,870	170,870
Financial assets carried at cost	12,290,133		7,036,034	
Bond investments with no active market	3,921,850	3,921,850	4,117,447	4,117,447
Other financial assets (including noncurrent)	4,388,810	4,388,810	7,374,149	7,374,149
Refundable deposits	485,207	485,207	479,217	479,217
Consolidated liabilities				
Bonds payable (including current portion)	69,657,525	70,048,786	35,134,399	35,862,086
Long-term debt (including current portion)	102,286,711	102,286,711	88,735,419	88,735,419
Long-term notes payable	20,291,364	20,291,364	23,871,856	23,871,856
Derivative financial instruments				
Consolidated assets				
Financial assets at fair value through profit or loss (including noncurrent)	24,190	24,190	42,600	42,600
Hedging derivative assets (including noncurrent)	105,802	105,802	330,277	330,277
Consolidated liabilities				
Financial liabilities at fair value through profit or loss	2,521	2,521	22,106	22,106
Hedging derivative liabilities (including noncurrent)	196,733	196,733	156,474	156,474

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 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 financial instruments are determined at their market value. If there is no market value available for reference, the fair values are determined through valuation techniques. For stocks acquired through private placement and not transferred freely in public market, fair values are determined by using valuation techniques adopted by the Corporation based on information from the Market Observation Post System, the Taiwan Stock Exchange and etc., and calculated 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 used exchange rates based on the buying rates quoted by the Central Bank and on the rates quoted by Reuters. For precious metals futures contracts, the information is obtained by subsidiaries from the counter-parties, which estimates the amount that should be paid or earned if the subsidiaries terminate the contracts on the balance sheet date, including the current unrealized gain or loss of the contracts.

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

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

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

6) The fair values of foreign currency deposits, included in other financial assets, and long-term liabilities are determined by the present values of future cash flows. If there is market price available for reference, the fair values are determined based on the market price. If there is no market price available for reference, the values are discounted at the interest rates of similar long-term debt and the floating-rate of foreign currency deposits available to the Corporation and its subsidiaries. Discount rates as of September 30, 2012 and 2011 were from 0.53586% to 4.78964% and from 0.54313% to 5.65328%, respectively.

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

	Amount Determined by Quoted Market Price		**Amount Determined by Using Valuation Technique**	
	September 30		**September 30**	
	2012	**2011**	**2012**	**2011**
Consolidated assets				
Financial assets at fair value through profit or loss (including noncurrent)	$ 3,232,307	$ 2,871,188	$ 171,235	$ 303,460
Available-for-sale financial assets (including noncurrent)	8,357,906	8,230,992	409,783	418,998
Held-to-maturity financial assets	-	-	159,306	170,870
Bond investments with no active market	-	-	3,921,850	4,117,447
Other financial assets (including noncurrent)	-	-	4,388,810	7,374,149
Hedging derivative assets (including noncurrent)	-	-	105,802	330,277
Refundable deposits	-	-	485,207	479,217
Consolidated liabilities				
Financial liabilities at fair value through profit or loss	-	-	2,521	22,106
Hedging derivative liabilities (including noncurrent)	-	-	196,733	156,474
Bonds payable (including current portion)	70,048,786	35,862,086	-	-
Long-term debt (including current portion)	-	-	102,286,711	88,735,419
Long-term notes payable	-	-	20,291,364	23,871,856

d. Valuation gains and losses arising from changes in fair value of financial instruments determined using valuation techniques were valuation loss NT$4,419 thousand and valuation gain NT$17,556 thousand for the nine months ended September 30, 2012 and 2011, respectively.

e. As of September 30, 2012 and 2011, financial liabilities exposed to cash flow interest rate risk amounted to NT$162,466,121 thousand and NT$176,994,495 thousand, respectively, and financial liabilities exposed to fair value interest rate risk amounted to NT$100,994,848 thousand and NT$58,889,175 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$289,124 thousand and NT$2,581,261 thousand, respectively, for the nine months ended September 30, 2012 and NT$239,679 thousand and NT$2,036,218 thousand, respectively, for the nine months ended September 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$2,869,708 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$78,304 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 September 30, 2012 were as follows:

Endorsement/Guarantee Provider	**Counter - Party**	**Ending Balance**	
China Steel Corporation	Dragon Steel Corporation	USD	406,240 thousand
	CSC Steel Australia Holding Pty Ltd.	AUD	359,314 thousand
China Steel Structure Co., Ltd.	United Steel Constructure Corporation	NTD	1,305,000 thousand
	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	NTD	322,245 thousand
	United Steel Construction Vietnam Co., Ltd.	NTD	322,245 thousand
United Steel Constructure Corporation	China Steel Structure Co., Ltd.	NTD	7,108,493 thousand

(Continued)

Endorsement/Guarantee Provider	Counter - Party	Ending Balance	
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	1,750,000 thousand

(Concluded)

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$1,624,661 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, 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	
			Nine Months Ended September 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	$ 127,710	$ (388,575)
Fair value hedge	Investments in Maruichi Steel Tube Ltd. (recorded as available-for-sale financial assets - noncurrent)	Debt in JPY	33,540	(102,050)
Fair value hedge	Investments in Yodogawa Steel Works, Ltd. (recorded as available-for-sale financial assets - noncurrent)	Debt in JPY	15,660	(47,649)
Hedge of net investment in a foreign operation	Investment in CSCAU (one of consolidated entities and the amount was eliminated)	Debt in AUD	1,985	(265)
Hedge of net investment in a foreign operation	Investment in CSVC (one of consolidated entities and the amount was eliminated)	Debt in USD	194,086	(65,691)
Cash flow hedge	Contracts for purchasing machinery and equipment	Bank Deposit - foreign-currency	(149,555)	340,259
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	(295,956)	214,127

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

As of September 30, 2012 and 2011, the fair values of the above foreign currency deposits on cash flow hedge were NT$4,388,810 thousand and NT$7,374,149 thousand, respectively, recorded as other financial assets (including noncurrent) (Note 14).

30. RELATED PARTY TRANSACTIONS

a. Related parties

Related Parties	Relationship with the Corporation
Kaohsiung Rapid Transit Corporation	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 method investee of the Corporation's subsidiary
China Synthetic Rubber Corporation	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. (AC)	The Corporation is its supervisor
International Carbide Technology Co., Ltd.	The Corporation's subsidiary is its director
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 transactions

b. Significant related-party transactions were as follows:

<u>Sales</u>

Sales to related parties (including CSBC and etc.) were NT$5,122,208 thousand (2% of operating revenues) and NT$6,062,503 thousand (2% of operating revenues), respectively, for the nine months ended September 30, 2012 and 2011.

Purchases

Purchases from related parties (including HHCEC and TCC, etc.) were NT$411,649 thousand and NT$376,197 thousand, respectively, for the nine months ended September 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$601,330 thousand and NT$578,568 thousand, respectively, for the nine months ended September 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$934,804 thousand (7% of account balance, including CSBC and TCC, etc.) and NT$1,040,866 thousand (9% of account balance, including CSBC and AC, etc.), respectively, as of September 30, 2012 and 2011.

2) Notes and accounts payable

   Notes and accounts payable to related parties were NT$192,712 thousand (1% of account balance, including BC and HHCEC, etc.) and NT$181,399 thousand (2% of account balance, including BC and HHCEC, etc.), respectively, as of September 30, 2012 and 2011.

31. MORTGAGED OR PLEDGED ASSETS

As of September 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):

	September 30	
	2012	2011
Property, plant and equipment, net	$ 128,121,305	$ 132,059,225
Restricted assets - demand and time deposits	6,994,150	6,332,962
Stocks (Note)	5,721,825	7,346,430
Idle assets, net	768,213	841,376
Assets leased to others, net	135,138	111,755
	$ 141,740,631	$ 146,691,748

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

32. SIGNIFICANT COMMITMENTS AND CONTINGENCIES AS OF SEPTEMBER 30, 2012

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

a. The Corporation and its subsidiaries provide letters of credits of NT$3.7 billion guaranteed by financial institutions for several construction and lease contracts, and guarantee notes of NT$75.3 billion to banks and owners for loans, purchase agreements and warranty.

b. Unused letters of credit to import materials and machinery amounted to NT$13.6 billion.

c. Property purchase and construction contracts of NT$39.6 billion were signed but not yet recorded.

d. Construction contracts of NT$35.5 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 9,440,000 metric tons of coal, 20,530,000 metric tons of iron ore, and 2,730,000 metric tons of limestone are at prices negotiable with the counter parties. Purchase commitments as of September 30, 2012 were USD11.2 billion (including 12,620,000 metric tons of coal, 89,340,000 metric tons of iron ore, and 1,410,000 metric tons of limestone).

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

Endorsement/Guarantee Provider	**Counterparty**	**Ending Balance**	
China Steel Corporation	Dragon Steel Corporation	USD	406,240 thousand
	CSC Steel Australia Holding Pty Ltd.	AUD	359,314 thousand
China Steel Structure Co., Ltd.	United Steel Constructure Corporation	NTD	1,305,000 thousand
	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	NTD	322,245 thousand
	United Steel Construction Vietnam Co., Ltd.	NTD	322,245 thousand
United Steel Constructure Corporation	China Steel Structure Co., Ltd.	NTD	7,108,493 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	1,750,000 thousand

33. 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
Nine months ended September 30, 2012						
Revenues from other than consolidated entities	$ 149,484,626	$ 35,472,538	$ 29,315,680	$ 60,173,800	$ -	$ 274,446,644
Revenues among consolidated entities	11,332,741	13,625,345	2,505,023	34,525,897	(61,989,006)	-
Total revenues	$ 160,817,367	$ 49,097,883	$ 31,820,703	$ 94,699,697	$ (61,989,006)	$ 274,446,644
Segment profit (loss)	$ 1,863,409	$ (1,178,817)	$ (3,058,077)	$ 8,090,116	$ 138,373	$ 5,855,004
Interest income						289,124
Nonoperating income and gains						1,608,700
Interest expense						(2,023,278)
Investment loss recognized under equity method, net						(248,249)
Nonoperating expenses and losses						(582,337)
Income before income tax						$ 4,898,964
Identifiable assets	$ 288,514,053	$ 201,463,979	$ 28,370,156	$ 132,610,376	$ (29,655,398)	$ 621,303,166
Investments accounted for by the equity method						2,570,465
Total assets						$ 623,873,631
Nine months ended September 30, 2011						
Revenues from other than consolidated entities	$ 170,348,316	$ 38,346,562	$ 34,406,743	$ 60,784,439	$ -	$ 303,886,060
Revenues among consolidated entities	11,657,986	16,827,409	933,077	36,962,925	(66,381,397)	-
Total revenues	$ 182,006,302	$ 55,173,971	$ 35,339,820	$ 97,747,364	$ (66,381,397)	$ 303,886,060
Segment profit (loss)	$ 16,899,991	$ 3,039,395	$ (1,215,426)	$ 9,111,694	$ (912,221)	$ 26,923,433
Interest income						239,679
Nonoperating income and gains						1,716,195
Interest expense						(1,491,395)
Investment loss recognized under equity method, net						(222,169)
Nonoperating expenses and losses						(893,803)
Income before income tax						$ 26,271,940
Identifiable assets	$ 287,216,679	$ 190,879,342	$ 33,001,193	$ 121,012,481	$ (34,499,626)	$ 597,610,069
Investments accounted for by the equity method						2,682,537
Total assets						$ 600,292,606

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

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

	September 30					
	2012			2011		
	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)
Monetary financial assets						
USD	$ 471,737	29.295	$ 13,819,540	$ 432,778	30.48	$ 13,191,128
JPY	12,202,572	0.3777	4,608,911	15,235,582	0.3975	6,056,144
MYR	364,788	9.1805	3,348,933	330,644	9.174	3,033,328
CNY	523,267	4.66	2,438,425	579,864	4.795	2,780,449
VND	759,698,775	0.0014	1,033,190	266,337,994	0.0014	376,868
INR	1,025,203	0.5561	570,116	-	-	-
AUD	15,585	30.615	477,120	16,387	29.695	486,607
EUR	7,340	37.89	278,098	11,860	41.23	488,980
SGD	9,162	23.92	219,152	8,565	23.51	201,356
HKD	19,437	3.779	73,451	46,450	3.913	181,758
GBP	222	47.58	10,546	82	47.48	3,901

(Continued)

	September 30					
	2012			2011		
	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)
Non-monetary financial assets						
JPY	$ 3,866,000	0.3777	$ 1,460,188	$ 4,392,000	0.3975	$ 1,745,820
AUD	45,858	30.615	1,403,937	-	-	-
USD	19,407	29.295	568,528	18,005	30.48	548,781
SGD	1,593	23.92	38,095	1,593	23.51	37,442
Investments accounted for by the equity method						
CNY	14,959	4.66	69,707	16,814	4.795	80,621
EUR	1,638	37.89	62,061	1,827	41.23	75,333
Monetary financial liabilities						
USD	608,227	29.295	17,818,019	398,819	30.48	12,156,000
JPY	15,616,838	0.3777	5,898,480	14,084,128	0.3975	5,598,441
CNY	805,352	4.66	3,752,940	754,699	4.795	3,618,782
VND	470,292,878	0.0014	639,598	323,693,288	0.0014	458,026
AUD	19,760	30.615	604,954	21,956	29.695	651,987
MYR	46,162	9.1805	423,791	25,650	9.174	235,315
SGD	2,588	23.92	61,908	2,908	23.51	68,372
EUR	1,104	37.89	41,834	1,094	41.23	45,091

(Concluded)

Derivative Financial Instruments

	Currency	Contract Exchange Rate	Contract Amount (In Thousands)
September 30, 2012			
Forward exchange contracts - buy	NTD/USD	27.208 - 30.874	NTD8,857,172/USD302,252
Forward exchange contracts - buy	NTD/EUR	36.881 - 46.432	NTD437,048/EUR10,541
Forward exchange contracts - buy	NTD/JPY	0.306779 - 0.3913	NTD1,786,618/JPY4,783,256
Forward exchange contracts - buy	NTD/GBP	45.7 - 46.68	NTD215,489/GBP4,627
Forward exchange contracts - sell	USD/NTD	29.7 - 30	USD7,737/NTD231,279
Forward exchange contracts - sell	EUR/NTD	38.67 - 38.682	EUR2,400/NTD92,825
Forward exchange contracts - sell	HKD/NTD	3.8455 - 3.8639	HKD11,125/NTD42,938
September 30, 2011			
Forward exchange contracts - buy	NTD/USD	27.208 - 31.843	NTD9,021,778/USD300,653
Forward exchange contracts - buy	NTD/EUR	39.3 - 47.387	NTD1,034,879/EUR23,718
Forward exchange contracts - buy	NTD/JPY	0.305779 - 0.37945	NTD1,830,530/JPY5,133,700
Forward exchange contracts - buy	NTD/GBP	45.70 - 47.50	NTD473,160/GBP10,089
Forward exchange contracts - sell	USD/NTD	28.334 - 30.435	USD11,693/NTD340,920
Forward exchange contracts - sell	HKD/NTD	3.6958 - 3.71	HKD35,400/NTD131,020

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

According to the Order No. 0990004943 issued by the 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 September 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 September 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 September 30, 2012: Table 2.

3) Reconciliation of consolidated statements of income for the nine months ended September 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 nine months ended September 30, 2012, the Corporation and its subsidiaries reversed NT$2,931 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 September 30, 2012 and January 1, 2012, the amounts reclassified from cash to other financial assets were NT$3,262,167 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 September 30, 2012 and January 1, 2012, the amounts reclassified from current deferred income tax assets to noncurrent assets were NT$3,128,577 thousand and NT$3,623,367 thousand, respectively; the amounts reclassified from current deferred income tax liabilities to noncurrent liabilities were NT$3,547 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 September 30, 2012 and January 1, 2012, the amounts reclassified from assets leased to others under property, plant and equipment to investment property were NT$3,983,660 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$2,921,248 thousand and NT$3,038,314 thousand, respectively; the amounts reclassified from idle assets under other assets to property, plant and equipment were NT$1,292,297 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 September 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 September 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$12,290,133 thousand and NT$10,603,195 thousand, respectively;

financial assets at fair value through profit or loss were adjusted for an increase of NT$309,847 thousand and NT$315,040 thousand, respectively; available-for-sale financial assets were adjusted for an increase of NT$15,051,089 thousand and NT$12,974,988 thousand, respectively; unrealized gain on available-for-sale financial assets was adjusted for an increase of NT$3,014,991 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 September 30, 2012 and January 1, 2012, accrued pension cost was adjusted for an increase of NT$6,881,878 thousand and NT$6,916,895 thousand, respectively; net loss not recognized as pension cost was adjusted for a decrease of NT$230,591 thousand and NT$230,590 thousand, respectively; deferred income tax assets were adjusted for an increase of NT$1,221,207 thousand and NT$1,219,725 thousand, respectively; retained earnings were adjusted for a decrease of NT$5,693,190 thousand and NT$5,662,987 thousand, respectively. Pension cost for the nine months ended September 30, 2012 was also adjusted for a decrease of NT$32,178 thousand (decrease of operating costs NT$11,821 thousand, research and development expenses NT$23 thousand, selling expenses NT$1,003 thousand, general and administrative expenses NT$23,666 thousand and increase of nonoperating expenses and losses NT$4,335 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.

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	

TABLE 2

CHINA STEEL CORPORATION AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 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	$ 16,031,287	$ (3,262,167)	$ 252	$ 12,769,372	Cash and cash equivalents	A
Financial assets at fair value through profit or loss - current	3,399,679	-	309,847	3,709,526	Financial assets at fair value through profit or loss - current	(a)
Available - for - sale financial assets - current	5,393,406	-	23,083	5,416,489	Available-for-sale financial assets - current	(a)
Hedging derivative assets - current	87,290	-	-	87,290	Hedging derivative assets - current	
Notes receivable, net	1,729,308	-	-	1,729,308	Notes receivable, net	
Accounts receivable, net	10,739,805	-	-	10,739,805	Accounts receivable, net	
Other receivables	2,775,394	(144,587)	-	2,630,807	Other receivables	
-	-	179,087	-	179,087	Current tax assets	
Other financial assets - current	4,337,046	3,161,959	-	7,499,005	Other financial assets - current	A
Inventories	99,677,519	-	21,910	99,699,429	Inventories	
Deferred income tax assets - current	3,128,577	(3,128,577)	-	-	-	B
Restricted assets - current	6,814,544	-	-	6,814,544	Restricted assets - current	
Others	7,709,494	(34,500)	1,109	7,676,103	Others	
Total current assets	161,823,349	(3,228,785)	356,201	158,950,765	Total current assets	
INVESTMENTS					INVESTMENTS	
Financial assets at fair value through profit or loss - noncurrent	3,863	-	-	3,863	Financial assets at fair value through profit or loss - noncurrent	
Available-for-sale financial assets - noncurrent	3,374,283	-	15,028,006	18,402,289	Available-for-sale financial assets - noncurrent	(a)
Held-to-maturity financial assets - noncurrent	159,306	-	-	159,306	Held-to-maturity financial assets - noncurrent	
Hedging derivative assets - noncurrent	18,512	-	-	18,512	Hedging derivative assets - noncurrent	
Financial assets carried at cost - noncurrent	12,290,133	-	(12,290,133)	-	-	(a)
Bond investments with no active market - noncurrent	3,921,850	-	-	3,921,850	Bond investments with no active market - noncurrent	
Investments accounted for by the equity method	2,570,465	-	3,923	2,574,388	Investments accounted for by the equity method	
Investments in real estate	381,905	(381,905)	-	-	-	
Other financial assets - noncurrent	51,764	100,208	-	151,972	Other financial assets - noncurrent	A
Total investments	22,772,081	(281,697)	2,741,796	25,232,180	Total investments	
PROPERTY, PLANT AND EQUIPMENT					PROPERTY, PLANT AND EQUIPMENT	
Cost and revaluation increment	666,721,176	(3,217,169)	181,113	663,685,120	Cost	
Less: Accumulated depreciation	334,316,554	(316,390)	16,400	334,016,564	Less: Accumulated depreciation	
Accumulated impairment	445,358	(276,169)	-	169,189	Accumulated impairment	
	331,959,264	(2,624,610)	164,713	329,499,367		C
Construction in progress and prepayments for equipment	95,698,553	(1,460,380)	265,657	94,503,830	Construction in progress	
Net property, plant and equipment	427,657,817	(4,084,990)	430,370	424,003,197	Net property, plant and equipment	
INTANGIBLE ASSETS	2,448,827	(868,152)	(21,224)	1,559,451	INTANGIBLE ASSETS	
-	-	8,728,756	-	8,728,756	INVESTMENT PROPERTY	C
OTHER ASSETS					OTHER ASSETS	
Assets leased to others, net	2,921,248	(2,921,248)	-	-	-	C
Idle assets, net	2,734,240	(2,734,240)	-	-	-	C
Refundable deposits	485,207	-	-	485,207	Refundable deposits	
Deferred income tax assets - noncurrent	1,983,982	3,128,577	2,523,942	7,636,501	Deferred income tax assets	B, (b), (d)
Restricted assets - noncurrent	239,873	-	-	239,873	Restricted assets - noncurrent	
Deferred charge and others	807,007	2,261,779	(19,219)	3,049,567	Others	
Total other assets	9,171,557	(265,132)	2,504,723	11,411,148	Total other assets	
TOTAL	$ 623,873,631	$ -	$ 6,011,866	$ 629,885,497	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	$ 39,888,046	$ -	$ -	$ 39,888,046	Short-term loans and overdraft	
Commercial paper payable	31,337,323	-	-	31,337,323	Commercial paper payable	
Financial liabilities at fair value through profit or loss - current	2,521	-	-	2,521	Financial liabilities at fair value through profit or loss - current	
Hedging derivative liabilities - current	123,537	-	-	123,537	Hedging derivative liabilities - current	
Notes payable	512,715	-	-	512,715	Notes payable	
Accounts payable	12,750,501	-	-	12,750,501	Accounts payable	
Income tax payable	2,053,013	-	(8,925)	2,044,088	Current tax liabilities	
Accrued expenses	12,743,962	(12,743,962)	-	-	-	
Other payables	8,691,768	10,379,815	-	19,071,583	Other payables	
-	-	3,423,595	-	3,423,595	Provisions	
Bonds payable - current portion	11,273,771	-	-	11,273,771	Bonds payable - current portion	
Long-term debt - current portion	21,487,611	-	-	21,487,611	Long-term debt - current portion	
Deferred income tax liabilities - current	3,547	(3,547)	-	-	-	B
Others	8,302,177	(1,059,448)	(29,417)	7,213,312	Others	
Total current liabilities	149,170,492	(3,547)	(38,342)	149,128,603	Total current liabilities	
LONG-TERM LIABILITIES					LONG-TERM LIABILITIES	
Hedging derivative liabilities - noncurrent	73,196	-	-	73,196	Hedging derivative liabilities - noncurrent	
Bonds payable	58,383,754	-	-	58,383,754	Bonds payable	
Long-term debt	80,799,100	-	-	80,799,100	Long-term debt	
Long-term notes payable	20,291,364	-	-	20,291,364	Long-term notes payable	
Total long-term liabilities	159,547,414	-	-	159,547,414	Total long-term liabilities	
RESERVE FOR LAND VALUE INCREMENT TAX	10,240,123	(10,240,123)	-	-	-	D
OTHER LIABILITIES					OTHER LIABILITIES	
Accrued pension cost	701,914	-	6,881,878	7,583,792	Accrued pension cost	(b)
Deferred income tax liabilities - noncurrent	1,317,311	10,243,670	1,391,231	12,952,212	Deferred income tax liabilities	B, D, (d)
Others	955,657	-	-	955,657	Others	
Total other liabilities	2,974,882	10,243,670	8,273,109	21,491,661	Total other liabilities	
Total liabilities	321,932,911	-	8,234,767	330,167,678	Total liabilities	
STOCKHOLDERS' EQUITY OF PARENT COMPANY					EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	
Capital stock	153,107,445	-	-	153,107,445	Capital stock	
Capital surplus	36,652,352	-	(98,289)	36,554,063	Capital surplus	(c)
Retained earnings					Retained earnings	
Legal reserve	54,778,577	-	-	54,778,577	Legal reserve	
Special reserve	7,615,701	-	21,633,347	29,249,048	Special reserve	4)
Unappropriated earnings	150,425	-	2,931	153,356	Unappropriated earnings	D, (b),(c), 4)
Net income of parent company for the nine months ended September 30	3,808,200	-	26,541	3,834,741	Net income of parent company for the nine months ended September 30	
Total retained earnings	66,352,903	-	21,662,819	88,015,722	Total retained earnings	
Other equity adjustments					Other equity adjustments	
Unrealized revaluation increment	26,753,711	-	(26,753,711)	-	-	D
Unrealized gain on financial instruments	3,169,117	102,861	3,127,748	6,399,726	Unrealized gain from available-for-sales financial assets	(a), (c)
-	-	(52,843)	-	(52,843)	Cash flow hedging reserve	
-	-	(54,983)	16,754	(38,229)	Other equity of equity method investees, net	
Cumulative translation adjustments	(229,262)	4,965	(20,911)	(245,208)	Foreign currency translation reserve	
Net loss not recognized as pension cost	(230,591)	-	230,591	-	-	(b)
Treasury stock	(8,415,634)	-	(166,949)	(8,582,583)	Treasury stock	(c)
Total other equity adjustments	21,047,341	-	(23,566,478)	(2,519,137)	Total other equity adjustments	
Total stockholders' equity of parent company	277,160,041	-	(2,001,948)	275,158,093	Total equity attributable to shareholders of the parent	
MINORITY INTEREST	24,780,679	-	(220,953)	24,559,726	Noncontrolling interests	
Total stockholders' equity	301,940,720	-	(2,222,901)	299,717,819	Total shareholders' equity	
TOTAL	$ 623,873,631	$ -	$ 6,011,866	$ 629,885,497	TOTAL	

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

ROC GAAP		Effects of Transition to IFRSs		IFRSs		
Item	Amount	Presentation Difference	Recognition and Measurement Difference	Amount	Item	NOTE
OPERATING REVENUES	$ 274,446,644	$ (311)	$ (24,922)	$ 274,421,411	OPERATING REVENUES	
OPERATING COSTS	260,522,736	(311)	(21,233)	260,501,192	OPERATING COSTS	(b)
GROSS PROFIT	13,923,908	-	(3,689)	13,920,219	GROSS PROFIT	
REALIZED GAIN FROM AFFILIATES	23,427	-	-	23,427	REALIZED GAIN FROM AFFILIATES	
REALIZED GROSS PROFIT	13,947,335	-	(3,689)	13,943,646	REALIZED GROSS PROFIT	
OPERATING EXPENSES					OPERATING EXPENSES	
Research and development	1,242,829	-	(23)	1,242,806	Research and development	(b)
Selling	3,321,066	-	(2,426)	3,318,640	Selling	(b)
General and administrative	3,528,436	59,712	(34,456)	3,553,692	General and administrative	(b)
Total operating expenses	8,092,331	59,712	(36,905)	8,115,138	Total operating expenses	
OPERATING INCOME	5,855,004	(59,712)	33,216	5,828,508	OPERATING INCOME	
NONOPERATING INCOME AND GAINS					NONOPERATING INCOME AND GAINS	
Interest income	289,124	-	-	289,124	Interest income	
Dividend income	269,939	-	-	269,939	Dividend income	
Gain on sale of investments, net	241,635	-	-	241,635	Gain on sale of investments, net	
Exchange gain, net	394,582	-	654	395,236	Exchange gain, net	
Reversal of impairment loss, net	1,015	(1,015)	-	-	Reversal of impairment loss, net	
Others	701,529	(7,683)	18,589	712,435	Others	
Total nonoperating income and gains	1,897,824	(8,698)	19,243	1,908,369	Total nonoperating income and gains	
NONOPERATING EXPENSES AND LOSSES					NONOPERATING EXPENSES AND LOSSES	
Interest expense	2,023,278	-	-	2,023,278	Interest expense	
Investment loss recognized under equity method, net	248,249	-	1,476	249,725	Equity in losses of equity method investees, net	
Others	582,337	(68,410)	35,530	549,457	Others	(b)
Total nonoperating expenses and losses	2,853,864	(68,410)	37,006	2,822,460	Total nonoperating expenses and losses	
INCOME BEFORE INCOME TAX	4,898,964	-	15,453	4,914,417	INCOME BEFORE INCOME TAX	
INCOME TAX	934,612	-	(508)	934,104	INCOME TAX	
NET INCOME	$ 3,964,352	$ -	$ 15,961	$ 3,980,313	NET INCOME	
ATTRIBUTABLE TO					ATTRIBUTABLE TO	
Stockholders of parent company	$ 3,808,200			$ 3,834,741	Stockholders of the parent	
Minority interest	156,152			145,572	Noncontrolling interest	
	$ 3,964,352			$ 3,980,313		