China Steel Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2013 and 2012 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Steel Corporation

We have audited the accompanying consolidated balance sheets of China Steel Corporation (the "Corporation") and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations and Standing Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the standalone financial statements of China Steel Corporation as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

Deloitte & Touche

March 21, 2014

<u>*Notice to Readers*</u>

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

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 33)	$ 13,700,839	2	$ 18,100,737	3	$ 12,131,328	2
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 33)	5,014,510	1	3,940,343	1	3,439,676	1
Available-for-sale financial assets - current (Notes 4, 5, 8 and 33)	5,290,437	1	4,785,015	1	5,389,711	1
Held-to-maturity financial assets - current (Notes 4, 9 and 33)	-	-	-	-	60,550	-
Derivative financial assets for hedging - current (Notes 4, 10 and 33)	30,501	-	45,950	-	115,768	-
Bond investments with no active market - current (Notes 4, 15 and 33)	9,259	-	-	-	-	-
Notes receivable (Notes 4, 5, 11, 33 and 34)	1,805,283	-	1,490,986	-	1,901,604	-
Accounts receivable, net (Notes 4, 5, 11, 33 and 34)	10,769,662	2	11,092,259	2	10,694,097	2
Amounts due from customers for construction contracts (Notes 4 and 12)	7,309,470	1	7,432,666	1	8,716,229	1
Other receivables (Notes 4 and 33)	1,943,126	-	942,643	-	1,413,428	-
Current tax assets (Note 29)	120,617	-	58,085	-	453,304	-
Inventories (Notes 4, 5 and 13)	82,589,612	12	76,867,018	12	107,277,509	17
Lands and buildings under construction (Notes 4 and 14)	450,665	-	-	-	-	-
Other financial assets - current (Notes 4, 17, 33 and 35)	13,529,793	2	13,523,714	2	15,902,288	3
Other current assets (Note 25)	5,673,611	1	4,775,722	1	5,777,149	1
Total current assets	148,237,385	22	143,055,138	23	173,272,641	28
NONCURRENT ASSETS						
Financial assets at fair value through profit or loss - noncurrent (Notes 4, 7 and 33)	-	-	259	-	23,979	-
Available-for-sale financial assets - noncurrent (Notes 4, 5, 8 and 33)	28,100,611	4	18,164,094	3	16,330,183	3
Held-to-maturity financial assets - noncurrent (Notes 4, 9 and 33)	209,991	-	185,159	-	109,171	-
Derivative financial assets for hedging - noncurrent (Notes 4, 10 and 33)	42,202	-	6,983	-	124,920	-
Bond investments with no active market - noncurrent (Notes 4 and 15)	2,973,651	1	3,536,086	1	4,050,222	1
Investments accounted for using equity method (Notes 4 and 16)	10,990,162	2	2,185,437	-	2,145,883	-
Property, plant and equipment (Notes 4, 5, 10, 17, 18 and 35)	462,742,294	68	432,333,039	69	399,201,205	65
Investment properties (Notes 4, 5, 19 and 35)	8,337,249	1	8,689,136	2	8,690,127	1
Intangible assets	2,680,365	-	1,535,907	-	1,626,341	-
Deferred tax assets (Notes 4, 5 and 29)	6,077,668	1	7,829,804	1	7,106,931	1
Refundable deposits (Notes 4 and 33)	513,180	-	431,779	-	428,431	-
Other financial assets - noncurrent (Notes 4, 17, 33 and 35)	2,361,443	-	458,971	-	2,518,424	1
Other noncurrent assets (Note 34)	8,733,172	1	4,606,777	1	2,130,072	-
Total noncurrent assets	533,761,988	78	479,963,431	77	444,485,889	72
TOTAL	$ 681,999,373	100	$ 623,018,569	100	$ 617,758,530	100

LIABILITIES AND EQUITY	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
CURRENT LIABILITIES						
Short-term borrowings and bank overdraft (Notes 6, 20, 33 and 35)	$ 28,652,599	4	$ 25,637,077	4	$ 59,918,010	10
Short-term bills payable (Notes 20, 33 and 35)	30,786,300	5	28,679,430	5	22,357,900	4
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 33)	9,094	-	4,362	-	90	-
Derivative financial liabilities for hedging - current (Notes 4, 10 and 33)	44,281	-	240,380	-	53,331	-
Notes payable (Notes 33 and 34)	1,016,173	-	261,617	-	1,066,418	-
Accounts payable (Notes 22, 33 and 34)	11,700,751	2	10,332,163	2	10,131,244	2
Amounts due to customers for construction contracts (Notes 4 and 12)	5,818,449	1	3,647,356	1	2,203,481	-
Other payables (Notes 23, 25 and 33)	23,925,757	3	20,491,865	3	20,859,732	3
Current tax liabilities (Note 29)	3,700,145	1	2,098,817	-	3,376,691	1
Provisions - current (Notes 4, 5 and 24)	2,968,838	-	2,176,179	-	2,810,630	-
Current portion of bonds payable (Notes 21 and 33)	3,499,318	1	11,272,543	2	11,270,086	2
Current portion of long-term bank borrowings (Notes 20, 33 and 35)	19,426,467	3	20,979,088	3	11,715,737	2
Other current liabilities	3,306,668	-	2,357,360	-	2,961,332	-
Total current liabilities	134,854,840	20	128,178,237	20	148,724,682	24
NONCURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - noncurrent (Notes 4, 7 and 33)	-	-	1,739	-	-	-
Derivative financial liabilities for hedging - noncurrent (Notes 4, 10 and 33)	18,043	-	86,829	-	42,475	-
Bonds payable (Notes 4, 21 and 33)	62,994,437	9	47,069,227	8	37,944,340	6
Long-term bank borrowings (Notes 20, 33 and 35)	108,062,267	16	92,255,495	15	75,533,461	12
Long-term bills payable (Notes 20 and 35)	34,882,033	5	31,783,731	5	24,813,719	4
Provisions - noncurrent (Notes 4, 5 and 24)	1,067,087	-	-	-	-	-
Deferred tax liabilities (Notes 4 and 29)	12,976,988	2	12,922,120	2	13,080,149	2
Accrued pension liabilities (Notes 4, 5 and 25)	7,237,168	1	7,439,282	1	7,671,000	2
Other noncurrent liabilities (Note 4)	536,795	-	541,109	-	484,279	-
Total noncurrent liabilities	227,774,818	33	192,099,532	31	159,569,423	26
Total liabilities	362,629,658	53	320,277,769	51	308,294,105	50
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4, 10, 17, 26, 29 and 35)						
Share capital						
Ordinary shares	154,255,840	23	152,724,765	24	150,462,093	24
Preference shares	382,680	-	382,680	-	382,680	-
Total share capital	154,638,520	23	153,107,445	24	150,844,773	24
Capital surplus	36,960,818	5	36,575,997	6	36,184,596	6
Retained earnings						
Legal reserve	55,359,726	8	54,778,577	9	52,829,209	8
Special reserve	26,920,871	4	29,248,991	4	29,251,979	5
Unappropriated earnings	16,348,240	3	6,156,721	1	19,606,971	3
Total retained earnings	98,628,837	15	90,184,289	14	101,688,159	16
Other equity	7,955,853	1	4,585,717	1	5,824,756	1
Treasury shares	(8,496,974)	(1)	(8,582,297)	(1)	(8,290,245)	(1)
Total equity attributable to owners of the Corporation	289,687,054	43	275,871,151	44	286,252,039	46
NON-CONTROLLING INTERESTS	29,682,661	4	26,869,649	5	23,212,386	4
Total equity	319,369,715	47	302,740,800	49	309,464,425	50
TOTAL	$ 681,999,373	100	$ 623,018,569	100	$ 617,758,530	100

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 10, 24, 27 and 34)	$ 347,828,838	100	$ 358,336,500	100
OPERATING COSTS (Notes 13, 25, 28 and 34)	310,548,923	89	338,990,574	95
GROSS PROFIT	37,279,915	11	19,345,926	5
REALIZED GAIN ON THE TRANSACTIONS WITH ASSOCIATES	404,495	-	31,236	-
REALIZED GROSS PROFIT	37,684,410	11	19,377,162	5
OPERATING EXPENSES (Notes 25 and 28)				
Selling and marketing expenses	4,992,404	1	4,582,645	1
General and administrative expenses	6,286,297	2	5,117,423	1
Research and development expenses	1,852,759	1	1,683,449	1
Total operating expenses	13,131,460	4	11,383,517	3
PROFIT FROM OPERATIONS	24,552,950	7	7,993,645	2
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 28)	1,618,710	1	1,749,663	1
Other gains and losses (Notes 10 and 28)	(258,031)	-	1,013,975	-
Finance costs (Note 28)	(2,985,370)	(1)	(2,790,260)	(1)
Share of the profit (loss) of associates and joint ventures	280,793	-	(228,083)	-
Total non-operating income and expenses	(1,343,898)	-	(254,705)	-
PROFIT BEFORE INCOME TAX	23,209,052	7	7,738,940	2
INCOME TAX EXPENSE (Notes 4, 5 and 29)	4,854,585	2	1,305,382	-
NET PROFIT FOR THE YEAR	18,354,467	5	6,433,558	2
OTHER COMPREHENSIVE INCOME (Notes 4, 10, 17, 25, 26 and 29)				
Exchange differences on translating foreign operations	218,254	-	(756,488)	(1)
Unrealized gain (loss) on available-for-sale financial assets	3,550,104	1	(6,683)	-

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31			
	2013		2012	
	Amount	%	Amount	%
Cash flow hedges	$ 340,696	-	$ (725,196)	-
Actuarial gain and loss from defined benefit plans	153,606	-	98,543	-
Share of the other comprehensive income of associates and joint ventures	(156,363)	-	28,009	-
Income tax benefit (expense) relating to the components of other comprehensive income	(102,760)	-	110,410	-
Total other comprehensive income, net of income tax	4,003,537	1	(1,251,405)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 22,358,004	6	$ 5,182,153	1
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	$ 15,981,540	4	$ 5,894,806	2
Non-controlling interests	2,372,927	1	538,752	-
	$ 18,354,467	5	$ 6,433,558	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	$ 19,506,129	5	$ 4,764,269	1
Non-controlling interests	2,851,875	1	417,884	-
	$ 22,358,004	6	$ 5,182,153	1
EARNINGS PER SHARE (Note 30)				
Basic	$ 1.05		$ 0.39	
Diluted	$ 1.05		$ 0.39	

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

(Concluded)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to the Owners of the Corporation												
	Share Capital			Retained Earnings			Other Equity						
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain on Available-for-sale Financial Assets	Cash Flow Hedges	Total	Treasury Shares	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2012	$ 150,462,093	$ 382,680	$ 36,184,596	$ 52,829,209	$ 29,251,979	$ 19,606,971	$ -	$ 5,507,672	$ 317,084	$ 5,824,756	$ (8,290,245)	$ 23,212,386	$ 309,464,425
Reversal of special reserve	-	-	-	-	(2,988)	2,988	-	-	-	-	-	-	-
Appropriation of 2011 earnings (Note 26)													
Legal reserve	-	-	-	1,949,368	-	(1,949,368)	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$1.01 per share	-	-	-	-	-	(15,196,671)	-	-	-	-	-	-	(15,196,671)
Cash dividends to preference shareholders - NT$1.25 per share	-	-	-	-	-	(47,835)	-	-	-	-	-	-	(47,835)
Share dividends to ordinary shareholders - NT$0.15 per share	2,256,932	-	-	-	-	(2,256,932)	-	-	-	-	-	-	-
Share dividends to preference shareholders - NT$0.15 per share	5,740	-	-	-	-	(5,740)	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2012	-	-	-	-	-	5,894,806	-	-	-	-	-	538,752	6,433,558
Other comprehensive income for the year ended December 31, 2012, net of income tax	-	-	-	-	-	108,502	(417,820)	(223,869)	(597,350)	(1,239,039)	-	(120,868)	(1,251,405)
Total comprehensive income for the year ended December 31, 2012	-	-	-	-	-	6,003,308	(417,820)	(223,869)	(597,350)	(1,239,039)	-	417,884	5,182,153
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	(303,918)	(243,985)	(547,903)
Disposal of the Corporation's shares held by subsidiaries	-	-	2,363	-	-	-	-	-	-	-	19,331	26,722	48,416
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	308,554	-	-	-	-	-	-	-	-	189,439	497,993
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	3,267,203	3,267,203
Adjustment of other equity	-	-	80,484	-	-	-	-	-	-	-	(7,465)	-	73,019
BALANCE AT DECEMBER 31, 2012	152,724,765	382,680	36,575,997	54,778,577	29,248,991	6,156,721	(417,820)	5,283,803	(280,266)	4,585,717	(8,582,297)	26,869,649	302,740,800
Reversal of special reserve	-	-	-	-	(2,328,120)	2,328,120	-	-	-	-	-	-	-
Appropriation of 2012 earnings (Note 26)													
Legal reserve	-	-	-	581,149	-	(581,149)	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.4 per share	-	-	-	-	-	(6,108,990)	-	-	-	-	-	-	(6,108,990)
Cash dividends to preference shareholders - NT$1.3 per share	-	-	-	-	-	(49,748)	-	-	-	-	-	-	(49,748)
Share dividends to ordinary shareholders - NT$0.1 per share	1,527,248	-	-	-	-	(1,527,248)	-	-	-	-	-	-	-
Share dividends to preference shareholders - NT$0.1 per share	3,827	-	-	-	-	(3,827)	-	-	-	-	-	-	-
Net profit for the year ended December 31, 2013	-	-	-	-	-	15,981,540	-	-	-	-	-	2,372,927	18,354,467
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	-	154,453	(241,869)	3,319,364	292,641	3,370,136	-	478,948	4,003,537
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	16,135,993	(241,869)	3,319,364	292,641	3,370,136	-	2,851,875	22,358,004
Disposal of the Corporation's shares held by subsidiaries	-	-	31,212	-	-	-	-	-	-	-	82,997	167,163	281,372
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	123,966	-	-	-	-	-	-	-	-	76,094	200,060
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(282,120)	(282,120)
Adjustment of other equity	-	-	229,643	-	-	(1,632)	-	-	-	-	2,326	-	230,337
BALANCE AT DECEMBER 31, 2013	$ 154,255,840	$ 382,680	$ 36,960,818	$ 55,359,726	$ 26,920,871	$ 16,348,240	$ (659,689)	$ 8,603,167	$ 12,375	$ 7,955,853	$ (8,496,974)	$ 29,682,661	$ 319,369,715

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2013	**2012**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 23,209,052	$ 7,738,940
Adjustments for:		
Depreciation expense	31,345,401	28,472,649
Amortization expense	293,117	246,151
Net gain on financial assets and liabilities at fair value through profit or loss	(225,006)	(96,834)
Finance costs	2,985,370	2,790,260
Interest income	(472,294)	(422,510)
Dividend income	(364,527)	(369,284)
Share of the loss (profit) of associates and joint ventures	(281,422)	227,844
Loss on disposal of property, plant and equipment	111,761	223,795
Gain on disposal of investments	(674,749)	(1,409,284)
Impairment loss recognized on financial assets	192,985	106,572
(Gain on reversal of) impairment loss recognized on non-financial assets	213,244	(9,745)
Increase (decrease) in provision for loss on inventories	158,052	(1,914,229)
Realized gain on the transactions with associates	(404,495)	(31,236)
Recognition of provisions	4,327,642	3,157,232
Others	(82,442)	(168,799)
Changes in operating assets and liabilities		
Financial assets held for trading	(215,872)	(102,046)
Notes receivable	(311,119)	410,618
Accounts receivable	538,565	(287,239)
Amounts due from customers for construction contracts	123,196	1,283,563
Other receivables	515,700	446,776
Inventories	(5,855,841)	32,324,720
Lands and buildings under construction	(38,758)	-
Other current assets	(709,282)	1,001,427
Notes payable	721,208	(804,801)
Accounts payable	185,274	200,919
Amounts due to customers for construction contracts	2,161,444	1,443,875
Other payables	894,106	(1,894,655)
Provisions	(3,493,517)	(3,791,683)
Other current liabilities	695,626	(605,273)
Accrued pension liabilities	(48,508)	(133,175)
Cash generated from operations	55,493,911	68,034,548
Income taxes paid	(1,251,708)	(2,895,977)
Net cash generated from operating activities	54,242,203	65,138,571

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CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2013	2012
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	$ (5,331,769)	$ (5,459,020)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	4,713,063	5,225,317
Acquisition of available-for-sale financial assets	(10,341,835)	(7,784,362)
Proceeds from disposal of available-for-sale financial assets	3,137,250	7,597,830
Proceeds from the capital reduction on available-for-sale financial assets	64,500	47,448
Acquisition of bond investments with no active market	(14,593)	(134,927)
Proceeds from disposal of bond investment with no active market	29,330	-
Acquisition of held-to-maturity financial assets	(102,112)	(81,930)
Proceeds from disposal of held-to-maturity financial assets	82,236	59,155
Net cash outflow on acquisition of subsidiaries	(907,670)	(125,724)
Acquisition of investments accounted for using equity method	(9,403,092)	(277,000)
Proceeds from disposal of investments accounted for using equity method	-	9,033
Proceeds from the capital reduction on investments accounted for using equity method	-	26,950
Acquisition of property, plant and equipment	(60,718,197)	(61,167,266)
Proceeds from disposal of property, plant and equipment	132,927	66,543
Increase in refundable deposits	(71,422)	(3,347)
Acquisition of intangible assets	(236,845)	(32,704)
Acquisition of investment properties	(11,309)	(715,182)
Decrease in other financial assets	273,317	4,131,989
Increase in other noncurrent assets	(1,363,882)	(814,353)
Interest received	467,105	418,426
Dividends received from associates	62,037	61,357
Dividends received from others	369,147	364,312
Net cash used in investing activities	(79,171,814)	(58,587,455)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	299,839,209	507,439,986
Repayments of short-term borrowings	(300,050,470)	(539,378,281)
Increase in short-term bills payable	2,106,870	6,321,530
Issuance of bonds payable	19,894,618	20,595,100
Repayments of bonds payable	(11,275,000)	(11,275,000)
Proceeds from long-term bank borrowings	63,921,305	55,328,586
Repayments of long-term bank borrowings	(48,495,770)	(28,258,485)
Increase in long-term bills payable	3,098,302	6,970,012
Increase (decrease) in other noncurrent liabilities	(55,213)	54,636
Dividends paid to owners of the Corporation	(5,976,436)	(14,738,479)
Purchase of the Corporation's shares by subsidiaries	-	(547,903)
Disposal of the Corporation's shares held by subsidiaries	281,372	48,416

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Year Ended December 31	
	2013	**2012**
Interest paid	$ (3,650,011)	$ (3,421,282)
Increase (decrease) in non-controlling interests	(2,037,708)	3,254,882
Net cash generated from financing activities	17,601,068	2,393,718
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	910,729	(890,962)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,417,814)	8,053,872
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	16,959,256	8,905,384
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 10,541,442	$ 16,959,256
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2013 and 2012:		
Cash and cash equivalents in the consolidated balance sheets	$ 13,700,839	$ 18,100,737
Bank overdraft	(3,159,397)	(1,141,481)
Cash and cash equivalents in the consolidated statements of cash flows	$ 10,541,442	$ 16,959,256

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

1. GENERAL INFORMATION

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

The shares of the Corporation and its subsidiaries, including China Steel Structure Co., Ltd., China Steel Chemical Corporation, CHC Resources Corporation, China 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 traded on the Taiwan GreTai Securities Market since November 20, 2012. The subsidiary Dragon Steel Corporation has issued shares to the public.

As of December 31, 2013, the Ministry of Economic Affairs ("MOEA"), Republic of China owned 20.05 % of the Corporation's issued ordinary shares.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 21, 2014.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. New, amended or revised standards and interpretations in issue but not yet effective

The Corporation and entities controlled by the Corporation (the "Corporation and its subsidiaries") have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations (IFRIC), and Interpretations of IAS (SIC) ("IFRSs") that have been issued by the International Accounting Standards Board (IASB). On January 28, 2014, the Financial Supervisory Commission ("FSC") announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the "New IFRSs") included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

	Effective Date Announced by IASB (Note 1)
The New IFRSs Included in 2013 IFRSs version not yet endorsed by the FSC	
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 or January 1, 2010
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 or January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013
The New IFRSs not included in the 2013 IFRSs version	
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 “Financial Instruments”	Effective date not determined
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date and Transition Disclosures”	Effective date not determined
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014

(Continued)

	Effective Date Announced by IASB (Note 1)
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

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

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

b. Significant impending changes in accounting policy that would result from New IFRSs in issue but not yet effective

Except for the following, whenever applied, the initial application of the above New IFRSs would not have any material impact on the Corporation and its subsidiaries' accounting policies:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other financial assets are measured at their fair values at the balance sheet date. However, the Corporation and its subsidiaries may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Hedge accounting

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

Effective date

The mandatory effective date of IFRS 9, which was previously set at January 1, 2015, was removed and will be reconsidered once the standard is completed with a new impairment model and finalization of any limited amendments to classification and measurement.

2) New and revised standards on consolidation, joint arrangement, and associates and disclosure

   a) IFRS 10 "Consolidated Financial Statements"

      IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Corporation and its subsidiaries consider whether they have control over other entities for consolidation. The Corporation and its subsidiaries have control over an investee if and only if they have i) power over the investee; ii) exposure, or rights, to variable returns from their involvement with the investee and iii) the ability to use their power over the investee to affect the amount of their returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

   b) IFRS 11 "Joint Arrangements"

      IFRS 11 replaces IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities - Non-Monetary Contributions by Ventures". Joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Joint ventures are accounted for using the equity method. Under IAS 31, Joint arrangements are classified as jointly controlled entities, jointly controlled assets, and jointly controlled operations, and the Corporation and its subsidiaries account for their jointly controlled entities using the proportionate consolidation method.

   c) IFRS 12 "Disclosure of Interests in Other Entities"

      IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements and associates. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

   d) Revision to IAS 28 "Investments in Associates and Joint Ventures"

      Under revised IAS 28, when an investment in a joint venture becomes an investment in an associate, the Corporation and its subsidiaries continue to apply the equity method and do not remeasure the retained interest. Under current IAS 28, on the loss of joint control, the Corporation and its subsidiaries measure at fair value any investment the Corporation and its subsidiaries retain in the former jointly controlled entity. The Corporation and its subsidiaries recognize in profit or loss any difference between the aggregate amounts of fair value of retained investment and proceeds from disposal of the part of interest in the jointly controlled entity, and the carrying amount of the investment at the date when joint control is lost.

3) IFRS 13 "Fair Value Measurement"

   IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments measured at fair value only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

4) Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

   The amendments to IAS 1 require items of other comprehensive income to be grouped into those that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

5) Revision to IAS 19 “Employee Benefits”

Revision in 2011

The interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

6) Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendments to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amount is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Corporation and its subsidiaries are required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

7) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9. Fair value changes should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Corporation and its subsidiaries is a related party of the Corporation and its subsidiaries. Consequently, the Corporation and its subsidiaries are required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

8) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards including IFRS 3, IFRS 13 and IAS 40 “Investment Property” were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

c. Material impact on consolidated financial statements that would result from the adoption of New IFRSs and the Regulations Governing the Preparation of Financial Reports by Securities Issuers in issue but not yet effective.

As of the date the consolidated financial statements were authorized for issue by the board of directors, the Corporation and its subsidiaries are in the process of estimating the impact of the impending initial application of the Standards and Interpretations on their financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

On May 14, 2009, the FSC announced the "Framework for the Adoption of IFRSs by Companies in the ROC." In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with IFRSs approved by the FSC. The Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2013 are their first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 40 for the impact of IFRSs conversion on the consolidated financial statements.

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.

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The opening consolidated balance sheet as of the date of transition to IFRSs is prepared in accordance with the recognition and measurement required by IFRS 1 "First-time Adoption of International Financial Reporting Standards". The applicable IFRSs have been applied retrospectively by the Corporation and its subsidiaries except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The optional exemptions the Corporation and its subsidiaries adopted are described in Note 40.

Basis of Consolidation

a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (its subsidiaries). Control is achieved when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation.

All significant intercompany transactions and balances are eliminated upon consolidation. Non-controlling interests and equity attributable to the owners of the Corporation are presented separately.

<u>Changes in the Corporation's ownership interests in existing subsidiaries</u>

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

When the Corporation loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained investment in the former subsidiary at the date when control is lost and (ii) the carrying amount of the assets (including goodwill) and liabilities of the former subsidiary and any non-controlling interests at the date when control is lost. The Corporation accounts for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

The fair value of any retained investment in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition of a financial asset under IAS 39 "Financial Instruments: Recognition and Measurement" if the Corporation has no significant influence or joint control over the former subsidiary. The fair value of any retained investment in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate or a jointly controlled entity if the Corporation has significant influence or joint control over the former subsidiary.

b. Subsidiaries included in consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2013	December 31, 2012	January 1, 2012	Additional Descriptions
China Steel Corporation	China Steel Express Corporation (CSE)	Ocean freight forwarding	100	100	100	
	C. S. Aluminium Corporation (CSAC)	Production and sale of aluminum and other non-ferrous metal	100	100	100	
	Gains Investment Corporation (GIC)	General investment	100	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2013	December 31, 2012	January 1, 2012	Additional Descriptions
	China Prosperity Development Corporation (CPDC)	Real estate sale, rental and development service	100	100	100	
	China Steel Asia Pacific Holdings Pte Ltd.	Investment holding company	100	100	100	
	China Steel Global Trading Corporation (CSGT)	Steel product agency and trading service	100	100	100	
	China Steel Machinery Corporation (CSMC)	Manufacture of machinery and equipment	74	74	74	Direct and indirect ownerships amounted to 100%
	China Steel Security Corporation	Guard security and system security	100	100	100	
	Info-Champ Systems Corporation (ICSC)	Design and sale of IT hardware and software	100	100	100	
	CSC Steel Australia Holdings Pty Ltd. (CSCAU)	Investment holding company	100	100	100	
	Horng Yih Investment Corporation	General investment	-	100	100	Dissolution due to merger in January 2013
	Long Yuan Fa Investment Corporation	General investment	-	100	100	Dissolution due to merger in January 2013
	Goang Yaw Investment Corporation	General investment	-	100	100	Dissolution due to merger in January 2013
	Himag Magnetic Corporation	Manufacture and trading of magnetic powder	50	50	50	Direct and indirect ownerships amounted to 85%
	Dragon Steel Corporation (DSC)	Manufacture and sale of steel product	100	100	100	
	China Steel Management Consulting Corporation	Business management consultant	100	100	100	
	China Ecotek Corporation (CEC)	Electrical engineering and co-generation	45	48	49	Refer to a. below
	China Steel Chemical Corporation (CSCC)	Production and sale of coal chemistry and specialty chemicals	29	29	29	Refer to a. below
	Chung Hung Steel Corporation Ltd. (CHSC)	Manufacture and sale of steel product	29	29	29	Direct and indirect ownerships amounted to 41%, and refer to a. below
	CHC Resources Corporation (CHC)	Manufacture and sale of slag powder and blast furnace cement, and waste disposal	20	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	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	51	
	China Steel Corporation India Pvt. Ltd. (CSCI)	Manufacture and sale of steel product (electromagnetic steel coil)	100	100	-	Investment in January 2012
	Kaohsiung Rapid Transit Corporation (KRTC)	Operation of mass rapid transit	43	31	31	Increased investment in the second half of 2013 and included in the consolidated entities in December 2013; direct and indirect ownerships amounted to 50%, 32% and 32% as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively
	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) (CSEP)	Ocean freight forwarding	100	100	100	
	CSEI Transport Corporation (Panama) (CSEIP)	Ocean freight forwarding	100	100	100	
	Transyang Shipping Pte Ltd. (TSP)	Ocean freight forwarding	51	51	51	
	Transglory Investment Corporation (TIC)	General investment	50	50	50	Direct and indirect ownerships amounted to 100%
	Kaohsiung Port Cargo Handling Services Corp.	Cargo Stevedoring	66	29	29	Increased investment and included in the consolidated entities in June 2013
C.S. Aluminium Corporation	ALU Investment Offshore Corporation	Industry investment	100	100	100	
ALU Investment Offshore Corporation	United Steel International Development Corp.	Industry investment	65	65	65	Direct and indirect ownerships amounted to 79%

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2013	December 31, 2012	January 1, 2012	Additional Descriptions
United Steel International Development Corp.	Ningbo Huayang Aluminium-Tech Co., Ltd.	Manufacture and sale of aluminum alloy material	100	100	100	
Gains Investment Corporation	Eminence Investment Corporation	General investment	100	100	100	
	Gainsplus Asset Management Inc.	General investment	100	100	100	
	Mentor Consulting Corporation	General investment consulting service	100	100	100	
	AmbiCom Technology, Inc.	Wholesale of office machinery and equipment	80	80	80	
	Betacera Inc. (BETA)	Manufacture, processing and trading of electronic ceramics	48	48	48	Refer to a. below
	Universal Exchange Inc.	Software programming	64	64	57	
	Thintech Materials Technology Co., Ltd. (TMTC)	Target material and bimetal material tube sale	33	33	36	Direct and indirect ownerships amounted to 42%, 42% and 46% as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, and refer to b. below
Eminence Investment Corporation	Shin-Mau Investment Corporation	General investment	30	30	30	Direct and indirect ownerships amounted to 100%
	Gau Ruel Investment Corporation	General investment	25	25	25	Direct and indirect ownerships amounted to 100%
	Ding Da Investment Corporation	General investment	30	30	30	Direct and indirect ownerships amounted to 100%
	Chiun Yu Investment Corporation	General investment	25	25	25	Direct and indirect ownerships amounted to 100%
Shin-Mau Investment Corporation	Horng Chyuan Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
	Chi Yih Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
Gau Ruel Investment Corporation	Lih Ching Loong Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
	Sheng Lih Dar Investment Corporation	General investment	4	4	4	Direct and indirect ownerships amounted to 100%
Ding Da Investment Corporation	Jiing Cherng Fa Investment Corporation	General investment	4	4	4	Direct and indirect ownerships amounted to 100%
Betacera Inc.	Lefkara Ltd.	Electronic ceramics trading	100	100	100	
Lefkara Ltd.	Shang Hai Xike Ceramic Electronic Co., Ltd.	Electronic ceramics trading	100	100	100	
	Betacera (Su Zhou) Co., Ltd.	Manufacture and sale of electronic ceramics	100	100	100	
	Suzhou Betacera Technology Co., Ltd.	Manufacture and sale of life-saving equipment for aviation and shipping	100	100	100	
Thintech Materials Technology Co., Ltd.	Thintech International Limited	International trading and investment service	100	100	100	
	Thintech Global Limited	International trading and investment service	100	100	100	
	Thintech United Limited	International trading and investment service	100	100	-	Investment in April 2012
Thintech International Limited	Nantong Zhongxing Materials Technology Co., Ltd. (NZMTCL)	Manufacture, processing and trading of target material	47	47	47	Refer to a. below
Thintech Global Limited	Taicang Thintech Materials Co., Ltd.	Manufacture, processing and trading of target material	100	100	100	
Thintech United Limited	Thintech United Metal Resources (Taicang) Co., Ltd.	Refining, purification and sale of metal	65	65	-	Investment in April 2012
China Prosperity Development Corporation	CK Japan Co., Ltd.	Real estate sale and rental	80	80	-	Investment 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	46	Refer to a. below
	Changzhou China Steel Precision Materials Corporation (CCSPMC)	Manufacture and sale of titanium-nickel alloy and non-ferrous metal	70	70	70	
	Qingdao China Steel Precision Metals Co., Ltd.	Steel cutting and processing	60	60	-	Investment in December 2012; direct and indirect ownerships amounted to 70%
CSC Steel Holdings Berhad	CSC Steel Sdn. Bhd. (CSCSSB)	Manufacture and sale of steel product	100	100	100	
	Group Steel Corp. (M) Sdn. Bhd.	Manufacture and sale of steel product	100	100	100	
	CSC Bio-Coal Sdn. Bhd.	Manufacture biomass coal	100	100	100	
CSC Steel Sdn. Bhd.	Constant Mode Sdn. Bhd.	General investment	100	100	100	
China Steel Global Trading Corporation	Chung Mao Trading (SAMOA) Co., Ltd.	Investment and trading service	100	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2013	December 31, 2012	January 1, 2012	Additional Descriptions
	CSGT (Singapore) Pte. Ltd.	Steel product agency and trading service	100	100	100	
	Chung Mao Trading (BVI) Co., Ltd.	Steel product agency and trading service	53	53	53	
	Wabo Global Trading Corporation	Steel product agency and trading service	44	44	44	Direct and indirect ownerships amounted to 50%
	CSGT International Corporation	Investment and trading service	100	100	100	
	China Steel Global Trading Vietnam Co., Ltd.	Steel trading	100	-	-	Investment in August 2013
Chung Mao Trading (SAMOA) Co., Ltd.	CSGT (Shanghai) Co., Ltd.	Steel product agency and trading service	100	100	100	
Chung Mao Trading (BVI) Co., Ltd.	CSGT Hong Kong Limited	Steel product agency and trading service	100	100	100	
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company	Steel cutting and processing	45	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	100	
China Steel Machinery Corporation	China Steel Machinery Holding Corporation	General investment	100	100	-	Investment in November 2012
	China Steel Machinery Vietnam Co., Ltd.	Installation of machinery and equipment, and technology service	100	-	-	Investment in May 2013
	China Steel Machinery Corporation India Pvt. Ltd.	Manufacture of machinery	99	-	-	Investment in September 2013; direct and indirect ownerships amounted to 100%
China Steel Machinery Holding Corporation	CSMC (Shanghai) Global Trading Co., Ltd.	International trading	100	-	-	Investment in January 2013
China Steel Security Corporation	Steel Castle Technology Corporation	Firefighting equipment wholesaling	100	100	100	
	China Steel Management and Maintenance for Building Corporation	Building management	100	100	-	Investment in January 2012
Info-Champ Systems Corporation	Info-Champ System (B.V.I.)	Information service	100	100	100	
Info-Champ System (B.V.I.)	Wuham InfoChamp I.T. Co., Ltd.	Software programming	100	100	100	
CSC Steel Australia Holdings Pty Ltd.	CSC Sonoma Pty Ltd.	General investment	100	100	100	
Himag Magnetic Corporation	Himag Magnetic (Belize) Corporation	Magnetic powder trading	100	100	100	
China Ecotek Corporation	CEC International Corp.	General investment	100	100	100	
	CEC Development Co.	General investment	100	100	100	
	CEC Holding Co., Ltd.	General investment	100	-	-	Investment in January 2013
	China Ecotek Construction Corporation	Construction, interior design and decoration, and retail and wholesale of building materials	100	100	-	Investment in October 2012
CEC International Corp.	China Ecotek India Private Limited	Planning, maintenance and management of eco-construction and eco-equipment	100	100	-	Investment in November 2012
CEC Development Co.	China Ecotek Vietnam Company Ltd. (CEVC)	Engineering design and construction	100	100	100	
	Xiamen Ecotek PRC Co., Ltd.	Metal materials agency and trading service	100	100	100	
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	International trading	100	100	100	
	Ever Wealthy Investment Corporation	General investment	100	100	100	
Ever Wealthy Investment Corporation	Ever Earning Investment Company	General investment	51	51	51	Direct and indirect ownerships amounted to 100%
	China Steel Carbon Materials Technology Co., Ltd.	General investment	100	-	-	Investment in December 2013
China Steel Carbon Materials Technology Co., Ltd.	Changzhou China Steel New Carbon Technology Co., Ltd.	Sale of asphalt, carbon materials and graphite materials	100	-	-	Investment in December 2013
Chung Hung Steel Corporation Ltd.	Taiwan Steel Corporation (TSC)	Manufacture of steel product	100	100	100	
	Hung Kao Investment Corporation	General investment	100	100	100	
	Hung Li Steel Corporation Ltd. (HLSC)	Steel product processing	100	100	100	
CHC Resources Corporation	Union Steel Development Corp.	Manufacture and trading of metal powder and ore powder, and gift trading	93	93	93	
	Pao Good Industrial Co., Ltd.	Slag powder processing and trading	51	51	51	
	Yu Cheng Lime Corporation	Manufacture of other non-metal mineral product	90	90	-	Investment in March 2012
China Steel Structure Co., Ltd.	United Steel Constructure Corporation	Contract project of civil engineering and construction engineering, and steel structure installation	100	100	100	
	China Steel Structure Investment Pte Ltd.	General investment	100	100	100	
United Steel Constructure Corporation	United Steel Investment Holding Co., Ltd.	General investment	100	100	100	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) December 31, 2013	December 31, 2012	January 1, 2012	Additional Descriptions
	United Steel Investment Pte Ltd.	General investment	100	100	100	
	Lian Chuan Construction Consultation (Shanghai) Co., Ltd.	Engineering technology consulting	100	100	100	
	United Steel Construction Vietnam Co., Ltd.	Civil engineering construction and other business contract and management	100	100	100	
	United Steel Development Co., Ltd.	Construction development and rental business	100	100	100	
United Steel Investment Holding Co., Ltd.	United Steel International Co., Ltd.	General investment	100	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	100	
China Steel Structure Investment Pte Ltd.	China Steel Structure Holding Co., Ltd.	General investment	63	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	100	
China Steel Structure Investment Co., Ltd.	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Steel structure installation, consulting and steel plate cutting	100	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 subsidiaries 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.

Classification of Current and Noncurrent Assets and Liabilities

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the balance sheet date; and

c. Cash and cash equivalents unless the asset is restricted from being used for an exchange or used to settle a liability for more than twelve months after the balance sheet date.

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities to be settled within twelve months after the balance sheet date; and

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

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

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

Business combinations

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

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

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

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

Foreign Currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Corporation and its subsidiaries' foreign operations (including of the subsidiaries, associates and joint ventures operating in other countries or using currencies different from the Corporation's) are translated into New Taiwan dollars using exchange rates prevailing at each balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Corporation and non-controlling interests as appropriate).

Inventories

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

Buildings and Lands under Construction

Buildings and lands under construction are costs of lands and costs of construction in progress which would be transferred to operating costs in the year the lands and buildings are sold and meet the criteria for revenue recognition; the amount that would be transferred to operating costs is calculated at the ratio of area sold to total area.

During the constructions, interest of capital used to purchase lands and construct buildings is capitalized and recorded as costs of buildings and lands under construction.

Investment in Associates

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

The operating results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation and its subsidiaries' share of the profit or loss and other comprehensive income of the associate. The Corporation and its subsidiaries also recognize the changes in the share of equity of associates.

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

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

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

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

When the Corporation and its subsidiaries cease to have significant influence over the associate, the Corporation and its subsidiaries will measure the retained investment at fair value at that date. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation and its subsidiaries account for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities

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

Property, Plant, and Equipment

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

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

Freehold land is not depreciated.

Except that depreciation of the rollers (spare parts) is calculated based on their level of wear and depreciation of the machineries in the recycling plant of the subsidiary CHC is calculated by the working-hour method, other depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss in the current year.

Investment Properties

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

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

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

Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the year in which the property is derecognized.

Impairment of Tangible and Intangible Assets

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

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

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

Financial Instruments

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

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

<u>Financial assets</u>

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

a. Measurement category

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

   1) Financial assets at fair value through profit or loss

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

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

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

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

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

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

2) Held-to-maturity investments

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

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

3) Available-for-sale financial assets

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

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

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

4) Loans and receivables

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

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

b. Impairment of financial assets

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

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

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale financial assets, a significant or prolonged decline in the fair value of the equity investment below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, higher probability that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

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

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

c. Derecognition of financial assets

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

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

Equity instruments

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

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

Financial liabilities

a. Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

b. Derecognition of financial liabilities

The Corporation and its subsidiaries derecognize financial liabilities only when the obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Convertible bonds

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

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

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

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

Derivative financial instruments

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

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

Hedge Accounting

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

Fair value hedges

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

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the other gains and losses line item.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed and are included in the initial cost of the non-financial asset or non-financial liability.

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

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of exchange differences on translating foreign operations. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the other gains and losses line item.

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

Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Treasury Shares

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

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

Revenue Recognition

Sale of goods

Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods are transferred to the customers as follows: domestic sales - when products are moved out of the Corporation and its subsidiaries' premises for delivery to customers; exports - when products are loaded onto vessels. Revenues are recognized because the earning process is accomplished and revenue is realized or realizable. Freight revenues are recognized according to the proportion of voyage days used to contracted voyage of each ship. Revenues from construction contracts are recognized in accordance with the accounting standards for construction contracts which are described below in "Construction Contracts".

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

Rendering of services

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

Construction Contracts

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

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

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

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

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheets as other current liabilities. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheets as accounts receivable.

Borrowing Costs

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

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

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

Retirement Benefit Costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

Taxation

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

<u>Current tax</u>

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

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

<u>Deferred tax</u>

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

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

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

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

Current and deferred tax for the year

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

Reclassification

In the consolidated balance sheets as of December 31, 2012 and January 1, 2012, certain accounts which have been reclassified to conform to the presentation of the consolidated financial statements as of December 31, 2013 were as follows:

	Before Reclassification	**After Reclassification**
December 31, 2012		
Consolidated balance sheets		
Investments accounted for using equity method	$ 2,616,833	$ 2,185,437
Other noncurrent liabilities	972,505	541,109
January 1, 2012		
Consolidated balance sheets		
Investments accounted for using equity method	2,608,514	2,145,883
Other noncurrent liabilities	946,910	484,279

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Corporation and its subsidiaries take into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Valuation of inventory

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

Fair value of private-placement shares of listed companies, emerging market shares, unlisted shares and certificates of entitlement

As described in Note 33, the Corporation and its subsidiaries applied valuation techniques commonly used by market practitioners to evaluate fair value of the financial instruments that do not have listed market price in an active market. The measurement for the fair value of private-placement shares of listed companies, emerging market shares, unlisted shares and certificates of entitlement includes assumptions not based on observable market prices or interest rates; therefore, the fair value may change significantly.

Held-to-maturity financial assets

Management has reviewed the Corporation and its subsidiaries' held-to-maturity financial assets in light of their capital maintenance and liquidity requirements and has confirmed the Corporation and its subsidiaries' positive intention and ability to hold those assets to maturity.

Useful lives of property, plant and equipment and investment properties

The useful lives of property, plant and equipment and investment properties are determined on the basis of the expected usage of the asset, the expected physical wear and tear, technical or commercial obsolescence, and legal or similar limits on the use of the asset, which may result in significant adjustments.

Estimated stage of completion and construction costs

Revenues and cost are recognized respectively on the basis of the stage of completion of construction contracts which is measured based on the proportion of units produced and installed at the balance sheet date to total expected units to be produced or on the proportion of contract costs incurred to date to total estimated costs. When there are significant changes in total expected units to be produced or total estimated costs, the stage of completion and construction profit or loss for the period will be significantly influenced; when there are significant changes in total estimated costs due to actual input, conditions of execution or other reasons, the construction profit or loss for the current period will also be significantly influenced.

Realizability of deferred tax assets

The realizability of deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized as income tax expense for the period in which such reversal takes place.

Estimate of provisions

Provisions are measured using the cash flows estimated to settle the present obligation. If the future cash flows are more than the expectation, the amount of the provisions may be adjusted significantly. Management estimates provisions for construction warranties based on historical warranty experiences. If the actual cash outflow is lower than expected, significant gain on reversal may occur.

Recognition and measurement of defined benefit plan

The resulting pension expense and accrued pension liabilities under defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, employee turnover rate and long-term average future salary rate. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	$ 50,046	$ 24,001	$ 30,091
Checking accounts and demand deposits	8,240,411	5,645,885	4,102,723
Cash equivalents			
Commercial papers and bonds with repurchase agreements	1,434,610	2,222,221	2,770,549
Time deposits with original maturities less than three months	3,975,772	10,208,630	5,227,965
	$ 13,700,839	$ 18,100,737	$ 12,131,328

Cash and cash equivalents shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated balance sheets. The reconciliation information as of December 31, 2013 and 2012 was shown in the consolidated statements of cash flows; the reconciliation information as of January 1, 2012 was as follows:

	January 1, 2012
Cash and cash equivalents	$ 12,131,328
Bank overdraft	(3,225,944)
	$ 8,905,384

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets at FVTPL - current			
Financial assets designated as at FVTPL			
Mutual funds	$ 2,342,785	$ 1,740,313	$ 1,309,001
Structured notes	118,270	104,871	245,334
Listed shares	39,441	29,562	54,032
Convertible bonds	10,660	10,040	10,105
	2,511,156	1,884,786	1,618,472

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading			
Mutual funds	$ 1,091,978	$ 963,769	$ 1,091,136
Listed shares	1,091,299	744,231	349,448
Emerging market shares	283,883	304,655	315,040
Structured notes	20,053	38,517	60,592
Convertible bonds	12,250	-	-
Foreign exchange forward contracts	3,891	4,385	4,988
	2,503,354	2,055,557	1,821,204
	$ 5,014,510	$ 3,940,343	$ 3,439,676
Financial assets at FVTPL - noncurrent			
Financial assets held for trading			
Foreign exchange forward contracts	$ -	$ 259	$ 23,979
Financial liabilities at FVTPL - current			
Financial liabilities designated as at FVTPL			
Call and put options (Note 21)	$ 1,561	$ 36	$ -
Financial liabilities held for trading			
Foreign exchange forward contracts	7,533	4,326	90
	$ 9,094	$ 4,362	$ 90
Financial liabilities at FVTPL - noncurrent			
Financial liabilities held for trading			
Foreign exchange forward contracts	$ -	$ 1,739	$ -

(Concluded)

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

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2013			
Buy	NTD/USD	February 2014-April 2014	NTD154,417/USD5,304
Buy	NTD/JPY	February 2014- December 2014	NTD16,631/JPY46,270
Sell	USD/NTD	January 2014- February 2014	USD8,131/NTD240,507
Sell	EUR/NTD	February 2014	EUR801/NTD32,072
Sell	HKD/NTD	February 2014	HKD9,266/NTD35,158

(Continued)

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2012			
Buy	NTD/USD	January 2013-April 2014	NTD986,351/USD33,879
Buy	NTD/EUR	November 2013	NTD70,247/EUR1,906
Buy	NTD/JPY	February 2013-December 2014	NTD33,145/JPY92,540
Sell	USD/NTD	January 2013	USD7,231/NTD211,033
Sell	HKD/NTD	January 2013	HKD17,614/NTD66,318
January 1, 2012			
Buy	NTD/USD	June 2012	NTD30,165/USD1,000
Buy	NTD/JPY	October 2012-December 2014	NTD296,821/JPY832,860
Sell	USD/NTD	January 2012	USD2,127/NTD64,762
Sell	HKD/NTD	January 2012	HKD19,998/NTD77,897

(Concluded)

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Domestic investments			
Listed shares	$ 4,169,630	$ 2,753,953	$ 2,977,930
Mutual funds	1,043,144	1,956,298	2,350,840
Emerging market shares and unlisted shares	5,521	21,228	14,462
Structured notes	-	-	46,006
	5,218,295	4,731,479	5,389,238
Foreign investments			
Listed shares	72,142	53,536	473
	$ 5,290,437	$ 4,785,015	$ 5,389,711
Noncurrent			
Domestic investments			
Emerging market shares and unlisted shares	$ 7,471,575	$ 6,093,164	$ 6,201,729
Listed shares	2,385,264	1,452,169	1,388,160
Private-placement shares of listed companies	146,898	584,222	377,429
	10,003,737	8,129,555	7,967,318
Foreign investments			
Unlisted shares	11,286,722	6,944,826	5,949,776
Certificate of entitlement	5,023,220	1,546,939	809,021
Listed shares	1,786,932	1,542,774	1,604,068
	18,096,874	10,034,539	8,362,865
	$ 28,100,611	$ 18,164,094	$ 16,330,183

In May 2011, the subsidiary EVCC invested in Taiwan Liposome Company, Ltd. through its private placement and in September 2010, the Corporation invested in Rechi Precision Co., Ltd. through its private placement. According to the Securities Exchange Act, the securities acquired by private placement could be transferred freely in public market only after held for three years starting from the delivery date. Those securities of Rechi Precision Co., Ltd. held by the Corporation were transferred freely in public market in December 2013.

9. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Structured notes	$ -	$ -	$ 60,550
Noncurrent			
Guarantee debt certificates	$ 176,116	$ 174,123	$ 177,341
Structured notes	163,530	140,691	61,485
	339,646	314,814	238,826
Less: Accumulated impairment	129,655	129,655	129,655
	$ 209,991	$ 185,159	$ 109,171

10. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31, 2013	December 31, 2012	January 1, 2012
Derivative financial assets for hedging - current			
Foreign exchange forward contracts (a)	$ 30,501	$ 45,950	$ 115,768
Derivative financial assets for hedging - noncurrent			
Foreign exchange forward contracts (a)	$ 6,957	$ 5,481	$ 124,920
Interest rate swap contracts (b)	35,245	1,502	-
	$ 42,202	$ 6,983	$ 124,920
Derivative financial liabilities for hedging - current			
Foreign exchange forward contracts (a)	$ 44,281	$ 240,380	$ 53,331
Derivative financial liabilities for hedging - noncurrent			
Foreign exchange forward contracts (a)	$ 18,043	$ 57,772	$ 42,475
Interest rate swap contracts (b)	-	29,057	-
	$ 18,043	$ 86,829	$ 42,475

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

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
December 31, 2013			
Buy	NTD/USD	January 2014-December 2016	NTD2,313,237/USD79,139
Buy	NTD/EUR	January 2014-September 2015	NTD225,739/EUR5,792
Buy	NTD/JPY	January 2014-June 2015	NTD609,912/JPY1,949,613
Buy	NTD/GBP	January 2014-January 2015	NTD33,599/GBP731
Sell	USD/NTD	January 2014-March 2014	USD3,413/NTD101,697
December 31, 2012			
Buy	NTD/USD	January 2013-March 2016	NTD6,887,840/USD235,043
Buy	NTD/EUR	April 2013-March 2014	NTD357,293/EUR8,974
Buy	NTD/JPY	January 2013-June 2015	NTD1,450,688/JPY3,809,251
Buy	NTD/GBP	January 2014-January 2015	NTD212,200/GBP4,557
Sell	JPY/NTD	January 2013	JPY1,000,000/NTD339,200
January 1, 2012			
Buy	NTD/USD	January 2012-September 2015	NTD7,326,416/USD248,477
Buy	NTD/EUR	March 2012-December 2013	NTD749,840/EUR17,867
Buy	NTD/JPY	January 2012-June 2015	NTD2,095,837/JPY5,609,882
Buy	NTD/GBP	January 2012-January 2015	NTD449,199/GBP9,584
Sell	USD/NTD	January 2012-April 2012	USD1,171/NTD35,415

b. The subsidiary DSC entered into interest rate swap contracts to manage cash flow exposures arising from interest rate fluctuations on bank loans. The outstanding interest rate swap contracts of the subsidiary at the balance sheet date were as follows:

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
December 31, 2013			
NTD9,277,000	February 2017-July 2018	0.988%-1.14%	90 days TWD CPBA
December 31, 2012			
NTD9,277,000	February 2017-July 2018	0.988%-1.14%	90 days TWD CPBA

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

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ (274,276)	$ 144,882
Recognized in other comprehensive income	110,959	(487,721)

(Continued)

	For the Year Ended December 31	
	2013	2012
Recognized in other gains and losses	$ (15,964)	$ -
Transferred to construction in progress and equipment to be inspected	222,992	68,563
Transferred to foreign-currency equity investments	(976)	-
Transferred to operating revenues	(32,356)	-
Balance, end of year	$ 10,379	$ (274,276)

(Concluded)

11. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable - operating	$ 1,805,283	$ 1,490,986	$ 1,901,604
Less: Allowance for doubtful accounts	-	-	-
	$ 1,805,283	$ 1,490,986	$ 1,901,604
Accounts receivable	$ 10,787,154	$ 11,150,216	$ 10,862,977
Less: Allowance for doubtful accounts	17,492	57,957	168,880
	$ 10,769,662	$ 11,092,259	$ 10,694,097

The allowance for doubtful accounts was recognized based on estimated irrecoverable amounts determined by reference to the account aging analysis, past default experience of the customers and analysis of customers' current financial position. If not collected after demanding, the past due notes and accounts receivable of the Corporation would be fully recognized with allowance for doubtful accounts.

The Corporation and its subsidiaries had not recognized an allowance for some notes receivable and accounts receivable that are past due at the balance sheet date because there had not been a significant change in credit quality and the amounts were still considered recoverable. The Corporation and its subsidiaries did not hold any collateral or other credit enhancement for these balances. Aging analysis of notes and accounts receivable that are past due but not impaired was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Less than 31 days	$ 413,177	$ 272,328	$ 1,425,025
31-60 days	84,381	153,476	62,695
61-365 days	150,485	148,028	106,020
More than 365 days	54,818	9,457	20,467
	$ 702,861	$ 583,289	$ 1,614,207

Above analysis was based on the past due date.

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

	For the Year Ended December 31	
	2013	2012
Balance, beginning of the year	$ 57,957	$ 168,880
Add: Recognition	734	9,815
Less: Reversal	40,504	120,201
Write off	1,071	172
Others	376	(365)
Balance, end of the year	$ 17,492	$ 57,957

Aging analysis of impaired accounts receivable was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
61-365 days	$ 3,880	$ 3,758	$ -
More than 365 days	-	-	364
	$ 3,880	$ 3,758	$ 364

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

Included in the accounts receivable were retentions receivable from construction contracts, in the amount of NT$798,637 thousand, NT$752,511 thousand and NT$594,613 thousand as of December 31, 2013, December 31, 2012, and January 1, 2012, respectively. Retentions receivable from construction contracts did not bear interests; they were expected to be received upon the satisfaction of conditions specified in each contract for the payment of such amounts during retention periods, which were within normal operating cycle of the Corporation and its subsidiaries, usually more than twelve months. Refer to Note 12 for details on construction contracts.

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

For the years ended December 31, 2013 and 2012, the related information for the Corporation and CHSC's sale of accounts receivable was as follows:

Counterparty	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Year - End	Interest Rate on Advances Received (%)	Credit Line (In Billions of NT$)
For the Year Ended December 31, 2013						
Mega International Commercial Bank	$ 4,495,587	$ 13,605,009	$ 13,327,229	$ 4,773,367	1.24-1.51	$ 12
Bank of Taiwan	1,242,954	3,687,929	3,498,519	1,432,364	1.24-1.51	3
	$ 5,738,541	$ 17,292,938	$ 16,825,748	$ 6,205,731		

(Continued)

Counterparty	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Year - End	Interest Rate on Advances Received (%)	Credit Line (In Billions of NT$)
For the Year Ended December 31, 2012						
Mega International Commercial Bank	$ 4,786,918	$ 12,955,904	$ 13,247,235	$ 4,495,587	1.24-1.52	$ 12
Bank of Taiwan	1,509,756	3,428,554	3,695,356	1,242,954	1.24-1.52	3
	$ 6,296,674	$ 16,384,458	$ 16,942,591	$ 5,738,541		

(Concluded)

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

	December 31, 2013	December 31, 2012	January 1, 2012
Amounts due from customers for construction contracts			
Construction costs incurred plus recognized profits less recognized losses to date	$ 45,548,144	$ 51,503,969	$ 44,961,057
Less: Progress billings	38,238,674	44,071,303	36,244,828
Amounts due from customers for construction contracts	$ 7,309,470	$ 7,432,666	$ 8,716,229
Amounts due to customers for construction contracts			
Progress billings	$ 30,549,296	$ 26,919,821	$ 18,816,290
Less: Construction costs incurred plus recognized profits less recognized losses to date	24,730,847	23,272,465	16,612,809
Amounts due to customers for construction contracts	$ 5,818,449	$ 3,647,356	$ 2,203,481
Retentions receivable (Note 11)	$ 798,637	$ 752,511	$ 594,613
Retentions payable (Note 22)	$ 2,821,026	$ 1,438,996	$ 1,334,493

13. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Finished goods	$ 22,187,421	$ 17,898,814	$ 20,507,155
Work in progress	24,033,890	26,371,771	42,420,528
Raw materials	20,239,655	20,047,336	33,003,894
Supplies	8,233,416	8,757,229	7,797,472
Raw materials and supplies in transit	7,604,018	3,487,346	3,426,273
Others	291,212	304,522	122,187
	$ 82,589,612	$ 76,867,018	$ 107,277,509

The cost of inventories recognized as operating costs for the years ended December 31, 2013 and 2012 was NT$266,503,189 thousand and NT$301,175,786 thousand, respectively.

Movements of provision for loss on inventories were as follows:

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 4,519,281	$ 6,433,510
Add: Recognized	9,149,719	11,423,819
Less: Sold	8,991,667	13,338,048
Balance, end of year	$ 4,677,333	$ 4,519,281

14. BUILDINGS AND LANDS UNDER CONSTRUCTION – DECEMBER 31, 2013 ONLY

The subsidiary CPDC has planned a housing development project for a portion of land located in Shijia Section of the Qianzhen District in Kaohsiung City which was initially for the purpose of rental. The project has been approved by Urban Development Bureau, Kaohsiung City Government and is in the process of designing. The balances for the year end included:

Land under construction	$ 411,907
Construction in process	12,717
Payment for floor area	26,041
	$ 450,665

15. BOND INVESTMENTS WITH NO ACTIVE MARKET

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Bonds	$ 9,259	$ -	$ -
Noncurrent			
Unlisted preference shares - overseas			
East Asia United Steel Corporation (EAUS) - Preference A	$ 2,839,000	$ 3,364,000	$ 3,906,000
Others	-	15,594	14,817
Subordinated financial bonds	120,000	120,000	120,000
Bonds	14,651	36,492	9,405
	$ 2,973,651	$ 3,536,086	$ 4,050,222

In May 2003, the Corporation signed a slab production joint-venture contract with Sumitomo Metal Industries, Ltd. and Sumitomo Corporation. In July 2003, the joint venture company EAUS was established. The Corporation invested in EAUS JPY10 billion. 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.

16. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	% of Owner - ship	Amount	% of Owner - ship	Amount	% of Owner - ship
Unlisted companies						
7623704 Canada Inc.	$ 7,741,788	25	$ -	-	$ -	-
Kaohsiung Arena Development Corporation	768,674	29	772,724	29	770,611	29
Eminent II Venture Capital Corporation	557,366	46	247,611	46	-	-
Hsin Hsin Cement Enterprise Corp.	457,863	41	406,019	39	353,859	39
Chateau International Development Co., Ltd.	279,661	20	261,584	20	223,714	23
Wuhan Wisco Yutek Environment Techonology Co., Ltd.	240,989	49	-	-	-	-
Dyna Rechi Co., Ltd.	231,839	29	-	-	-	-
Ascentek Venture Capital Corp.	226,333	39	187,806	39	158,958	39
Kaohsiung Rapid Transit Corporation	-	-	54,783	32	384,668	32
Others	485,649		254,910		254,073	
	$ 10,990,162		$ 2,185,437		$ 2,145,883	

The subsidiary CSCAU invested NT$8,105,185 thousand (USD270,123 thousand) in 7623704 Canada Inc. and acquired 25% shareholding of ordinary shares. 7623704 Canada Inc. mainly engages in mining investment.

In the second half of 2013, the Corporation and its subsidiaries further invested NT$982,436 thousand in KRTC, acquiring 98,244 thousand shares, which increased the Corporation and its subsidiaries' total equity in KRTC to 50% (Note 31) and made KRTC a subsidiary of the Corporation.

The summarized financial information in respect of the Corporation and its subsidiaries' associates was set out below:

	December 31, 2013	December 31, 2012	January 1, 2012
Total assets	$ 55,991,666	$ 46,965,420	$ 47,546,504
Total liabilities	$ 11,145,123	$ 38,525,246	$ 38,908,113

	For the Year Ended December 31	
	2013	2012
Revenues	$ 7,085,120	$ 5,428,756
Net profit (loss)	$ 971,307	$ (702,920)
Other comprehensive income	$ 93,282	$ 105,913

The above investments accounted for using equity method as of December 31, 2013 and 2012 and the Corporation and its subsidiaries' share of profit and other comprehensive income of associates for the year ended December 31, 2013 and 2012 were based on the associates' audited financial statements for the same reporting period.

17. OTHER FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Pledged time deposits	$ 7,379,446	$ 6,922,444	$ 6,877,692
Time deposits with original maturities more than three months	3,896,332	2,344,180	5,285,687
Hedging foreign-currency deposits	2,169,062	4,223,472	3,710,159
Deposits for projects	84,953	19,636	28,750
Structured time deposits	-	13,982	-
	$ 13,529,793	$ 13,523,714	$ 15,902,288
Noncurrent			
Pledged receivables	$ 2,000,000	$ -	$ -
Pledged time deposits	297,349	299,396	310,662
Deposits for projects	42,424	25,423	24,998
Time deposits with original maturities more than three months	21,670	100,209	63,077
Hedging foreign-currency deposits	-	33,943	2,119,687
	$ 2,361,443	$ 458,971	$ 2,518,424

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation and its subsidiaries purchased foreign-currency deposits and entered into foreign exchange forward contracts (Note 10). As of December 31, 2013, December 31, 2012 and January 1, 2012, the balance of the foreign-currency deposits, which were designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT$2,169,062 thousand (JPY 1 billion, CNY80,000 thousand, USD38,501 thousand, EUR8,053 thousand and GBP 278 thousand), NT$4,257,415 thousand (JPY2.1 billion, USD110,290 thousand and EUR9,278 thousand) and NT$5,829,846 thousand (JPY2.3 billion, USD158,963 thousand, EUR3,147 thousand and GBP18 thousand), respectively. The unrealized gain of NT$36,162 thousand and loss of NT$240,869 thousand on the above deposits designated as hedging instruments were recognized as cash flow hedges in other comprehensive income for the years ended December 31, 2013 and 2012, respectively. For the years ended December 31, 2013 and 2012, the cash flow hedges in other equity transferred to construction in progress and equipment to be inspected were loss of NT$3,915 thousand and gain of NT$65,169 thousand, respectively. As of December 31, 2013, December 31, 2012 and January 1, 2012, cash outflows would be expected from aforementioned contracts during the periods from 2014 to 2015, from 2013 to 2015 and from 2012 to 2015, respectively.

Refer to Note 35 for information relating to other financial assets pledged as security.

18. PROPERTY, PLANT AND EQUIPMENT

For the year ended December 31, 2013

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost									
Balance at January 1, 2013	$ 59,559,883	$ 4,874,937	$ 88,028,362	$ 468,819,360	$ 21,192,946	$ 13,900,630	$ 10,243,979	$ 106,427,780	$ 773,047,877
Additions	860,974	2,000	19,411,818	95,214,356	3,537,134	1,525,700	1,131,875	(60,076,711)	61,607,146
Disposals	(3,338)	(493)	(40,991)	(4,135,829)	(44,489)	(301,507)	(1,032,969)	(447)	(5,560,063)
Reclassification	(36,588)	-	(184,701)	46,718	(102)	22,439	(56,542)	(364,427)	(573,203)
Effect of foreign currency exchange difference	(7,501)	-	65,432	42,989	(366,056)	3,021	-	157,599	(104,516)
Acquisitions through business combinations	21,626	-	6,508	170,835	780,156	156,564	-	7,102	1,142,791
Others	-	-	-	-	(3,286)	-	(667)	-	(3,953)
Balance at December 31, 2013	$ 60,395,056	$ 4,876,444	$ 107,286,428	$ 560,158,429	$ 25,096,303	$ 15,306,847	$ 10,285,676	$ 46,150,896	$ 829,556,079

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Accumulated depreciation and impairment									
Balance at January 1, 2013	$ 25,546	$ 4,280,648	$ 30,939,227	$ 281,284,466	$ 12,366,360	$ 8,595,923	$ 3,222,668	$ -	$ 340,714,838
Depreciation expense	-	71,264	3,015,443	24,317,766	1,095,395	1,255,344	1,509,856	-	31,265,068
Disposals	-	(438)	(26,393)	(4,008,301)	(42,804)	(291,674)	(1,032,969)	-	(5,402,579)
Impairment losses	-	-	-	282,763	-	-	-	-	282,763
Reclassification	-	-	(10,589)	(3,075)	(39)	(5,896)	-	-	(19,599)
Effect of foreign currency exchange difference	-	-	863	(49,409)	(481,827)	591	-	-	(529,782)
Acquisitions through business combinations	-	-	2,059	76,988	298,619	128,696	-	-	506,362
Others	-	-	-	-	(3,286)	-	-	-	(3,286)
Balance at December 31, 2013	$ 25,546	$ 4,351,474	$ 33,920,610	$ 301,901,198	$ 13,232,418	$ 9,682,984	$ 3,699,555	$ -	$ 366,813,785
Carrying amount at December 31,2013	$ 60,369,510	$ 524,970	$ 73,365,818	$ 258,257,231	$ 11,863,885	$ 5,623,863	$ 6,586,121	$ 46,150,896	$ 462,742,294

For the year ended December 31, 2012

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost									
Balance at January 1, 2012	$ 58,755,860	$ 4,878,097	$ 78,793,994	$ 434,953,386	$ 19,770,474	$ 13,510,173	$ 9,516,929	$ 96,341,541	$ 716,520,454
Additions	1,727	-	9,748,648	37,203,335	2,002,529	620,356	1,793,635	10,423,496	61,793,726
Disposals	(1,076)	(4,508)	(506,815)	(3,076,593)	(50,435)	(187,467)	(1,053,789)	-	(4,880,683)
Reclassification	615,887	1,348	40,932	(147,418)	137,547	(26,992)	(12,069)	(18,014)	591,221
Effect of foreign currency exchange difference	(200)	-	(54,480)	(120,633)	(666,524)	(8,161)	-	(319,243)	(1,169,241)
Acquisitions through business combinations	187,685	-	6,083	-	-	-	-	-	193,768
Others	-	-	-	7,283	(645)	(7,279)	(727)	-	(1,368)
Balance at December 31, 2012	$ 59,559,883	$ 4,874,937	$ 88,028,362	$ 468,819,360	$ 21,192,946	$ 13,900,630	$ 10,243,979	$ 106,427,780	$ 773,047,877

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Accumulated depreciation and impairment									
Balance at January 1, 2012	$ 11,826	$ 4,211,094	$ 28,636,020	$ 262,117,047	$ 11,886,704	$ 7,536,389	$ 2,920,169	$ -	$ 317,319,249
Depreciation expense	-	73,749	2,578,757	22,120,568	1,005,786	1,252,410	1,356,288	-	28,387,558
Disposals	-	(4,461)	(280,841)	(2,938,453)	(49,534)	(172,684)	(1,053,789)	-	(4,499,762)
Impairment losses	13,720	-	2,803	31,545	-	-	-	-	48,068
Reclassification	-	266	5,790	(5,519)	9,958	(10,323)	-	-	172
Effect of foreign currency exchange difference	-	-	(9,385)	(45,215)	(486,159)	(5,139)	-	-	(545,898)

(Continued)

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Acquisitions through business combinations	$ -	$ -	$ 6,083	$ -	$ -	$ -	$ -	$ -	$ 6,083
Others	-	-	-	4,493	(395)	(4,730)	-	-	(632)
Balance at December 31, 2012	$ 25,546	$ 4,280,648	$ 30,939,227	$ 281,284,466	$ 12,366,360	$ 8,595,923	$ 3,222,668	$ -	$ 340,714,838
Carrying amount at December 31,2012	$ 59,534,337	$ 594,289	$ 57,089,135	$ 187,534,894	$ 8,826,586	$ 5,304,707	$ 7,021,311	$ 106,427,780	$ 432,333,039
Carrying amount at January 1,2012	$ 58,744,034	$ 667,003	$ 50,157,974	$ 172,836,339	$ 7,883,770	$ 5,973,784	$ 6,596,760	$ 96,341,541	$ 399,201,205

(Concluded)

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

Land improvements	
Drainage system	40 years
Wharf	20-40 years
Canal	15 years
Others	5 years
Buildings	
Main structure	30-60 years
Facility	20-30 years
Mechanical and electrical facilities	8-20 years
Trellis and corrugated iron building	5-10 years
Others	2-6 years
Machinery and equipment	
Power equipment	15-25 years
Process equipment	8-15 years
Lifting equipment	8-10 years
Electrical equipment	5-15 years
High-temperature equipment	5-10 years
Examination equipment	3-10 years
Others	2-8 years
Transportation	
Ship equipment	18-25 years
Railway equipment	10-20 years
Transportation equipment	2-10 years
Telecommunication equipment	4-8 years
Others	2 years
Other equipment	
Leasehold improvement	3-35 years
Tank	8-18 years
Office, air condition and extinguishment equipment	3-12 years
Computer equipment	3-10 years
Others	2-15 years

The subsidiary CHSC bought farmlands for warehousing at the Jia Xing Section and Bai Mi Section of the Gangshan District in Kaohsiung City. However, certain regulations prohibit CHSC from registering the title of these farmlands in CHSC's name; thus, the registration was made in the name of an individual person. The individual person consented to fully cooperate with CHSC in changing the land title in the future and pledged the land to CHSC as collateral. The Kaohsiung City government levied some parts of Jia Xing Section farmlands in May 2012. As of December 31, 2013, December 31, 2012 and January 1, 2012, the book value of those remaining farmlands was NT$66,753 thousand, NT$66,753 thousand and NT$66,823 thousand, respectively.

Refer to Note 35 for the carrying amount of property, plant and equipment that had been pledged by the Corporation and its subsidiaries to secure borrowings.

19. INVESTMENT PROPERTIES

For the year ended December 31, 2013

	Land	Buildings	Total
Cost			
Balance at January 1, 2013	$ 8,666,564	$ 2,478,766	$ 11,145,330
Additions	5,330	5,979	11,309
Disposals	-	(223)	(223)
Reclassification	(375,318)	167,271	(208,047)
Effect of foreign currency exchange difference	(29,823)	(62,258)	(92,081)
Balance at December 31, 2013	$ 8,266,753	$ 2,589,535	$ 10,856,288
Accumulated depreciation and impairment			
Balance at January 1, 2013	$ 1,920,494	$ 535,700	$ 2,456,194
Depreciation expense	-	80,333	80,333
Disposals	-	(167)	(167)
Reversals of impairment losses recognized in profit or loss	(29,463)	-	(29,463)
Reclassification	-	13,704	13,704
Effect of foreign currency exchange difference	-	(1,562)	(1,562)
Balance at December 31, 2013	$ 1,891,031	$ 628,008	$ 2,519,039
Carrying amount at December 31,2013	$ 6,375,722	$ 1,961,527	$ 8,337,249

For the year ended December 31, 2012

	Land	Buildings	Total
Cost			
Balance at January 1, 2012	$ 9,053,139	$ 2,067,723	$ 11,120,862
Additions	252,966	462,216	715,182
Disposals	-	(3,110)	(3,110)
Reclassification	(615,887)	-	(615,887)
Effect of foreign currency exchange difference	(23,654)	(48,063)	(71,717)
Balance at December 31, 2012	$ 8,666,564	$ 2,478,766	$ 11,145,330
Accumulated depreciation and impairment			
Balance at January 1, 2012	$ 1,978,307	$ 452,428	$ 2,430,735
Depreciation expense	-	85,091	85,091
Disposals	-	(875)	(875)

(Continued)

	Land	Buildings	Total
Reversals of impairment losses recognized in profit or loss	$ (57,813)	$ -	$ (57,813)
Effect of foreign currency exchange difference	-	(944)	(944)
Balance at December 31, 2012	$ 1,920,494	$ 535,700	$ 2,456,194
Carrying amount at December 31,2012	$ 6,746,070	$ 1,943,066	$ 8,689,136
Carrying amount at January 1,2012	$ 7,074,832	$ 1,615,295	$ 8,690,127

(Concluded)

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

Buildings	
Main structure	30-60 years
Mechanical and electrical facilities	8-20 years
Others	5-7 years

The fair value of the investment properties was arrived at on the basis of valuation carried out on August 30, 2011 and December 31, 2013 by independent appraisers, who are not related parties and on the basis of information on Ministry of the Interior's real estate transaction database website. Lands and buildings were both valued under market approach and income approach. The important assumptions and fair value were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Fair value	$ 11,285,636	$ 9,934,804	$ 10,000,253
Depreciation rate	1.9%-2.57%	1.8-1.9%	1%-1.9%
Discount rate	2.13%-5.5%	-	-

All of the Corporation and its subsidiaries' investment properties were held under freehold interests. Refer to Note 35 for the carrying amount of the investment properties that had been pledged by the Corporation and its subsidiaries to secure borrowings.

20. BORROWINGS

a. Short-term borrowings and bank overdraft

	December 31, 2013	December 31, 2012	January 1, 2012
Unsecured loans - interest at 0.64%-3.27% p.a., 0.54%-7.80% p.a. and 0.78%-4.80% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	$ 21,981,951	$ 21,263,916	$ 50,615,146
Letters of credit - interest at 0.57%-1.75% p.a., 0.53%-1.48% p.a. and 0.74%-1.50% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	3,367,143	3,130,015	6,076,920

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Bank overdraft - interest at 0.43%-7.35% p.a., 0.50%-6.16% p.a. and 0.50%-7.32% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	$ 3,159,397	$ 1,141,481	$ 3,225,944
Secured loans - interest at 5.04%-6.16% p.a. and 5.88%-6.16% p.a. as of December 31, 2013 and December 31, 2012, respectively	144,108	101,665	-
	$ 28,652,599	$ 25,637,077	$ 59,918,010

(Concluded)

The amount of AUD53,595 thousand (NT$1,424,832 thousand), which is included in the above unsecured loans as of December 31, 2013; the amount of USD131,733 thousand (NT$3,825,526 thousand), which is included in the above unsecured loans as of December 31, 2012, were used to hedge the exchange rate fluctuations on investment in CSCAU and CSVC.

Starting January 2013, the subsidiary CCSPMC entered into several credit facility agreements with Taipei Fubon Bank and several banks. Under the agreements, the Corporation and its subsidiaries should collectively hold 70% of the CCSPMC's equity and 75% of the seats in the board of directors and supervisors. As of December 31, 2013, the Corporation held 70% equity of CCSPMC and three-quarters of the seats in the board of directors and supervisors.

b. Short-term bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper - interest at 0.45%-1.11% p.a., 0.73%-1.38% p.a. and 0.45%-1.16% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	$ 30,798,800	$ 28,699,900	$ 22,368,800
Less: Unamortized discounts	12,500	20,470	10,900
	$ 30,786,300	$ 28,679,430	$ 22,357,900

The above commercial paper was secured by Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Taching Bill Finance Ltd., Dah Chung Bills Finance Corp., Grand Bills Finance Corp., Union Bank of Taiwan, Taiwan Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Mega International Commercial Bank and Taiwan Cooperative Bank, etc.

c. Long-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
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 both at 1.59% p.a. as of December 31, 2013 and December 31, 2012	$ 5,903,077	$ 6,980,000	$ -

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Repayable in March 2019 with a revolving credit, interest at 1.59%-1.60% p.a. and 1.60-1.61% p.a. as of December 31, 2013 and December 31, 2012, respectively	$ 4,050,000	$ 4,500,000	$ -
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 1.45% p.a.	-	-	1,714,286
Bank of Taiwan and other banks loan to DSC			
Repayable in 14 equal semiannual installments from January 2012 to July 2018, interest at 1.31%-1.35% p.a., 1.32%-1.36% p.a. and 1.28%-1.32% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	36,928,000	44,314,000	51,700,000
Repayable in 10 equal semiannual installments from August 2012 to February 2017, interest at 1.49%-1.54% p.a., 1.52%-1.57% p.a. and 1.49%-1.54% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	14,000,000	18,000,000	500,000
Repayable in 10 equal semiannual installments from June 2015 to December 2019, interest at 1.58% p.a.	8,000,000	-	-
Taiwan Cooperative Bank and other banks loan to HLSC			
Repayable in June 2015 with a revolving credit, interest at 1.51%-1.56% p.a., 1.54%-1.58% p.a., and 1.50%-1.55% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	2,300,000	2,400,000	2,400,000
Chinatrust Commercial Bank and other banks loan to CSCI			
Repayable in 5 semiannual installments from June 2017 to June 2019, interest at 2.10% p.a.	2,392,697	-	-
Mega International Commercial Bank and other banks loan to CSVC			
Repayable in 10 semiannual installments from September 2015 to March 2020, interest at 1.60%-1.85% p.a.	3,755,430	-	-

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Bank of Taiwan and other banks loan to the Corporation			
Repayable in full in July 2018, interest at 2.56% p.a.	$ 6,442,300	$ -	$ -
Bank of Taiwan and other banks loan to the Corporation			
Repayable in full in July 2016, interest at 2.52% p.a.	1,354,138	-	-
Mortgage loans (Note 35)			
Due on various dates through April 2032, interest at 0.88%-1.80% p.a., 0.56%-1.80% p.a. and 0.56%-1.71% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	11,369,428	16,970,602	17,914,900
Bank loans			
Due on various dates through April 2019, interest at 0.44%-3.90% p.a., 0.50%-4.79% p.a., and 0.54%-5.65% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	31,146,867	20,240,552	13,144,397
	127,641,937	113,405,154	87,373,583
Less: Syndicated loan fee	153,203	170,571	124,385
Current portion	19,426,467	20,979,088	11,715,737
	$ 108,062,267	$ 92,255,495	$ 75,533,461

(Concluded)

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

   In September 2006, the subsidiary CHSC entered into a syndicated credit facility agreement with Mega International Commercial Bank and 20 other banks for a NT$14 billion credit line, which consists of NT$6 billion secured loans with a non-revolving credit line, repaid in March 2012, and NT$8 billion unsecured loans with a revolving credit line. In October 2010 and February 2011, 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 loans with a revolving credit line and NT$2.5 billion unsecured loans with a revolving credit line. No unsecured loan was used as of December 31, 2013. Under the agreement, CHSC and its related parties should hold at least 51% of the HLSC's issued shares and hold over half of the seats in the board of directors and supervisors. Starting 2010, HLSC should meet some financial ratios and criteria.

   The amounts referring to the above financial ratios and criteria should be based on audited annual financial statements. If CHSC and HLSC breach the agreements, they should take remedial measures within half a year from the next day of the financial statements' declaration date; otherwise, the interest rate and the rate of the guarantee fee need to be adjusted in accordance with the agreement. As of December 31, 2013 and 2012, CHSC and HLSC were in compliance with the syndicated credit facility agreement. As of December 31, 2013, the Corporation held directly and indirectly 41% equity of CHSC and held over half of the seats in the board of directors and controlled its operation; CHSC held 100% equity of HLSC and all of the seats in the board of directors and supervisors.

2) In July 2012, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 17 other banks for a NT$35 billion credit line, which consists of NT$30 billion secured loans with a non-revolving credit line and NT$5 billion secured commercial paper with a revolving credit line; in December 2009, the subsidiary DSC entered into another syndicated credit facility agreement with Bank of Taiwan and 12 other banks for a NT$20 billion credit line; in February 2008, DSC entered into the other syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT$51.7 billion credit line. As of December 31, 2013, NT$8 billion secured loan and all secured commercial paper (recognized as long-term bills payable) were used. Under the agreement, the Corporation and its related parties should collectively hold at least 80%, 80% and 40% of DSC's issued shares and hold half or more of the seats in the board of directors. Starting 2012, DSC should meet some financial ratios and criteria.

   The amounts referring to the above financial ratios and criteria should be based on audited annual financial statements. If DSC breaches the financial ratios or the agreements, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare DSC's outstanding principal and interest to maturity as due, and request DSC to immediately settle. As of December 31, 2012 and 2013, DSC was in compliance with the syndicated credit facility agreement. As of December 31, 2013, the Corporation held 100% equity of DSC and all of the seats in the board of directors.

3) In October 2012, the subsidiary CSVC entered into a syndicated credit facility agreement with Mega International Commercial Bank and 11 other banks for a USD246,000 thousand credit line, which consists of USD126,000 thousand long-term borrowings with a non-revolving credit line and USD120,000 thousand short-term borrowings for operation with a revolving credit line. Under the agreement, the Corporation and its related parties should collectively hold at least 50% of CSVC's issued shares and majority of the seats in the board of directors. Starting 2014, CSVC should meet some financial ratios and criteria. As of December 31, 2013, the Corporation held 51% equity of CSVC and over half of the seats in the board of directors.

4) In January 2013, the subsidiary CSCI entered into a syndicated credit facility agreement with Chinatrust Commercial Bank and 9 other banks for a USD110,000 thousand revolving credit line. Under the agreement, the Corporation and its related parties should collectively hold at least 75% of CSCI's issued shares and hold two-thirds or more of the seats in the board of directors. If CSCI expands or invites new strategic investors, the Corporation and its related parties should collectively hold at least 60% of CSCI's issued shares and hold half or more of the seats in the board of directors. Starting 2013, CSCI should meet some financial ratios and criteria. Based on the financial statements for the year ended December 31, 2013, CSCI got the consent of the syndicated banks in December 2013 and expected to increase capital before June 2014. CSCI could meet the criteria relating to tangible net worth after capital increase. As of December 31, 2013, the Corporation held 100% equity of CSCI and all of the seats in the board of directors.

5) In July 2013, the Corporation entered into a syndicated credit facility agreement with Bank of Taiwan and 11 other banks for a CAD278,000 thousand unsecured non-revolving credit line. Under the agreement, the Corporation should meet some financial ratios and criteria which were based on reviewed consolidated financial statements as of June 30 and audited annual consolidated financial statements. If the Corporation breaches the financial ratios or the agreements, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare the Corporation's outstanding principal and interest to maturity as due, and request the Corporation to settle immediately. As of December 31, 2013, the Corporation was in compliance with the syndicated credit facility agreement.

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

d. Long-term bills payable

	December 31, 2013	December 31, 2012	January 1, 2012
Commercial paper - interest at 0.65%-1.76% p.a., 0.79%-1.24% p.a. and 0.77%-1.21% p.a. as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively	$ 29,900,000	$ 26,800,000	$ 24,830,000
Secured commercial paper in syndicated bank loans - interest at 1.18% p.a. and 1.21% p.a. as of December 31, 2013 and December 31, 2012, respectively	5,000,000	5,000,000	-
	34,900,000	31,800,000	24,830,000
Less: Unamortized discounts	17,967	16,269	16,281
	$ 34,882,033	$ 31,783,731	$ 24,813,719

The Corporation and its subsidiaries entered into fixed rate commercial paper contracts with bills finance corporations and banks. 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 bills payable.

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

The above commercial paper was secured by Mega International Commercial Bank and ANZ Bank (Taiwan).

21. BONDS PAYABLE

	December 31, 2013	December 31, 2012	January 1, 2012
5-year unsecured bonds - issued at par by the Corporation in:			
December 2008; repayable in December 2012 and December 2013; interest at 2.08% p.a., payable annually	$ -	$ 6,475,000	$ 12,950,000
December 2008; repayable in December 2012 and December 2013; interest at 2.42% p.a., payable annually	-	4,800,000	9,600,000
October 2011; repayable in October 2015 and October 2016; interest at 1.36% p.a., payable annually	9,300,000	9,300,000	9,300,000

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
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	$ 7,000,000
October 2011; repayable in October 2017 and October 2018; interest at 1.57% p.a., payable annually	10,400,000	10,400,000	10,400,000
August 2012, repayable in August 2018 and August 2019; interest at 1.37% p.a., payable annually	5,000,000	5,000,000	-
July 2013, repayable in July 2019 and July 2020; interest at 1.44% p.a., payable annually	6,300,000	-	-
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	15,000,000	-
July 2013, repayable in July 2022 and July 2023; interest at 1.60% p.a., payable annually	9,700,000	-	-
15-year unsecured bonds - issued at par by the Corporation in:			
July 2013, repayable 30% in July 2026 and July 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	3,600,000	-	-
Liability component of unsecured domestic convertible bonds - issued by CEC and TMTC	73,100	425,100	-
Liability component of secured domestic convertible bonds - issued by TMTC	194,300	-	-
	66,567,400	58,400,100	49,250,000
Add: Accrued interest	-	916	-
Less: Issuance cost of bonds payable	55,879	44,475	35,574
Unamortized discount on bonds payable	17,766	14,771	-
Current portion	3,499,318	11,272,543	11,270,086
	$ 62,994,437	$ 47,069,227	$ 37,944,340

(Concluded)

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. From one month after the issuance date to 10 days before the maturity date, bondholders may request CEC to convert the bonds into its ordinary shares. From one month after the issuance date to 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 December 31, 2013, the convertible bonds have been fully converted into CEC's ordinary share.

In September 2013, the subsidiary TMTC issued NT$200,000 thousand of 3-year secured domestic convertible bonds at par from September 2013 to September 2016 which were secured by Hua Nan Commercial Bank. From one month after the issuance date to 10 days before the maturity date, bondholders may request TMTC to convert the bonds into its ordinary shares (except for the related book closure period). On the repurchase date, two years after the issuance date, bondholders may request TMTC to repurchase the bonds at their face value plus interest (1.9090% of face value, yield to put 0.95%) by cash in five trading days. From one month after the issuance date to 40 days before the maturity date, if the closing price of TMTC's shares on the Taiwan GreTai Securities 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 bonds, TMTC may redeem the remaining bonds at their face value by cash in five trading days after the redemption date. As of December 31, 2013, the convertible bonds with NT$5,700 thousand face value have been converted into NT$2,298 thousand ordinary share capital.

In September 2013, the subsidiary TMTC issued NT$100,000 thousand of 5-year unsecured domestic convertible bonds at par from September 2013 to September 2018. From one month after the issuance date to 10 days before the maturity date, bondholders may request TMTC to convert the bonds into its ordinary shares (except for the related book closure period). On the repurchase dates, two years, three years and four years after the issuance date, bondholders may request TMTC to repurchase the bonds at their face value plus interest (2.5156%, 3.7971% and 5.0945% of face value for two years, three years and four years, respectively, yield to put 1.25%) by cash in five trading days. From one month after the issuance date to 40 days before the maturity date, if the closing price of TMTC's shares on the Taiwan GreTai Securities 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 bonds, TMTC may redeem the remaining bonds at their face value by cash in five trading days after the redemption date. As of December 31, 2013, the convertible bonds with NT$26,900 thousand face value have been converted into NT$10,847 thousand ordinary share capital.

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

22. ACCOUNTS PAYABLE

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

23. OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
Purchase of equipment	$ 8,869,389	$ 6,248,398	$ 5,458,948
Salaries and incentive bonus	6,339,587	5,791,500	6,348,237
Bonus to employees, and remuneration to directors and supervisors	1,582,465	782,026	1,918,073
Sales returns and discounts	1,035,974	1,468,272	1,289,831
Interest payable	484,738	300,786	189,655
Outsourced repair and construction	361,873	823,491	522,613
Others	5,251,731	5,077,392	5,132,375
	$ 23,925,757	$ 20,491,865	$ 20,859,732

24. PROVISIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Current			
Onerous contracts (a)	$ 2,293,019	$ 1,378,181	$ 1,941,792
Construction warranties (b)	632,341	764,562	868,016
Sales discounts (c)	-	25,754	-
Others	43,478	7,682	822
	$ 2,968,838	$ 2,176,179	$ 2,810,630
Noncurrent			
Provision for stabilization funds (d)	$ 1,026,382	$ -	$ -
Others	40,705	-	-
	$ 1,067,087	$ -	$ -

	Onerous Contracts	Construction Warranties	Sale Discounts	Provision for Stabilization Fund	Others	Total
Balance at January 1, 2013	$ 1,378,181	$ 764,562	$ 25,754	$ -	$ 7,682	$ 2,176,179
Recognized (reversed)	3,873,651	(131,970)	486,955	-	99,006	4,327,642
Paid	(2,958,813)	(251)	(512,709)	-	(22,505)	(3,494,278)
Acquisitions through business combinations	-	-	-	1,025,621	-	1,025,621
Others	-	-	-	761	-	761
Balance at December 31, 2013	$ 2,293,019	$ 632,341	$ -	$ 1,026,382	$ 84,183	$ 4,035,925
Balance at January 1, 2012	$ 1,941,792	$ 868,016	$ -	$ -	$ 822	$ 2,810,630
Recognized (reversed)	2,001,793	(103,175)	1,251,754	-	6,860	3,157,232
Paid	(2,565,404)	(279)	(1,226,000)	-	-	(3,791,683)
Balance at December 31, 2012	$ 1,378,181	$ 764,562	$ 25,754	$ -	$ 7,682	$ 2,176,179

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

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

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

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

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Corporation and its domestic subsidiaries adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation and its domestic subsidiaries make contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Measures for the Regulation of the Income and Expenditure, Investment, and Management of the Workers' Retirement Fund, the minimum return of yearly final appropriation generated through the use of Labor Pension Fund should not be below the return calculated on the interest rate for a 2-year time deposit with local banks. The Corporation and its subsidiaries, such as CSGT, ICSC, CHC, etc., also makes contributions, equal to a certain percentage of salaries of management personnel, to another pension fund, which are deposited and administered by the officers' pension fund management committee. The Corporation and its subsidiaries, such as CSAC, CHSC, CSCC, etc., also set up rules of consolation payment and holiday benefits, which are defined benefit plans.

The most recent present values of plan assets and defined benefit obligations were calculated by licensed actuary. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	1.50%-2.00%	1.25%-1.80%	1.46%-2.00%
Expected rate of return on plan assets	1.20%-2.00%	1.20%-1.88%	1.00%-2.00%
Expected rate of salary increase	1.00%-3.25%	1.00%-3.00%	1.00%-3.00%

The overall expected rate of return on plan assets was based on historical return trends and actuaries' predictions of the market for the asset over the life of the related obligation, with the consideration of the plan assets' performance and the effect of the minimum return.

The gains (losses) related to defined benefit plans were recognized as follows:

	For the Year Ended December 31	
	2013	2012
Current service cost	$ 913,348	$ 927,301
Interest cost	388,811	514,914
Expected return on plan assets	(393,924)	(437,924)
Actuarial gains and losses	(690)	(34)
Past service cost	12,450	12,450

(Continued)

	For the Year Ended December 31	
	2013	**2012**
Gains arising from curtailment or settlement	$ (1,982)	$ (31,802)
Others	3,312	212
	$ 921,325	$ 985,117
Analysis by function		
Operating costs	$ 650,742	$ 778,680
Operating expenses	261,263	196,419
Others	9,320	10,018
	$ 921,325	$ 985,117

(Concluded)

For the years ended December 31, 2013 and 2012, the Corporation and its subsidiaries recognized actuarial gains NT$128,090 thousand and NT$63,752 thousand as other comprehensive income, respectively. As of December 31, 2013 and 2012, the accumulated actuarial gains recognized as other comprehensive income were NT$191,842 thousand and NT$63,752 thousand, respectively.

The amount included in the consolidated balance sheets arising from the Corporation and its subsidiaries' obligations in respect of their defined benefit plans was as follows:

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Present value of funded defined benefit obligation	$ 30,508,900	$ 30,703,274	$ 30,425,300
Fair value of plan assets	(23,236,859)	(23,048,574)	(22,563,432)
Deficit	7,272,041	7,654,700	7,861,868
Net actuarial gains (losses) not recognized	6,400	(3,686)	442
Past service cost not yet recognized	(59,019)	(94,190)	(83,920)
Others	98	(5,615)	244
Prepaid (accrued) pension liabilities - recognized as other payables or other current assets	17,648	(111,927)	(107,634)
Accrued pension liabilities	$ 7,237,168	$ 7,439,282	$ 7,671,000

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2013	**2012**
Defined benefit obligation, beginning of year	$ 30,703,274	$ 30,425,300
Current service cost	913,348	927,301
Interest cost	388,811	514,914
Actuarial gains	(264,088)	(297,843)
Benefits paid	(1,124,884)	(562,518)
Effects of changing the plan	-	17,401
Contributions of employee returning	11,765	13,651
Effects of curtailment and settlement	(123,677)	(340,176)
Others	4,351	5,244
Defined benefit obligation, end of year	$ 30,508,900	$ 30,703,274

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2013	2012
Fair value of plan assets, beginning of year	$ 23,048,574	$ 22,563,432
Expected return on plan assets	394,916	439,301
Actuarial losses	(98,478)	(218,293)
Contributions from the employer	1,020,743	1,014,933
Contributions of employee returning	11,756	12,281
Benefits paid	(1,018,549)	(454,706)
Payments of settlements	(121,695)	(308,374)
Other	(408)	-
Fair value of plan assets, end of year	$ 23,236,859	$ 23,048,574

The percentages of the major categories of plan assets at the balance sheet date were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor website:

	December 31, 2013	December 31, 2012	January 1, 2012
Cash equivalents	23	25	24
Equity securities	45	38	41
Debt securities	32	37	35
	100	100	100

The Corporation and its subsidiaries chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (Refer to Note 40):

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 30,508,900	$ 30,703,274	$ 30,425,300
Fair value of plan assets	$ 23,236,859	$ 23,048,574	$ 22,563,432
Deficit	$ 7,272,041	$ 7,654,700	$ 7,861,868
Experience adjustments on plan liabilities	$ (264,088)	$ (297,843)	$ -
Experience adjustments on plan assets	$ (98,478)	$ (218,293)	$ -

The Corporation and its subsidiaries expect to make a contribution of NT$1,016,593 thousand to the defined benefit plans during the annual period beginning after 2013.

26. EQUITY

a. Share capital

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of shares authorized (in thousands)	17,000,000	17,000,000	17,000,000
Shares authorized	$ 170,000,000	$ 170,000,000	$ 170,000,000

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of shares issued and fully paid (in thousands)			
Ordinary shares (in thousands)	15,425,584	15,272,477	15,046,209
Preference shares (in thousands)	38,268	38,268	38,268
	15,463,852	15,310,745	15,084,477
Shares issued			
Ordinary shares	$ 154,255,840	$ 152,724,765	$ 150,462,093
Preference shares	382,680	382,680	382,680
	$ 154,638,520	$ 153,107,445	$ 150,844,773

(Concluded)

1) Ordinary shares

Fully paid ordinary shares, which have a par value of NT$10, carry one vote per share and the right to dividends.

In August 2013 and 2012, the Corporation issued 153,107 thousand and 226,268 thousand ordinary shares through capitalization of retained earnings of NT$1,531,075 thousand and NT$2,262,672 thousand; the capital increase has been registered with the government.

2) Preference shares

Preference shareholders have the following entitlements or rights:

a) 14% annual dividends, with dividend payments ahead of those to ordinary shareholders;

b) Preference over ordinary shares in future payment of dividends in arrears;

c) The sequence and percentage of appropriation of residual property are the same with ordinary shares.

d) The same rights as ordinary shareholders, except the right to vote for directors and supervisors; and

e) Redeemable by the Corporation and convertible to ordinary shares by preference shareholders with the ratio of 1:1.

3) Overseas depositary receipts

In May 1992, February 1997, October 2003 and August 2011, for the purpose of working capital expansion and in accordance with the instruction of the MOEA, the largest shareholder of the Corporation, the Corporation issued 126,512,550 units of GDR. The depositary receipts then increased by 6,875,837 units resulting from the capital increase out of retained earnings. Each unit represents 20 shares of the Corporation's ordinary shares and the issued GDRs account for the Corporation's ordinary shares totaling 2,667,768,015 shares (including 275 fractional shares). Under relevant regulations, the GDR holders may also request the conversion to the shares represented by the GDR. The foreign investors may also request the reissuance of such depositary receipts within the originally approved units. As of December 31, 2013, December 31, 2012, and January 1, 2012, the outstanding depositary receipts were 3,511,961 units, 2,930,471 units and 3,396,550 units, equivalent to 70,239,515 ordinary shares (including 295 fractional shares), 58,609,704 ordinary shares (including 284 fractional shares) and 67,931,271 ordinary shares (including 271 fractional shares), which represented 0.46%, 0.38% and 0.45% of the outstanding ordinary shares, respectively.

b. Capital surplus

	December 31, 2013	December 31, 2012	January 1, 2012
Additional paid-in capital	$ 31,154,766	$ 31,154,766	$ 31,154,766
Treasury share transactions	5,487,610	5,332,432	5,021,515
Share of change in capital surplus of associates	310,343	80,700	216
Others	8,099	8,099	8,099
	$ 36,960,818	$ 36,575,997	$ 36,184,596

The capital surplus from premium on shares issued in excess of par and treasury share transactions, when the Corporation has no deficit, may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Corporation's capital surplus and once a year). The capital surplus from investments accounted for using equity method may not be used for any purpose.

c. Retained earnings and dividend policy

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

1) 10% as legal reserve;

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

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

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

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

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

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

For the year ended December 31, 2013, the bonus to employees and remuneration to directors and supervisors were NT$1,133,084 thousand and NT$21,245 thousand, respectively, and for the year ended December 31, 2012 the related amounts were NT$414,141 thousand and NT$7,765 thousand, respectively. 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 the past experiences. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and share dividends) of the shares at the date preceding the shareholders' meeting.

Under Rule 89 No. 100116 issued by the Securities and Futures Bureau of the FSC and Rule No. 0950000507 issued by the FSC, certain amount of unappropriated earnings shall be transferred to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance. Under Rule 89 No. 05044 and Rule 91 No. 170010 issued by Securities and Futures Bureau of the FSC, if the market price of the Corporation's ordinary shares held by subsidiaries is lower than the carrying value of the Corporation's shares held by subsidiaries, the Corporation should appropriate a special reserve equal to the difference between market price and carrying value multiplied by the percentage of ownership. Any special reserve appropriated may be reversed to the extent of the increase in valuation. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Corporation had fully reversed the special reserve for the net debit balance for the adjustments to equity, and the remaining unreversed special reserve was held for the capital demand of certain expansion projects.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, the Corporation should appropriate to a special reserve an amount equal to the total of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Corporation's use of exemptions under IFRSs. However, at the transition date, 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 appropriated as above may be reversed in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed. The special reserve appropriated on the first-time adoption of IFRSs may be used to offset deficit in subsequent years. No appropriation of earnings shall be made until any shortage of the aforementioned special reserve is appropriated in subsequent years, if the Corporation has earnings and the original need to appropriate for special reserve is not eliminated (Refer to d. Special reserves appropriated following first-time adoption of IFRSs).

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

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

The appropriations of earnings for 2012 and 2011 had been approved in the shareholders' meeting on June 19, 2013 and June 15, 2012, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	2012	**2011**	**2012**	**2011**
Legal reserve	$ 581,149	$ 1,949,368		
Preference shares				
Cash dividends	49,748	47,835	$ 1.30	$ 1.25
Share dividends	3,827	5,740	0.10	0.15
			$ 1.40	$ 1.40
Ordinary shares				
Cash dividends	6,108,990	15,196,671	$ 0.40	$ 1.01
Share dividends	1,527,248	2,256,932	0.10	0.15
	$ 8,270,962	$ 19,456,546	$ 0.50	$ 1.16

The reversal of the special reserve NT$2,325,000 thousand had been approved in the shareholders' meeting in 2013.

The bonus to employees and remuneration to directors and supervisors (distributed in cash) for 2012 and 2011 approved in the above shareholders' meetings, respectively, were as follows:

	For the Year Ended December 31			
	2012		2011	
	Bonus to Employees	**Remuneration to Directors and Supervisors**	**Bonus to Employees**	**Remuneration to Directors and Supervisors**
Amounts approved in shareholders' meetings	$ 414,141	$ 7,765	$ 1,399,259	$ 26,236
Amounts recognized in respective financial statements	414,141	7,765	1,399,259	26,236
Difference	$ -	$ -	$ -	$ -

The appropriations of earnings for 2012 were proposed according to the Corporation's financial statements for the year ended December 31, 2012, which were prepared in accordance with the former Regulations Governing the Preparation of Financial Reports by Securities Issuers and ROC GAAP, and by reference to the balance sheet for the year ended December 31, 2012, which were prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (revised) and IFRSs.

The appropriations of earnings for 2013 had been proposed in the board of directors' meeting on March 21, 2014. The appropriations and dividends per share were as follows:

	Appropriations of Earnings	**Dividends Per Share (NT Dollars)**
Legal reserve	$ 1,598,154	
Special reserve	166,266	
Preference shares		
Cash dividends	45,922	$ 1.2
Share dividends	7,653	0.2
		$ 1.4
Ordinary shares		
Cash dividends	10,797,909	$ 0.7
Share dividends	3,085,117	0.2
		$ 0.9

The 2013 appropriations of earnings, bonus to employees and remuneration to directors and supervisors will be resolved by the shareholders in their meeting scheduled for June 2014.

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

d. Special reserves appropriated following first-time adoption of IFRSs

The Corporation's special reserves appropriated following first-time adoption of IFRSs were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Special reserve	$ 21,630,170	$ 21,633,290	$ 21,636,278

As of January 1, 2012, the Corporation and its subsidiaries transferred 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. The aforementioned special reserve was recognized on January 1, 2013. However, for the consistency of financial statements, the special reserve was disclosed at the beginning of the comparative financial statements.

Information regarding the above special reserve appropriated or reversed on elimination of the original need to appropriate a special reserve was as follows:

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 21,633,290	$ 21,636,278
Reversed on elimination of the original need to appropriate for special reserve:		
Disposal of property, plant and equipment	(3,120)	(2,988)
Balance, end of year	$ 21,630,170	$ 21,633,290

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ (417,820)	$ -
Exchange differences arising on translating foreign operations	(262,858)	(714,978)
Income tax relating to loss (gain) arising on translating the net assets of foreign operations	(15,860)	24,799
Gain on hedging instruments designated in hedges of the net assets of foreign operations	309,859	278,163
Share of exchange difference of associates accounted for using the equity method	(273,010)	(5,804)
Balance, end of year	$ (659,689)	$ (417,820)

2) Unrealized gain on available-for-sale financial assets

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ 5,283,803	$ 5,507,672
Unrealized gain on available-for-sale financial assets	3,803,960	1,055,980
Income tax relating to unrealized gain on available-for-sale financial assets	(2,819)	(2,088)
Reclassified to profit or loss on disposal of available-for-sale financial assets	(587,132)	(1,300,589)
Income tax relating to the amounts reclassified to profit or loss on disposal of available-for-sale financial assets	2,896	(867)
Share of unrealized gain on available-for-sale financial assets of associates accounted for using the equity method	102,459	23,695
Balance, end of year	$ 8,603,167	$ 5,283,803

3) Cash flow hedge

	For the Year Ended December 31	
	2013	2012
Balance, beginning of year	$ (280,266)	$ 317,084
Fair value changes of hedging instrument	158,893	(722,733)
Income tax relating to fair value changes	(26,886)	122,569
Fair value changes of hedging instruments transferred to profit or loss	(32,356)	-
Income tax relating to amounts transferred to profit or loss	5,501	-
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	225,891	3,390
Income tax relating to amounts transferred to adjust carrying amount of hedged items	(38,402)	(576)
Balance, end of year	$ 12,375	$ (280,266)

f. Treasury shares

	Thousand Shares			December 31	
Purpose of Treasury Shares	**Beginning of Year**	**Addition**	**Reduction**	**Thousand Shares**	**Book Value**
For the year ended December 31, 2013					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	309,816	3,097	4,368	308,545	$8,496,974
For the year ended December 31, 2012					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	295,065	15,552	801	309,816	$8,582,297

The Corporation's shares acquired and held by subsidiaries for the purpose of investment are accounted for as treasury shares. The Corporation's shares held by more than 50%-owned subsidiaries are not allowed to participate in the Corporation's capital increase in cash and have no voting rights; other rights are the same as other ordinary shareholders. The increase of treasury shares was due to acquisition of the Corporation's shares by subsidiaries in which the Corporation has less than 50% shareholding. The decrease of treasury shares was mainly due to subsidiaries' sale of the Corporation's shares and change in percentage of ownership.

For the years ended December 31, 2013 and 2012, the subsidiaries sold 10,442 thousand shares and 1,769 thousand shares of the Corporation for proceeds of NT$281,372 thousand and NT$48,416 thousand, respectively. For the years ended December 31, 2013 and 2012, the proceeds of treasury shares sold, calculated by shareholding percentage, amounted to NT$114,209 thousand and NT$21,694 thousand, and after deducting book values, resulted in the amounts of NT$31,212 thousand and NT$2,363 thousand, respectively, recorded as capital surplus. As of December 31, 2013, December 31, 2012 and January 1, 2012, the market values of the treasury shares calculated by combined holding percentage were NT$8,330,708 thousand, NT$8,473,457 thousand, and NT$8,497,875 thousand, respectively.

g. Non-controlling interests

	For the Year Ended December 31	
	2013	**2012**
Balance, beginning of year	$ 26,869,649	$ 23,212,386
Attributable to non-controlling interests:		
Share of profit for the year	2,372,927	538,752
Exchange difference on translating foreign operations	171,253	(319,673)
Income tax relating to exchange difference on translating foreign operations	(121)	-
Unrealized gain on available-for-sale financial assets	333,276	237,926
Income tax relating to unrealized gain and loss on available-for-sale financial assets	(3,556)	371
Fair value changes of cash flow hedges	(11,732)	(5,853)
Income tax relating to cash flow hedges	2,003	993
Actuarial gain on defined benefit plans	(32,330)	(46,969)
Income tax relating to actuarial gains and losses	5,967	2,219
Share of other comprehensive income of associates accounted for using the equity method	14,188	10,118
Increase of non-controlling interest arising from acquisition of subsidiaries	1,867,957	5,690,053
Additional non-controlling interests arising from partial disposal of subsidiaries	27,006	42,252
Acquisition of non-controlling interests in subsidiaries	(46,403)	(8,576)
Dividend distributed by subsidiaries	(2,496,600)	(2,683,523)
Equity component of convertible bonds issued by subsidiaries	192,837	101,750
Others	416,340	97,423
Balance, end of year	$ 29,682,661	$ 26,869,649

27. OPERATING REVENUES

	For the Year Ended December 31	
	2013	2012
Revenue from the sale of goods	$ 323,210,913	$ 332,684,149
Construction contract revenue	16,219,774	16,844,628
Freight and service revenues	5,042,379	5,672,450
Other revenues	3,355,772	3,135,273
	$ 347,828,838	$ 358,336,500

28. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

a. Other income

	For the Year Ended December 31	
	2013	2012
Interest income	$ 472,294	$ 422,510
Dividend income	299,391	288,299
Rental income	98,162	127,882
Gain on reversal of allowance for doubtful accounts	40,336	124,929
Others	708,527	786,043
	$ 1,618,710	$ 1,749,663

b. Other gains and losses

	For the Year Ended December 31	
	2013	2012
Net foreign exchange gain	$ 567,033	$ 483,937
Gain on disposal of investments	285,768	1,199,229
Gain arising on financial assets at fair value through profit or loss	41,693	7,496
Loss on disposal of property, plant and equipment	(111,761)	(223,795)
Loss on settlement of construction	(418,731)	-
Other losses	(622,033)	(452,892)
	$ (258,031)	$ 1,013,975

The components of net foreign exchange gain were as follows:

	For the Year Ended December 31	
	2013	2012
Foreign exchange gain	$ 2,247,533	$ 1,857,101
Foreign exchange loss	(1,680,500)	(1,373,164)
Net exchange gain	$ 567,033	$ 483,937

The gain arising on financial assets at fair value through profit or loss included (a) an increase in fair value of NT$25,894 thousand and a decrease in fair value of NT$1,015 thousand for the years ended

December 31, 2013 and 2012, respectively, and (b) interest income of NT$15,799 thousand and NT$8,511 thousand for the years ended December 31, 2013 and 2012, respectively.

c. Finance costs

	For the Year Ended December 31	
	2013	2012
Total interest expense for financial liabilities measured at amortized cost	$ 3,833,963	$ 3,532,413
Less: Amounts included in the cost of qualifying assets	848,593	742,153
	$ 2,985,370	$ 2,790,260

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2013	2012
Capitalized amounts	$ 848,593	$ 742,153
Capitalized annual rates (%)	0.93-2.61	0.89-1.60

d. Depreciation and amortization

	For the Year Ended December 31	
	2013	2012
Property, plant and equipment	$ 31,265,068	$ 28,387,558
Investment properties	80,333	85,091
Intangible assets	170,666	154,786
Others	122,451	91,365
	$ 31,638,518	$ 28,718,800
Analysis of depreciation by function		
Operating costs	$ 30,266,688	$ 27,743,240
Operating expenses	1,056,976	716,509
Others	21,737	12,900
	$ 31,345,401	$ 28,472,649
Analysis of amortization by function		
Operating costs	$ 233,561	$ 185,121
Operating expenses	56,564	56,621
Others	2,992	4,409
	$ 293,117	$ 246,151

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2013	2012
Direct operating expenses of investment properties that generated rental income	$ 148,861	$ 156,331

f. Employee benefits

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits		
Salaries	$ 27,158,822	$ 23,619,742
Labor and health insurance	1,563,523	1,481,998
Others	1,866,442	1,607,429
	30,588,787	26,709,169
Post-employment benefits (Note 25)		
Defined contribution plans	477,774	392,624
Defined benefit plans	921,325	985,117
	1,399,099	1,377,741
Termination benefits	283,006	23,526
	$ 32,270,892	$ 28,110,436

29. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax		
In respect of the current year	$ 3,492,484	$ 1,931,476
In respect of prior years	61,018	364,142
Deferred tax		
In respect of the current year	(45,055)	(485,965)
In respect of prior years	(58,856)	(505,461)
Write-down in the current year	1,404,994	1,190
	$ 4,854,585	$ 1,305,382

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

	For the Year Ended December 31	
	2013	2012
Profit before income tax	$ 23,209,052	$ 7,738,940
Income tax expense at the statutory rate	$ 4,476,541	$ 1,407,629
Non-deductible expenses in determining taxable income	37,970	34,561
Tax-exempt income	(302,808)	(397,625)
Loss on capital reduction	(497,624)	(9,291)
Others	(198,935)	(192,712)
Additional income tax under the Alternative Minimum Tax Act	12,208	4,830
Additional income tax on unappropriated earnings	58,916	34,794
Unrecognized deductible temporary differences	115,217	(125,302)

(Continued)

	For the Year Ended December 31	
	2013	2012
Loss carryforwards	$ (238,238)	$ 849,294
Unrecognized investment credits	(15,818)	(160,667)
Adjustments for prior years' tax	2,162	(141,319)
Write-down of deferred tax assets	1,404,994	1,190
Income tax expense recognized in profit or loss	$ 4,854,585	$ 1,305,382

(Concluded)

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

As the status of 2014 appropriations of earning is uncertain, the potential income tax of 2013 unappropriated earnings is not reliably determinable.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2013	2012
Current tax		
Reversal of special reserve due to disposal of property, plant and equipment	$ 410	$ 757
Deferred tax		
Reversal of special reserve due to disposal of property, plant and equipment	(410)	(757)
	$ -	$ -

c. Income tax expense (benefit) recognized in other comprehensive income

	For the Year Ended December 31	
	2013	2012
Recognized in other comprehensive income:		
Translation of foreign operations	$ 15,981	$ (24,799)
Unrealized gain on available-for-sale financial asset	6,375	1,717
Fair value changes of cash flow hedges	24,876	(123,562)
Actuarial gains and losses on defined benefit pension plan	25,516	34,791
Fair value changes of hedging instrument in cash flow hedges transferred to profit or loss	(5,501)	576
Disposal of available-for-sale financial assets	(2,896)	867
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	38,409	-
	$ 102,760	$ (110,410)

d. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax assets			
Tax refund receivable	$ 97,756	$ 56,646	$ 452,975
Prepaid income tax	22,861	1,439	329
	$ 120,617	$ 58,085	$ 453,304
Current tax liabilities			
Income tax payable	$ 3,700,145	$ 2,098,817	$ 3,376,691

e. Deferred tax assets and liabilities

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

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2013

	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Acquisitions through business combination	Effect of Foreign Currency Exchange Differences	Others	Balance, end of year
Deferred Tax Assets								
Temporary differences								
Defined benefit plan and estimated separation pay	$ 1,211,913	$ 35,518	$ 4,436	$ -	$ -	$ -	$ (81)	$ 1,251,786
Unrealized loss on inventories	692,193	50,048	-	-	-	99	-	742,340
Provisions	406,146	100,666	-	-	-	-	-	506,812
Impairment loss on financial assets	938,658	(535,849)	-	-	-	-	-	402,809
Unrealized construction loss	97,986	26,130	-	-	-	-	-	124,116
Difference between tax reporting and financial reporting – revenue recognition	116,748	5,381	-	-	-	-	-	122,129
Unrealized gain on the transactions with subsidiaries and associates	182,122	(65,842)	-	-	-	-	-	116,280
Unrealized settlement loss on foreign exchange forward	103,375	1,638	-	-	-	-	-	105,013
Others	619,509	285,927	(62,592)	-	-	(269)	24,652	867,227
	4,368,650	(96,383)	(58,156)	-	-	(170)	24,571	4,238,512
Loss carryforwards	496,538	(86,515)	-	-	-	-	(388,449)	21,574
Investment credits	2,964,616	(1,115,277)	-	-	-	-	(31,757)	1,817,582
	$ 7,829,804	$ (1,298,175)	$ (58,156)	$ -	$ -	$ (170)	$ (395,635)	$ 6,077,668
Deferred Tax Liabilities								
Temporary differences								
Land value increment tax	$ 10,240,123	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,240,123
Difference between tax reporting and financial reporting – depreciation method	1,398,371	(148,382)	-	-	-	(10,588)	-	1,239,401
Foreign investment income	1,188,586	31,274	-	-	-	20	-	1,219,880
Others	95,040	120,016	44,604	(410)	-	-	18,334	277,584
	$ 12,922,120	$ 2,908	$ 44,604	$ (410)	$ -	$ (10,568)	$ 18,334	$ 12,976,988

For the year ended December 31, 2012

	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Acquisitions through business combination	Effect of Foreign Currency Exchange Differences	Others	Balance, end of year
Deferred Tax Assets								
Temporary differences								
Defined benefit plan and estimated separation pay	$ 1,285,660	$ (80,786)	$ (34,846)	$ -	$ -	$ 38,469	$ 3,416	$ 1,211,913
Impairment loss on financial assets	944,472	(5,814)	-	-	-	-	-	938,658
Unrealized loss on inventories	858,050	(167,599)	-	-	-	(19)	1,761	692,193
Provisions	392,222	15,624	-	-	-	-	(1,700)	406,146
Unrealized deferred gross profit	175,945	6,177	-	-	-	-	-	182,122
Difference between tax reporting and financial reporting – revenue recognition	2,168	114,580	-	-	-	-	-	116,748

(Continued)

	Balance, beginning of year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Recognized Directly in Equity	Acquisitions through business combination	Effect of Foreign Currency Exchange Differences	Others	Balance, end of year
Unrealized settlement loss on foreign exchange forward	$ 91,220	$ 12,155	$ -	$ -	$ -	$ -	$ -	$ 103,375
Unrealized construction loss	103,643	(7,223)	-	-	-	-	1,566	97,986
Others	682,651	64,750	87,500	-	431	(106)	(215,717)	619,509
	4,536,031	(48,136)	52,654	-	431	38,344	(210,674)	4,368,650
Loss carryforwards	42,867	453,671	-	-	-	-	-	496,538
Investment credits	2,528,033	436,583	-	-	-	-	-	2,964,616
	$ 7,106,931	$ 842,118	$ 52,654	$ -	$ 431	$ 38,344	$ (210,674)	$ 7,829,804
Deferred Tax Liabilities								
Temporary differences								
Land value increment tax	$ 10,194,138	$ -	$ -	$ -	$ 45,985	$ -	$ -	$ 10,240,123
Difference between tax reporting and financial reporting – depreciation method	1,529,999	(130,158)	-	-	-	(1,470)	-	1,398,371
Foreign investment income	1,081,799	106,799	-	-	-	(12)	-	1,188,586
Others	274,213	(124,759)	(57,756)	(757)	-	-	4,099	95,040
	$ 13,080,149	$ (148,118)	$ (57,756)	$ (757)	$ 45,985	$ (1,482)	$ 4,099	$ 12,922,120

(Concluded)

f. Items for which no deferred tax assets have been recognized

	December 31, 2013	December 31, 2012	January 1, 2012
Loss carryforwards	$ 9,208,435	$ 9,173,554	$ 4,145,317
Investment credits			
Purchase of machinery and equipment, etc.	$ 3,686,614	$ 1,122,180	$ 1,005,642
Deductible temporary differences	$ 2,014,210	$ 2,296,507	$ 3,634,426

The unrecognized loss carryforwards will expire in 2014 to 2023.

The unrecognized investment credits will expire in 2014 to 2017.

g. The related information about unused investment credits and unused loss carryforwards

As of December 31, 2013, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment, etc.	$ 5,504,196	2014-2017

As of December 31, 2013, loss carryforwards comprised of:

Unused Amount	Expiry Year
$ 9,335,344	2014-2023

h. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	$ 15,954	$ 15,440	$ 15,440
Unappropriated earnings generated on and after January 1, 1998	16,332,286	6,141,281	19,591,531
	$ 16,348,240	$ 6,156,721	$ 19,606,971
Imputation credits accounts ("ICA")	$ 27,022	$ 24,717	$ 211,179

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation is based on the balance of the ICA as of the date of dividend distribution.

The creditable ratio of the Corporation for the distribution of 2013 and 2012 earnings was 6.87% (estimated) and 13.84%, respectively. The actual imputation credits allocated to shareholders of the Corporation was based on the balance of the ICA as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs.

i. Income tax assessments

The Corporation's income tax returns through 2008 and the subsidiaries' income tax returns through 2008 to 2012 have been assessed by the tax authorities. The Petitions and Appeals Committee of Ministry of Finance rejected the Corporation's request for corrections of 2008 income tax return. Therefore, the Corporation filed for administrative litigation. Furthermore, the subsidiary KRTC disagreed with the tax authorities' assessment of its 2009 tax return and filed for administrative litigation of first instance.

30. EARNINGS PER SHARE

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

Net profit for the year

	For the Year Ended December 31	
	2013	2012
Profit for the year attributable to owners of the Corporation	$ 15,981,540	$ 5,894,806
Less: Dividends on preference shares	(53,575)	(53,575)
Earnings used in computation of basic and diluted earnings per share	$ 15,927,965	$ 5,841,231

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2013	2012
Weighted average number of ordinary shares in computation of basic earnings per share	15,117,039	15,112,670
Effect of dilutive potential ordinary shares:		
Bonus to employees	52,242	39,089
Weighted average number of ordinary shares used in the computation of diluted earnings per share	15,169,281	15,151,759

Preference shares were not included in the calculation of diluted earnings per share for the year ended December 31, 2013 and 2012 because of their anti-dilutive effect.

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of share dividends distributed out of earnings for the year ended December 31, 2013. The adjusted basic and diluted after-tax earnings per share for the year ended December 31, 2012 were both NT$0.39.

If the Corporation is allowed to settle the bonus paid to employees by cash or shares, the Corporation presumes that the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

31. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity/ Interests Acquired (%)	Consideration Transferred
KRTC	Operation of mass rapid transit	December 1, 2013	50 / 18	$ 982,436

On the basis of public interest and corporate social responsibility, the Corporation and its subsidiaries acquired KRTC through participating in its capital increase in 2013, which increased the Corporation and its subsidiaries' total equity in KRTC from 32% to 50%.

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

Current assets	
Cash and cash equivalents	$ 41,793
Accounts receivable and other receivables	2,388,411
Current tax assets	2,498
Inventories	5,406
Other financial assets-current	220,500
Other current assets	186,639

(Continued)

Non-current assets	
Property, plant and equipment	$ 627,976
Intangible assets	1,037,435
Refundable deposits	54
Other financial assets-noncurrent	2,001,445
Other noncurrent assets	1,025,939
Current liabilities	
Short-term borrowings	(1,070,000)
Accounts payable and other payables	(1,583,704)
Current tax liabilities	(56,901)
Amount due to customers for construction contracts	(9,649)
Other current liabilities	(251,989)
Non-current liabilities	
Provisions - noncurrent	(1,025,621)
Other noncurrent liabilities	(50,608)
	$ 3,489,624

(Concluded)

c. Non-controlling interests

The non-controlling interest (50% ownership interest in KRTC) recognized at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to NT$1,735,390 thousand. This fair value was estimated by reference to KRTC's identifiable net assets.

d. Goodwill arising on acquisition

Consideration transferred	$ 982,436
Add: Fair value of previous holding of KRTC's interest on the date of acquisition	771,798
Add: Non-controlling interests (50% in KRTC)	1,735,390
Less: Fair value of identifiable net assets acquired	3,489,624
Goodwill arising on acquisition	$ -

e. Net cash outflow on acquisition of subsidiaries

	For the Year Ended December 31, 2013
Consideration paid in cash	$ 982,436
Less: Cash and cash equivalent balance acquired	41,793
	$ 940,643

f. Impact of acquisitions on the operating results of the Corporation and its subsidiaries

The results of acquired companies since the acquisition date included in the consolidated statements of comprehensive income were as follows:

	For the Year Ended December 31, 2013
Revenue	$ 233,780
Net loss for the current year	$ 493,619

Had these business combinations been in effect at the beginning of the annual reporting period, the Corporation and its subsidiaries' operating revenue would have been NT$349,266,489 thousand, and the net income would have been NT$19,016,660 thousand for the year ended December 31, 2013. This pro-forma information is not necessarily an indication of revenue and results of operations of the Corporation and its subsidiaries that actually would have been achieved had the acquisition been completed on January 1, 2013, nor is it intended to be a projection of future results.

32. CAPITAL MANAGEMENT

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

Except for Note 20, the Corporation and its subsidiaries are not subject to any externally imposed capital requirements.

33. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value measurements recognized in the consolidated balance sheets

The financial assets and financial liabilities measured at fair value were grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

a) Level 1 fair value measurements are those derived from listed prices (unadjusted) in active markets for identical assets or liabilities;

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

c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Financial assets at fair value through profit or loss				
Mutual funds	$ 3,434,763	$ -	$ -	$ 3,434,763
Listed shares	1,130,740	-	-	1,130,740

(Continued)

	Level 1	Level 2	Level 3	Total
Emerging market shares	$ -	$ -	$ 283,883	$ 283,883
Structure notes	-	138,323	-	138,323
Convertible bonds	22,910	-	-	22,910
Foreign exchange forward contracts	-	3,891	-	3,891
	$ 4,588,413	$ 142,214	$ 283,883	$ 5,014,510
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 11,286,722	$ 11,286,722
Domestic listed shares	6,554,894	-	-	6,554,894
Domestic emerging market shares and unlisted shares	-	-	7,477,096	7,477,096
Certificate of entitlement	-	-	5,023,220	5,023,220
Foreign listed shares	1,859,074	-	-	1,859,074
Mutual funds	1,043,144	-	-	1,043,144
Private-placement shares of listed companies	-	146,898	-	146,898
	$ 9,457,112	$ 146,898	$ 23,787,038	$ 33,391,048
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 37,458	$ -	$ 37,458
Interest rate swap contracts	-	35,245	-	35,245
	$ -	$ 72,703	$ -	$ 72,703
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ 7,533	$ -	$ 7,533
Options	-	1,561	-	1,561
	$ -	$ 9,094	$ -	$ 9,094
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 62,324	$ -	$ 62,324
December 31, 2012				
Financial assets at fair value through profit or loss				
Mutual funds	$ 2,704,082	$ -	$ -	$ 2,704,082
Listed shares	773,793	-	-	773,793
Emerging market shares	-	-	304,655	304,655
Structure notes	-	143,388	-	143,388
Convertible bonds	10,040	-	-	10,040
Foreign exchange forward contracts	-	4,644	-	4,644
	$ 3,487,915	$ 148,032	$ 304,655	$ 3,940,602

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 6,944,826	$ 6,944,826
Domestic emerging market shares and unlisted shares	-	-	6,114,392	6,114,392
Domestic listed shares	4,206,122	-	-	4,206,122
Mutual funds	1,956,298	-	-	1,956,298
Foreign listed shares	1,596,310	-	-	1,596,310
Certificate of entitlement	-	-	1,546,939	1,546,939
Private-placement shares of listed companies	-	584,222	-	584,222
	$ 7,758,730	$ 584,222	$ 14,606,157	$ 22,949,109
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 51,431	$ -	$ 51,431
Interest rate swap contracts	-	1,502	-	1,502
	$ -	$ 52,933	$ -	$ 52,933
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ 6,065	$ -	$ 6,065
Options	-	36	-	36
	$ -	$ 6,101	$ -	$ 6,101
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 298,152	$ -	$ 298,152
Interest rate swap contracts	-	29,057	-	29,057
	$ -	$ 327,209	$ -	$ 327,209
January 1, 2012				
Financial assets at fair value through profit or loss				
Mutual funds	$ 2,400,137	$ -	$ -	$ 2,400,137
Listed shares	403,480	-	-	403,480
Emerging market shares	-	-	315,040	315,040
Structure notes	-	305,926	-	305,926
Foreign exchange forward contracts	-	28,967	-	28,967
Convertible bonds	10,105	-	-	10,105
	$ 2,813,722	$ 334,893	$ 315,040	$ 3,463,655

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic emerging market shares and unlisted shares	$ -	$ -	$ 6,216,191	$ 6,216,191
Foreign unlisted shares	-	-	5,949,776	5,949,776
Domestic listed shares	4,366,090	-	-	4,366,090
Mutual funds	2,350,840	-	-	2,350,840
Foreign listed shares	1,604,541	-	-	1,604,541
Certificate of entitlement	-	-	809,021	809,021
Private-placement shares of listed companies	-	377,429	-	377,429
Structure notes	-	46,006	-	46,006
	$ 8,321,471	$ 423,435	$ 12,974,988	$ 21,719,894
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 240,688	$ -	$ 240,688
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ 90	$ -	$ 90
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 95,806	$ -	$ 95,806

(Concluded)

The private-placement shares of Rechi Precision Co., Ltd. held by the Corporation which were able to be transferred freely in the public market since December 2013 had been transferred from Level 2 to Level 1.

There was no transfer between Level 1 and Level 2 for the year ended December 31, 2012.

2) Reconciliation of Level 3 fair value measurements of financial assets

	Financial Assets at Fair Value Through Profit or Loss	Available-for-sale Financial Assets	Total
For the year ended December 31, 2013			
Balance, beginning of year	$ 304,655	$ 14,606,157	$ 14,910,812
Recognized in profit or loss - other gains and losses	(20,772)	(29,682)	(50,454)
Recognized in other comprehensive income - unrealized gain on available-for-sale financial assets	-	2,034,111	2,034,111
Reclassification	-	15,734	15,734
Purchases	-	8,975,858	8,975,858

(Continued)

	Financial Assets at Fair Value Through Profit or Loss	Available-for-sale Financial Assets	Total
Disposal	$ -	$ (279,523)	$ (279,523)
Transfers out of Level 3	-	(1,031,565)	(1,031,565)
Effect of foreign currency exchange difference	-	(449,936)	(449,936)
Others		(54,116)	(54,116)
Balance, end of year	$ 283,883	$ 23,787,038	$ 24,070,921
For the year ended December 31, 2012			
Balance, beginning of year	$ 315,040	$ 12,974,988	$ 13,290,028
Recognized in profit or loss - other gains and losses	(10,385)	107,564	97,179
Recognized in other comprehensive income - unrealized gain on available-for-sale financial assets	-	29,096	29,096
Reclassification	-	2,217	2,217
Purchases	-	2,491,288	2,491,288
Disposal	-	(516,704)	(516,704)
Transfers out of Level 3	-	(398,213)	(398,213)
Effect of foreign currency exchange difference	-	(53,397)	(53,397)
Others	-	(30,682)	(30,682)
Balance, end of year	$ 304,655	$ 14,606,157	$ 14,910,812

(Concluded)

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets were determined with reference to listed market prices (includes mutual funds and domestic and foreign listed shares). Where such prices were not available, valuation techniques were applied. For shares acquired through private placement and not transferred freely in public market, fair values were determined by using valuation techniques adopted by the Corporation and its subsidiaries based on information from the Market Observation Post System, the Taiwan Stock Exchange, etc. and calculated by using the Black-Scholes Model. For emerging market shares, fair values were estimated on the basis of the closing price and liquidity. For unlisted shares and certificate of entitlement, fair values were estimated by using a discounted cash flow model, which included some assumptions that were not supportable by observable market prices or rates, by using a market approach, which was determined based on industry types, valuations of similar companies and operations, or by using the net worth of companies.

b) The fair values of derivative instruments were calculated using listed prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The estimates and assumptions used by the Corporation and its subsidiaries were consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

Financial assets	December 31, 2013	December 31, 2012	January 1, 2012
Fair value through profit or loss			
Held for trading	$ 2,503,354	$ 2,055,816	$ 1,845,183
Designated as at fair value through profit or loss	2,511,156	1,884,786	1,618,472
Derivative instruments in designated hedge accounting relationships	72,703	52,933	240,688
Held-to-maturity investments	209,991	185,159	169,721
Loans and receivables 1)	47,606,236	49,577,175	49,039,822
Available-for-sale financial assets	33,391,048	22,949,109	21,719,894
Financial liabilities			
Fair value through profit or loss			
Held for trading	7,533	6,065	90
Designated as at fair value through profit or loss	1,561	36	-
Derivative instruments in designated hedge accounting relationships	62,324	327,209	95,806
Measured at amortized cost 2)	324,946,102	288,762,236	275,610,647

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

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

c. Financial risk management objectives and policies

The finance department of the Corporation and its subsidiaries proposes financial strategies according to the operation at different stages, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the Corporation and its subsidiaries through internal risk analysis of degree of exposures by using domestic and international professional risk monitoring system. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The significant financial activities of the Corporation and its subsidiaries are reviewed by the board of directors in accordance with relevant regulations and internal controls. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Corporation and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

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

The carrying amounts of the significant non-functional currency monetary assets and liabilities (including those eliminated on consolidation) at the balance sheet date were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Assets			
USD	$ 8,134,138	$ 9,893,180	$ 10,939,664
JPY	3,479,503	4,325,825	5,259,527
AUD	6,365	3,439	2,941
CAD	3,777	1,074	722
Liabilities			
USD	20,589,139	16,400,351	13,728,691
CAD	7,796,438	-	-
AUD	4,207,803	498,929	508,357
JPY	4,013,306	4,750,360	5,487,319

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

	USD Impact			JPY Impact		
	For the Year Ended December 31			For the Year Ended December 31		
	2013	2012		2013	2012	
Profit or loss	$ 48,595	$ 12,088	i	$ 8,172	$ (34,913)	ii
Equity	75,955	52,984	iii	(2,834)	39,159	iii

	CAD Impact			AUD Impact		
	For the Year Ended December 31			For the Year Ended December 31		
	2013	2012		2013	2012	
Profit or loss	$ (38)	$ (11)	i	$ (64)	$ (34)	i
Equity	77,964	-	iii	42,078	4,989	iii

i. This was mainly attributable to the exposure of outstanding receivables and payables, which were not hedged at the balance sheet date.

ii. This was mainly attributable to the exposure of outstanding receivables and payables, which were not hedged at the balance sheet date, and bond investments with no active market and borrowings, which were designated as hedged items in fair value hedges.

iii. This was attributable to other financial assets, which were designated as hedging items in cash flow hedges, and borrowings, which were designated as hedging instruments in net investments in foreign operations hedges.

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

b) Interest rate risk

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

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Fair value interest rate risk			
Financial liabilities	$ 97,280,055	$ 87,021,200	$ 71,572,326
Cash flow interest rate risk			
Financial liabilities	191,023,366	170,655,391	171,980,927

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation and its subsidiaries' pre-tax profit for the years ended December 31, 2013 and 2012 would have been lower/higher by NT$1,910,234 thousand and NT$1,706,554 thousand, respectively.

d. Other price risk

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

If equity prices had been 1% higher/lower, the pre-tax profit for the years ended December 31, 2013 and 2012 would have been higher/lower by NT$45,655 thousand and NT$34,779 thousand, respectively, as a result of the fair value changes of financial assets at fair value through profit or loss, and the pre-tax other comprehensive income for the years ended December 31, 2013 and 2012 would have been higher/lower by NT$96,040 thousand and NT$84,430 thousand, respectively, as a result of the fair value changes of available-for-sale financial assets.

2) Credit risk

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

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

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

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

As of December 31, 2013, the maximum credit risk of off-balance-sheet guarantees provided to investees of co-investment for procurement compliance was NT$2,462,939 thousand (USD50,350 thousand and MYR97,130 thousand).

3) Liquidity risk

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

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

	Less Than 1 Year	**2-5 Years**	**Over 5 Years**	**Total**
December 31, 2013				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 36,076,857	$ 81,086	$ -	$ 36,157,943
Variable interest rate liabilities	49,090,354	130,246,111	15,466,452	194,802,917
Fixed interest rate liabilities	35,361,370	29,179,020	39,114,886	103,655,276
Financial guarantee liabilities	2,462,939	-	-	2,462,939
	$ 122,991,520	$ 159,506,217	$ 54,581,338	$ 337,079,075
December 31, 2012				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 30,757,294	$ 27,565	$ -	$ 30,784,859
Variable interest rate liabilities	47,437,124	107,274,035	18,866,527	173,577,686
Fixed interest rate liabilities	41,187,665	24,268,777	26,260,848	91,717,290
	$ 119,382,083	$ 131,570,377	$ 45,127,375	$ 296,079,835
January 1, 2012				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 31,830,447	$ 37,292	$ -	$ 31,867,739
Variable interest rate liabilities	73,190,530	85,183,162	15,859,233	174,232,925
Fixed interest rate liabilities	34,692,035	29,312,893	10,611,817	74,616,745
	$ 139,713,012	$ 114,533,347	$ 26,471,050	$ 280,717,409

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

34. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Corporation and its subsidiaries and other related parties were disclosed below:

a. Operating transactions

	For the Year Ended December 31	
	2013	2012
Sales of Goods		
The Corporation and its subsidiaries as key management personnel of other related parties	$ 2,959,196	$ 4,263,453
Other related parties as key management personnel of subsidiaries	2,607,504	2,559,703
Others	2,337,700	194,381
	$ 7,904,400	$ 7,017,537
Purchases of Goods		
Companies with significant influence over subsidiaries	$ 639,584	$ -
Associates	321,899	315,076
Other related parties as key management personnel of subsidiaries	205,133	238,546
Others	468,844	9,778
	$ 1,635,460	$ 563,400

Sales to and purchases from related parties were made under normal terms.

	December 31, 2013	December 31, 2012	January 1, 2012
Accounts Receivable from Related Parties			
The Corporation and its subsidiaries as key management personnel of other related parties	$ 650,760	$ 726,619	$ 540,588
Other related parties as key management personnel of subsidiaries	349,257	393,192	311,056
Others	127,777	4,919	2,933
	$ 1,127,794	$ 1,124,730	$ 854,577
Accounts Payable to Related Parties			
Other related parties as supervisors of subsidiaries	$ 94,790	$ 130,417	$ 152,818
Associates	28,248	57,450	44,014
Other related parties as key management personnel of subsidiaries	23,548	34,387	28,944
Others	11,542	10,221	993
	$ 158,128	$ 232,475	$ 226,769

The outstanding accounts payable to related parties are unsecured. No guarantee had been received for accounts receivable from related parties. No expense had been recognized for the years ended December 31, 2013 and 2012 for allowance for impairment of accounts receivable in respect of the amounts owed by related parties.

b. Other assets acquired

		Price	
		For the Year Ended December 31	
	Account Items	2013	2012
The Corporation as key management personnel of other related parties	Long-term prepaid rentals (recognized as other noncurrent assets)	$ 81,817	$ -

c. Compensation of key management personnel

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

	For the Year Ended December 31	
	2013	2012
Short-term employee benefits	$ 82,078	$ 58,187
Post-employment benefits	1,933	1,795
	$ 84,011	$ 59,982

35. ASSETS PLEDGED AS COLLATERAL OR SECURITY

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

	December 31, 2013	December 31, 2012	January 1, 2012
Net property, plant and equipment	$ 170,022,417	$ 157,408,178	$ 132,351,547
Time deposits	7,676,795	7,221,840	7,188,354
Shares (Note 1)	5,964,300	5,959,565	6,672,960
Pledged receivables (Note 2)	2,000,000	-	-
Investment properties, net	1,765,703	1,892,298	1,242,447
	$ 187,429,215	$ 172,481,881	$ 147,455,308

Note 1: Shares of the Corporation were pledged by the subsidiaries WIC and TIC and were recorded as treasury shares in the consolidated financial statements.

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

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 20, significant commitments and contingencies of the Corporation and its subsidiaries as of December 31, 2013 were as follows:

a. The Corporation and its subsidiaries provided letters of credits for NT$4 billion guaranteed by financial institutions for several construction and lease contracts, and guarantee notes for NT$80.4 billion to banks and owners for loans, purchase agreements and warranty.

b. Unused letters of credit for importation of materials and machinery amounted to NT$12.1 billion.

c. Property purchase and construction contracts for NT$21.6 billion were signed but not yet recorded.

d. Construction contracts for NT$41.2 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 10,800,000 metric tons of coal, 21,560,000 metric tons of iron ore, and 3,200,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of December 31, 2013 were USD9.8 billion (including 7,180,000 metric tons of coal, 72,170,000 metric tons of iron ore, and 1,010,000 metric tons of limestone).

f. Endorsements/guarantees provided to the consolidated entities as of December 31, 2013 were as follows:

Endorsement/Guarantee Provider	Counterparty	Ending Balance	
China Steel Corporation	Sakura Ferroalloys Sdn. Bhd.	MYR	97,131 thousand
		USD	50,350 thousand

37. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In January 2014, the Corporation issued NT$6.9 billion of 7-year unsecured bonds, NT$7 billion of 10-year unsecured bonds and NT$9 billion of 15-year unsecured bonds totaling of NT$22.9 billion to repay bank borrowings and expand working capital.

38. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2013	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
Monetary financial assets				
USD	$ 225,811	29.8050	(USD:NTD)	$ 6,730,288
USD	21,201	61.6570	(USD:INR)	631,906
USD	18,539	6.0592	(USD:CNY)	552,561
USD	4,384	21,755.4745	(USD:VND)	130,669

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
USD	$ 1,604	1.1211	(USD:AUD)	$ 47,794
USD	1,373	3.4133	(USD:MYR)	40,920
JPY	11,953,539	0.2839	(JPY:NTD)	3,393,610
JPY	272,334	0.0095	(JPY:USD)	77,316
JPY	30,214	0.0577	(JPY:CNY)	8,577
AUD	179	26.5850	(AUD:NTD)	4,750
AUD	61	0.8920	(AUD:USD)	1,615
CAD	135	0.9398	(CAD:USD)	3,777
Non-monetary financial assets				
VND	3,653,577,680	0.0014	(VND:NTD)	5,005,401
USD	114,061	29.8050	(USD:NTD)	3,399,580
JPY	6,218,000	0.2839	(JPY:NTD)	1,765,290
KRW	40,558,250	0.0284	(KRW:NTD)	1,151,854
Monetary financial liabilities				
USD	498,775	29.8050	(USD:NTD)	14,865,982
USD	88,073	6.0592	(USD:CNY)	2,625,010
USD	80,000	61.6570	(USD:INR)	2,384,400
USD	20,239	21,755.4745	(USD:VND)	603,219
USD	3,708	3.4133	(USD:MYR)	110,528
JPY	14,121,101	0.2839	(JPY:NTD)	4,008,981
JPY	9,856	0.0577	(JPY:CNY)	2,798
JPY	5,378	0.0095	(JPY:USD)	1,527
CAD	278,345	28.0100	(CAD:NTD)	7,796,438
AUD	158,277	26.5850	(AUD:NTD)	4,207,803
December 31, 2012				
Monetary financial assets				
USD	298,357	29.0400	(USD:NTD)	8,664,306
USD	33,434	6.2318	(USD:CNY)	970,932
USD	4,471	21,591.0781	(USD:VND)	129,847
USD	2,553	0.9627	(USD:AUD)	74,137
USD	1,858	3.1909	(USD:MYR)	53,958
CAD	37	1.0059	(CAD:USD)	1,074
JPY	12,721,408	0.3364	(JPY:NTD)	4,279,481
JPY	126,382	0.0116	(JPY:USD)	42,515
JPY	11,382	0.0722	(JPY:CNY)	3,829
AUD	107	30.1650	(AUD:NTD)	3,222
AUD	7	1.0387	(AUD:USD)	217
Non-monetary financial assets				
USD	109,848	29.0400	(USD:NTD)	3,189,991
VND	1,138,226,167	0.0013	(VND:NTD)	1,530,914
JPY	4,550,000	0.3364	(JPY:NTD)	1,530,620
KRW	44,534,930	0.0273	(KRW:NTD)	1,215,803
Monetary financial liabilities				
USD	472,127	29.0400	(USD:NTD)	13,710,578
USD	75,732	6.2318	(USD:CNY)	2,199,251
USD	16,610	21,591.0781	(USD:VND)	482,364

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
USD	$ 281	3.1909	(USD:MYR)	$ 8,158
JPY	14,115,355	0.3364	(JPY:NTD)	4,748,406
JPY	3,966	0.0722	(JPY:CNY)	1,334
JPY	1,844	0.0116	(JPY:USD)	620
AUD	16,540	30.1650	(AUD:NTD)	498,929
January 1, 2012				
Monetary financial assets				
USD	295,724	30.2750	(USD:NTD)	8,953,038
USD	57,279	6.2981	(USD:CNY)	1,734,133
USD	4,724	21,780.5755	(USD:VND)	143,008
USD	2,807	3.3095	(USD:MYR)	84,977
USD	809	0.9850	(USD:AUD)	24,507
CAD	24	0.9800	(CAD:USD)	722
JPY	13,349,374	0.3906	(JPY:NTD)	5,214,265
JPY	95,489	0.0129	(JPY:USD)	37,298
JPY	20,389	0.0813	(JPY:CNY)	7,964
AUD	84	30.7350	(AUD:NTD)	2,572
AUD	12	1.0152	(AUD:USD)	369
Non-monetary financial assets				
USD	123,824	30.2750	(USD:NTD)	3,748,757
JPY	4,102,000	0.3906	(JPY:NTD)	1,602,241
KRW	48,194,249	0.0263	(KRW:NTD)	1,267,509
VND	568,931,267	0.0014	(VND:NTD)	790,815
Monetary financial liabilities				
USD	336,945	30.2750	(USD:NTD)	10,201,004
USD	100,073	6.2981	(USD:CNY)	3,029,700
USD	15,559	21,780.5755	(USD:VND)	471,041
USD	890	3.3095	(USD:MYR)	26,946
JPY	14,037,213	0.3906	(JPY:NTD)	5,482,935
JPY	8,540	0.0813	(JPY:CNY)	3,336
JPY	2,683	0.0129	(JPY:USD)	1,048
AUD	16,540	30.7350	(AUD:NTD)	508,357

(Concluded)

39. SEGMENT INFORMATION

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

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

- Ocean freight forwarding - ship bulk merchandise, such as iron ore and coal, including CSE, TSP, CSEP and CSEIP.

- CSCC - produces, processes and sells coal tar distillation products, light oil products, and also engages in the commerce of related upstream and downstream merchandise.

a. Segment revenues and operating results

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

	Steel	Ocean Freight Forwarding	CSCC	Others	Adjustment and Elimination	Total
For the year ended December 31, 2013						
Revenues from external customers	$ 283,845,656	$ 1,830,309	$ 8,658,428	$ 53,494,445	$ -	$ 347,828,838
Inter-segment revenues	51,994,267	15,564,357	97,755	32,363,710	(100,020,089)	-
Segment revenues	$ 335,839,923	$ 17,394,666	$ 8,756,183	$ 85,858,155	$ (100,020,089)	$ 347,828,838
Segment profit	$ 15,600,474	$ 3,130,410	$ 2,379,688	$ 4,693,718	$ (1,251,340)	$ 24,552,950
Interest income	262,618	7,685	11,428	207,266	(16,703)	472,294
Interest expense	(2,776,676)	(18,518)	(2,301)	(199,491)	11,616	(2,985,370)
Share of the profit of associates and joint ventures	8,526,072	1,896,011	126,022	1,723,972	(11,991,284)	280,793
Other non-operating income and expenses	961,956	264,292	66,487	83,710	(488,060)	888,385
Profit before income tax	22,574,444	5,279,880	2,581,324	6,509,175	(13,735,771)	23,209,052
Income tax expense	3,350,792	360,600	371,413	939,111	(167,331)	4,854,585
Net profit for the year	$ 19,223,652	$ 4,919,280	$ 2,209,911	$ 5,570,064	$ (13,568,440)	$ 18,354,467
Depreciation	$ 28,527,419	$ 896,224	$ 234,167	$ 1,768,962	$ (81,371)	$ 31,345,401
Amortization	$ 123,210	$ -	$ -	$ 92,195	$ 77,712	$ 293,117
For the year ended December 31, 2012						
Revenues from external customers	$ 291,831,841	$ 2,926,704	$ 8,131,915	$ 55,446,040	$ -	$ 358,336,500
Inter-segment revenues	36,123,592	13,341,724	124,629	30,552,537	(80,142,482)	-
Segment revenues	$ 327,955,433	$ 16,268,428	$ 8,256,544	$ 85,998,577	$ (80,142,482)	$ 358,336,500
Segment profit (loss)	$ (2,641,652)	$ 3,194,976	$ 2,070,957	$ 4,918,766	$ 450,598	$ 7,993,645
Interest income	247,503	11,408	14,144	146,726	2,729	422,510
Interest expense	(2,551,718)	(31,407)	(2,034)	(207,052)	1,951	(2,790,260)
Share of the profit of associates and joint ventures	2,294,199	1,957,631	136,065	1,727,511	(6,343,489)	(228,083)
Other non-operating income and expenses	2,664,404	22,159	59,908	317,704	(723,047)	2,341,128
Profit before income tax	12,736	5,154,767	2,279,040	6,903,655	(6,611,258)	7,738,940
Income tax expense (benefit)	(77,099)	114,627	312,697	902,539	52,618	1,305,382
Net profit for the year	$ 89,835	$ 5,040,140	$ 1,966,343	$ 6,001,116	$ (6,663,876)	$ 6,433,558
Depreciation	$ 25,883,827	$ 820,216	$ 221,352	$ 1,628,624	$ (81,370)	$ 28,472,649
Amortization	$ 88,519	$ 48	$ -	$ 79,738	$ 77,846	$ 246,151

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

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

b. Segment total assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Segment assets			
Steel	$ 740,605,749	$ 694,376,051	$ 672,877,404
Ocean freight forwarding	22,123,762	18,501,237	19,553,480
CSCC	8,091,057	7,339,203	7,402,776
Others	157,823,564	123,821,112	115,031,206
Adjustment and elimination	(246,644,759)	(221,019,034)	(197,106,336)
Consolidated total assets	$ 681,999,373	$ 623,018,569	$ 617,758,530
Segment liabilities			
Steel	$ 319,714,309	$ 291,079,573	$ 281,064,457
Ocean freight forwarding	7,185,471	4,188,529	5,554,970
CSCC	1,104,953	985,020	1,177,595

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Others	$ 50,068,350	$ 34,417,546	$ 31,035,689
Adjustment and elimination	(15,443,425)	(10,392,899)	(10,538,606)
Consolidated total liabilities	$ 362,629,658	$ 320,277,769	$ 308,294,105

(Concluded)

c. Revenues from major products and services

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

	For the Year Ended December 31	
	2013	2012
Steel products	$ 287,827,717	$ 294,957,019
Non-ferrous materials	34,435,622	32,628,104
Construction contract revenues	16,219,774	16,844,628
Freight and service revenues	5,042,379	5,672,450
Others	4,303,346	8,234,299
	$ 347,828,838	$ 358,336,500

d. Geographical information

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

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

	Revenues from External Customers For the Year Ended December 31		Non-current Assets		
	2013	2012	December 31, 2013	December 31, 2012	January 1, 2012
Taiwan	$ 326,057,133	$ 337,163,642	$ 443,927,759	$ 420,627,136	$ 395,538,109
Malaysia	10,332,107	10,365,341	2,279,109	2,585,046	2,585,382
China	5,077,588	5,117,446	4,345,919	4,396,383	3,891,101
Vietnam	2,045,489	1,576,464	238,015	216,026	162,637
Others	4,316,521	4,113,607	31,702,278	19,340,268	9,470,516
	$ 347,828,838	$ 358,336,500	$ 482,493,080	$ 447,164,859	$ 411,647,745

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

e. Information about major customers

No revenue from any individual customer exceeds 10% of the Corporation and its subsidiaries' total revenues for the years ended December 31, 2013 and 2012.

40. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation of financial information under IFRSs

The Corporation and its subsidiaries' consolidated financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Corporation and its subsidiaries not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of International Financial Reporting Standards" as the basis for the preparation.

b. Effects of transition to IFRSs

The effects of transition to IFRSs, on the Corporation and its subsidiaries' consolidated balance sheet and consolidated statement of comprehensive income were shown in the following:

1) Reconciliation of consolidated balance sheet as of January 1, 2012 (Table 1).

2) Reconciliation of consolidated balance sheet as of December 31, 2012 (Table 2).

3) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012 (Table 3).

4) Exemptions from IFRS 1

IFRS 1, "First-time Adoption of International Financial Reporting Standards", establishes the procedures for the Corporation and its subsidiaries' 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 and mandatory exceptions to such retrospective application provided under IFRS 1. The main optional exemptions the Corporation and its subsidiaries adopted are summarized as follows:

<u>Business combinations</u>

The Corporation and its subsidiaries elected not to apply IFRS 3, "Business Combinations," 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 applied to past acquisitions of investments in associates.

<u>Share-based payment transactions</u>

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

<u>Deemed cost</u>

The Corporation and its subsidiaries elected to use ROC GAAP revaluation value 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.

<u>Employee benefits</u>

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.

<u>Cumulative translation differences</u>

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.

Designation of previously recognized financial assets and financial 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 5) Notes to the significant reconciliation items of transition to IFRSs.

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

The material differences between the accounting policies under ROC GAAP and the accounting policies under IFRSs were as follows:

Presentation difference

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 December 31, 2012 and January 1, 2012, the amounts reclassified from cash to other financial assets were NT$2,444,389 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 December 31, 2012 and January 1, 2012, the amounts reclassified from current deferred income tax assets to noncurrent assets were NT$2,058,931 thousand and NT$3,623,367 thousand, respectively; the amounts reclassified from current deferred income tax liabilities to noncurrent liabilities were NT$8,941 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 December 31, 2012 and January 1, 2012, the amounts reclassified from assets leased to others under property, plant and equipment to investment property were NT$3,945,199 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$2,920,089 thousand and NT$3,038,314 thousand, respectively; the amounts reclassified from idle assets under other assets to property, plant and equipment were NT$1,273,506 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers, reserve for land value increment tax recognized due to revaluation of land is classified as long-term liabilities.

Under IFRSs, ROC GAAP revaluation values 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 is 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 December 31, 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 Regulations 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 fair value through profit or loss should be classified as available-for-sale financial assets and measured at fair value.

As of December 31, 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$12,449,537 thousand and NT$10,603,195 thousand, respectively; financial assets at fair value through profit or loss were adjusted for an increase of NT$304,655 thousand and NT$315,040 thousand, respectively; available-for-sale financial assets were adjusted for an increase of NT$14,606,157 thousand and NT$12,974,988 thousand, respectively; unrealized gain on available-for-sale financial assets was adjusted for an increase of NT$2,416,134 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 results 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 expect 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 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. 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 December 31 and January 1, 2012, accrued pension cost was adjusted for an increase of NT$6,716,615 thousand and NT$6,916,895 thousand, respectively; net loss not recognized as pension cost were adjusted for a decrease of NT$184,893 thousand and NT$230,590 thousand, respectively; deferred income tax assets were adjusted for an increase of NT$1,205,875 thousand and NT$1,219,725 thousand, respectively; retained earnings were adjusted for a decrease of NT$5,576,947 thousand and 5,662,987 thousand, respectively. Pension cost for the year ended December 31, 2012 was also adjusted for a decrease of NT$104,295 thousand (decrease of operating costs NT$19,177 thousand, research and development expenses NT$42 thousand, selling expenses NT$1,328 thousand, general and administrative expenses NT$78,953 thousand and nonoperating expenses and losses NT$4,795 thousand).

c) Treasury shares

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

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

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 realize 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.

6) Notes to the significant adjustments of consolidated statements of cash flows

According to ROC GAAP, interest paid and received and dividends received are classified as operating activities while dividends paid are classified as financing activities. Additional disclosure is required for interest expenses when reporting cash flow using indirect method. However, under IAS 7 "Statement of Cash Flows", cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating, investing or financing activities. Therefore, interests received and paid and dividends received by the Corporation and its subsidiaries of NT$418,426 thousand, NT$3,421,282 thousand and NT$425,669 thousand, respectively, for the year ended December 31, 2012 were presented separately at the date of transition to IFRSs.

Except for the above differences, there are no other significant differences between ROC GAAP and IFRSs in the consolidated statements of cash flows.

TABLE 1

CHINA STEEL CORPORATION AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED BALANCE SHEET
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	Reference (Note 1)
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	Derivative financial assets for hedging - 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	
-	-	8,716,229	-	8,716,229	Amounts due from customers for construction contracts	
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	12,192,130	-	15,902,288	Other financial assets - current	A
Inventories	115,961,466	(8,716,229)	32,272	107,277,509	Inventories	
Deferred income tax assets - current	3,623,367	(3,623,367)	-	-	-	B
Restricted assets - current	6,906,442	(6,906,442)	-	-	-	
Others	5,776,246	(329)	1,232	5,777,149	Other current assets	
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	Derivative financial assets for hedging - 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	(462,631)	(10,479)	2,145,883	Investments accounted for using equity method	Note 2
Investments in real estate	381,905	(381,905)	-	-	-	
Prepaid long-term investments	10,000	(10,000)	-	-	Prepaid long-term investments	
Other financial assets - noncurrent	2,119,688	398,736	-	2,518,424	Other financial assets - noncurrent	A
Total investments	23,411,730	(455,800)	2,346,852	25,302,782	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 and equipment to be inspected	
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 PROPERTIES	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 tax assets	B, b), d)
Restricted assets - noncurrent	335,660	(335,660)	-	-	-	
Deferred charges and others	945,793	1,203,023	(18,744)	2,130,072	Other noncurrent assets	
Total other assets	6,887,691	(687,077)	3,464,820	9,665,434	Total other assets	
TOTAL	$ 611,685,615	$ (462,631)	$ 6,535,546	$ 617,758,530	TOTAL	

Liabilities and Shareholders' 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	Reference (Note 1)
CURRENT LIABILITIES					CURRENT LIABILITIES	
Short-term loans and overdraft	$ 59,918,010	$ -	$ -	$ 59,918,010	Short-term borrowings and bank overdraft	
Commercial paper payable	22,357,900	-	-	22,357,900	Short-term bills 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	Derivative financial liabilities for hedging - 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)	-	-	-	
-	-	2,203,481	-	2,203,481	Amounts due to customers for construction contracts	
Other payables	8,456,717	12,403,015	-	20,859,732	Other payables	
-	-	2,810,630	-	2,810,630	Provisions - current	
Bonds payable - current portion	11,270,086	-	-	11,270,086	Current portion of bonds payable	
Long-term debt - current portion	11,715,737	-	-	11,715,737	Current portion of long-term bank borrowings	
Others	6,546,124	(3,504,443)	(80,349)	2,961,332	Other current liabilities	
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	Derivative financial liabilities for hedging - noncurrent	
Bonds payable	37,944,340	-	-	37,944,340	Bonds payable	
Long-term debt	75,533,461	-	-	75,533,461	Long-term bank borrowings	
Long-term notes payable	24,813,719	-	-	24,813,719	Long-term bills 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 liabilities	b)
Deferred income tax liabilities - noncurrent	543,499	10,194,138	2,342,512	13,080,149	Deferred tax liabilities	B, D, d)
Others	946,910	(462,631)	-	484,279	Other noncurrent liabilities	Note 2
Total other liabilities	2,244,514	9,731,507	9,259,407	21,235,428	Total other liabilities	
Total liabilities	299,577,678	(462,631)	9,179,058	308,294,105	Total liabilities	
STOCKHOLDERS' EQUITY OF PARENT COMPANY					EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION	
Capital stock	150,844,773	-	-	150,844,773	Share capital	
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	
Unrealized revaluation increment	26,757,590	-	(26,757,590)	-	-	D
Unrealized gain on financial instruments	3,020,919	(317,084)	2,803,837	5,507,672	Unrealized gain on available-for-sale financial assets	a), c)
-	-	317,084	-	317,084	Cash flow hedges	
Cumulative translation adjustments	17,192	-	(17,192)	-	Exchange differences on translating foreign operations	
Net loss not recognized as pension cost	(230,590)	-	230,590	-	-	b)
Treasury stock	(8,122,461)	-	(167,784)	(8,290,245)	Treasury shares	c)
Total other equity adjustments	21,442,650	-	(23,908,139)	(2,465,489)	Total other equity	
Total stockholders' equity of parent company	288,587,009	-	(2,334,970)	286,252,039	Total equity attributable to owners of the Corporation	
MINORITY INTEREST	23,520,928	-	(308,542)	23,212,386	NON-CONTROLLING INTERESTS	
Total stockholders' equity	312,107,937	-	(2,643,512)	309,464,425	Total equity	
TOTAL	$ 611,685,615	($ 462,631)	$ 6,535,546	$ 617,758,530	TOTAL	

Note 1: The reference refers to Note 40 b.

Note 2: Under IAS 28, reclassify to investment reduction accounted for using equity method.

CHINA STEEL CORPORATION AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 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	Reference (Note 1)
CURRENT ASSETS					CURRENT ASSETS	
Cash and cash equivalents	$ 20,545,123	$ (2,444,389)	$ 3	$ 18,100,737	Cash and cash equivalents	A
Financial assets at fair value through profit or loss - current	3,635,688	-	304,655	3,940,343	Financial assets at fair value through profit or loss - current	a)
Available-for-sale financial assets - current	4,763,787	-	21,228	4,785,015	Available-for-sale financial assets - current	a)
Hedging derivative assets - current	45,950	-	-	45,950	Derivative financial assets for hedging - current	
Notes receivable, net	1,490,986	-	-	1,490,986	Notes receivable, net	
Accounts receivable, net	10,560,747	-	-	10,560,747	Accounts receivable, net	
-	-	7,432,666	-	7,432,666	Amounts due from customers for construction contracts	
Other receivables	1,530,801	(56,646)	-	1,474,155	Other receivables	
-	-	58,085	-	58,085	Current tax assets	
Other financial assets - current	4,237,454	9,286,260	-	13,523,714	Other financial assets - current	A
Inventories	84,282,534	(7,432,666)	17,150	76,867,018	Inventories	
Deferred income tax assets - current	2,058,931	(2,058,931)	-	-	-	B
Restricted assets - current	6,942,080	(6,942,080)	-	-	-	
Others	4,775,299	(1,439)	1,862	4,775,722	Other current assets	
Total current assets	144,869,380	(2,159,140)	344,898	143,055,138	Total current assets	
INVESTMENTS					INVESTMENTS	
Financial assets at fair value through profit or loss - noncurrent	259	-	-	259	Financial assets at fair value through profit or loss - noncurrent	
Available-for-sale financial assets - noncurrent	3,579,165	-	14,584,929	18,164,094	Available-for-sale financial assets - noncurrent	a)
Held-to-maturity financial assets - noncurrent	185,159	-	-	185,159	Held-to-maturity financial assets - noncurrent	
Hedging derivative assets - noncurrent	6,983	-	-	6,983	Derivative financial assets for hedging - noncurrent	
	12,449,537	-	(12,449,537)	-		
Financial assets carried at cost - noncurrent	3,536,086	-	-	3,536,086	-	a)
Bond investments with no active market - noncurrent	2,606,530	(431,396)	10,303	2,185,437	Bond investments with no active market - noncurrent	
Investments accounted for by the equity method	381,905	(381,905)	-	-	Investments accounted for using equity method	Note 2
Investments in real estate	12,942	(12,942)	-	-	-	
Other financial assets - noncurrent	33,943	425,028	-	458,971	Other financial assets - noncurrent	A
Total investments	22,792,509	(401,215)	2,145,695	24,536,989	Total investments	
PROPERTY, PLANT AND EQUIPMENT					PROPERTY, PLANT AND EQUIPMENT	
Cost and revaluation increment	669,417,853	(2,978,870)	181,113	666,620,096	Cost	
Less: Accumulated depreciation	340,666,791	(186,819)	18,090	340,498,062	Less: Accumulated depreciation	
Accumulated impairment	405,559	(188,784)	-	216,775	Accumulated impairment	
	328,345,503	(2,603,267)	163,023	325,905,259		C
Construction in progress and prepayments for equipment	108,359,520	(2,215,076)	283,336	106,427,780	Construction in progress and equipment to be inspected	
Net property, plant and equipment	436,705,023	(4,818,343)	446,359	432,333,039	Net property, plant and equipment	
INTANGIBLE ASSETS	3,303,202	(1,725,856)	(41,439)	1,535,907	INTANGIBLE ASSETS	
-	-	8,689,136	-	8,689,136	INVESTMENT PROPERTIES	C
OTHER ASSETS					OTHER ASSETS	
Assets leased to others, net	2,920,089	(2,920,089)	-	-	-	C
Idle assets, net	2,715,449	(2,715,449)	-	-	-	C
Refundable deposits	431,779	-	-	431,779	Refundable deposits	
Deferred income tax assets - noncurrent	3,080,214	2,058,931	2,690,659	7,829,804	Deferred tax assets	B, b), d)
Restricted assets - noncurrent	324,819	(324,819)	-	-	-	
Deferred charges and others	749,524	3,885,448	(28,195)	4,606,777	Other noncurrent assets	
Total other assets	10,221,874	(15,978)	2,662,464	12,868,360	Total other assets	
TOTAL	$ 617,891,988	$ (431,396)	$ 5,557,977	$ 623,018,569	TOTAL	

Liabilities and Shareholders' 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	Reference (Note 1)
CURRENT LIABILITIES					CURRENT LIABILITIES	
Short-term loans and overdraft	$ 25,637,077	$ -	$ -	$ 25,637,077	Short-term borrowings and bank overdraft	
Commercial paper payable	28,679,430	-	-	28,679,430	Short-term bills payable	
Financial liabilities at fair value through profit or loss - current	4,362	-	-	4,362	Financial liabilities at fair value through profit or loss - current	
Hedging derivative liabilities - current	240,380	-	-	240,380	Derivative financial liabilities for hedging - current	
Notes payable	261,617	-	-	261,617	Notes payable	
Accounts payable	10,332,163	-	-	10,332,163	Accounts payable	
Income tax payable	2,098,608	-	209	2,098,817	Current tax liabilities	
Accrued expenses	12,477,514	(12,477,514)	-	-	-	
-	-	3,647,356	-	3,647,356	Amounts due to customers for construction contracts	
Other payables	9,175,241	11,316,624	-	20,491,865	Other payables	
-	-	2,176,179	-	2,176,179	Provisions - current	
Bonds payable - current portion	11,272,543	-	-	11,272,543	Current portion of bonds payable	
Long-term debt - current portion	20,979,088	-	-	20,979,088	Current portion of long-term bank borrowings	
Deferred income tax liabilities - current	8,941	(8,941)	-	-	-	B
Others	7,018,591	(4,662,645)	1,414	2,357,360	Other current liabilities	
Total current liabilities	128,185,555	(8,941)	1,623	128,178,237	Total current liabilities	
LONG-TERM LIABILITIES					LONG-TERM LIABILITIES	
Hedging derivative liabilities - noncurrent	1,739	-	-	1,739	Derivative financial liabilities for hedging - noncurrent	
	86,829	-	-	86,829		
Bonds payable	47,069,227	-	-	47,069,227	Bonds payable	
Long-term debt	92,255,495	-	-	92,255,495	Long-term bank borrowings	
Long-term notes payable	31,783,731	-	-	31,783,731	Long-term bills payable	
Total long-term liabilities	171,197,021	-	-	171,197,021	Total long-term liabilities	
RESERVE FOR LAND VALUE INCREMENT TAX	10,240,123	(10,240,123)	-	-	-	D
OTHER LIABILITIES					OTHER LIABILITIES	
Accrued pension cost	722,667	-	6,716,615	7,439,282	Accrued pension liabilities	b)
Deferred income tax liabilities - noncurrent	1,074,759	10,249,064	1,598,297	12,922,120	Deferred tax liabilities	B, D, d)
Others	972,505	(431,396)	-	541,109	Other noncurrent liabilities	Note 2
Total other liabilities	2,769,931	9,817,668	8,314,912	20,902,511	Total other liabilities	
Total liabilities	312,392,630	(431,396)	8,316,535	320,277,769	Total liabilities	
STOCKHOLDERS' EQUITY OF PARENT COMPANY					EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION	
Capital stock	153,107,445	-	-	153,107,445	Share capital	
Capital surplus	36,673,528	-	(97,531)	36,575,997	Capital surplus	c)
Retained earnings					Retained earnings	
Legal reserve	54,778,577	-	-	54,778,577	Legal reserve	
Special reserve	7,615,701	-	21,633,290	29,248,991	Special reserve	4)
Unappropriated earnings	5,961,915	-	194,806	6,156,721	Unappropriated earnings	D, b), c), 4)
Total retained earnings	68,356,193	-	21,828,096	90,184,289	Total retained earnings	
Other equity adjustments					Other equity	
Unrealized revaluation increment	26,750,124	-	(26,750,124)	-	-	D
Unrealized gain on financial instruments	2,458,247	280,266	2,545,290	5,283,803	Unrealized gain on available-for-sale financial assets	a), c)
-	-	(280,266)	-	(280,266)	Cash flow hedges	
Cumulative translation adjustments	(393,229)	-	(24,591)	(417,820)	Exchange differences on translating foreign operations	
Net loss not recognized as pension cost	(184,893)	-	184,893	-	-	b)
Treasury stock	(8,415,348)	-	(166,949)	(8,582,297)	Treasury shares	c)
Total other equity adjustments	20,214,901	-	(24,211,481)	(3,996,580)	Total other equity	
Total stockholders' equity of parent company	278,352,067	-	(2,480,916)	275,871,151	Total equity attributable to owners of the Corporation	
MINORITY INTEREST	27,147,291	-	(277,642)	26,869,649	NON-CONTROLLING INTERESTS	
Total stockholders' equity	305,499,358	-	(2,758,558)	302,740,800	Total equity	
TOTAL	$ 617,891,988	$ (431,396)	$ 5,557,977	$ 623,018,569	TOTAL	

Note 1: The reference refers to Note 40 b.

Note 2: Under IAS 28, reclassify to investment reduction accounted for using equity method.

TABLE 3

CHINA STEEL CORPORATION AND SUBSIDIARIES

RECONCILIATION OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 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	Reference (Note)
Operating revenues	$ 358,536,702	$ -	$ (200,202)	$ 358,336,500	Operating revenues	
Operating costs	339,161,858	-	(171,284)	338,990,574	Operating costs	b)
Gross profit	19,374,844	-	(28,918)	19,345,926	Gross profit	
Realized gain from affiliates	31,236	-	-	31,236	Realized gain on the transactions with associates	
Realized gross profit	19,406,080	-	(28,918)	19,377,162	Realized gross profit	
Operating expenses					Operating expenses	
Research and development	1,683,491	-	(42)	1,683,449	Research and development expenses	b)
Selling	4,585,976	-	(3,331)	4,582,645	Selling and marketing expenses	b)
General and administrative	5,121,636	86,009	(90,222)	5,117,423	General and administrative expenses	b)
Total operating expenses	11,391,103	86,009	(93,595)	11,383,517	Total operating expenses	
Operating income	8,014,977	(86,009)	64,677	7,993,645	Profit from operations	
Nonoperating income and gains					Non-operating income and gains	
Interest income	422,510	-	-	422,510	Interest income	
Dividend income	288,315	-	(16)	288,299	Dividend income	
Gain on sale of investments, net	1,183,827	-	15,402	1,199,229	Gain on disposal of investments, net	
Exchange gain, net	479,626	-	4,311	483,937	Net foreign exchange gains	
Reversal of impairment loss, net	4,932	(4,932)	-	-	Reversal of impairment loss, net	
Others	1,065,981	(19,480)	3,268	1,049,769	Others	
Total nonoperating income and gains	3,445,191	(24,412)	22,965	3,443,744	Total non-operating income and gains	
Nonoperating expenses and losses					Non-operating expenses and losses	
Interest expense	2,790,260	-	-	2,790,260	Interest expense	
Investment loss recognized under equity method, net	230,005	-	(1,922)	228,083	Share of the loss of associates and joint ventures	
Others	758,970	(110,421)	31,557	680,106	Others	b)
Total nonoperating expenses and losses	3,779,235	(110,421)	29,635	3,698,449	Total non-operating expenses and losses	
Income before income tax	7,680,933	-	58,007	7,738,940	Profit before income tax	
Income tax expense	1,291,426	-	13,956	1,305,382	Income tax expense	
Net income	$ 6,389,507	$ -	$ 44,051	6,433,558	Net profit for the year	
					Other comprehensive income	
				(756,488)	Exchange differences on translating foreign operations	
				(6,683)	Unrealized loss on available-for-sale financial assets	
				(725,196)	Cash flow hedges	
				98,543	Actuarial gain arising from defined benefit plans	
				28,009	Share of the other comprehensive income of associates and joint ventures	
				110,410	Income tax expense relating to the components of other comprehensive income	
				(1,251,405)	Total other comprehensive income, net of income tax	
				$ 5,182,153	Total comprehensive income for the year	
					Net profit attributable to:	
				$ 5,894,806	Owners of the Corporation	
				538,752	Non-controlling interests	
				$ 6,433,558		
					Total comprehensive income attributable to:	
				$ 4,764,269	Owners of the Corporation	
				417,884	Non-controlling interests	
				$ 5,182,153		

Note: The reference refers to Note 40 b.