China Steel Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2014 and 2013 and Independent Auditors' Review Report

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Stockholders
China Steel Corporation

We have reviewed the accompanying consolidated balance sheets of China Steel Corporation (the "Corporation") and its subsidiaries as of June 30, 2014 and June 30, 2013, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2014 and 2013, and the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2014 and 2013. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

August 13, 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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review 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	June 30, 2014 (Reviewed) Amount	%	December 31, 2013 (Audited) Amount	%	June 30, 2013 (Reviewed) Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 32)	$ 24,522,952	4	$ 13,700,839	2	$ 12,967,395	2
Financial assets at fair value through profit or loss - current (Notes 7 and 32)	7,705,029	1	5,014,510	1	5,107,681	1
Available-for-sale financial assets - current (Notes 8 and 32)	7,009,270	1	5,290,437	1	3,928,187	1
Derivative financial assets for hedging - current (Notes 10 and 32)	34,846	-	30,501	-	62,286	-
Bond investments with no active market - current (Notes 14 and 32)	-	-	9,259	-	9,320	-
Notes receivable (Notes 11 and 32)	954,931	-	1,198,221	-	886,745	-
Notes receivable - related parties (Notes 11, 32 and 33)	287,313	-	607,062	-	594,657	-
Accounts receivable, net (Notes 11 and 32)	10,916,350	2	10,248,930	2	11,212,641	2
Accounts receivable - related parties (Notes 11, 32, 33 and 37)	1,028,657	-	520,732	-	405,725	-
Amounts due from customers for construction contracts (Note 12)	7,364,411	1	7,309,470	1	7,724,752	1
Other receivables (Note 32)	1,553,619	-	1,943,126	-	1,603,167	-
Current tax assets	302,091	-	120,617	-	28,147	-
Inventories (Notes 4 and 13)	77,681,481	11	83,040,277	12	82,768,750	12
Other financial assets - current (Notes 16, 32 and 34)	13,902,972	2	13,529,793	2	15,800,172	2
Other current assets	6,143,883	1	5,673,611	1	4,913,644	1
Total current assets	159,407,805	23	148,237,385	22	148,013,269	22
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent (Notes 8, 19 and 32)	32,340,520	5	28,100,611	4	21,368,814	3
Held-to-maturity financial assets - noncurrent (Notes 9 and 32)	210,413	-	209,991	-	211,364	-
Derivative financial assets for hedging - noncurrent (Notes 10 and 32)	23,880	-	42,202	-	36,312	-
Bond investments with no active market - noncurrent (Notes 14, 19 and 32)	3,096,299	1	2,973,651	1	3,198,689	1
Investments accounted for using equity method (Notes 4, 10, 15 and 33)	11,466,297	2	10,990,162	2	11,227,504	2
Property, plant and equipment (Notes 10, 16, 17 and 34)	459,432,242	66	462,742,294	68	450,664,164	68
Investment properties (Notes 18 and 34)	8,330,317	1	8,337,249	1	8,633,236	2
Intangible assets (Notes 15 and 33)	2,600,140	-	2,680,365	-	1,473,620	-
Deferred tax assets	5,921,009	1	6,077,668	1	7,632,226	1
Refundable deposits (Note 32)	485,454	-	513,180	-	468,072	-
Other financial assets - noncurrent (Notes 16, 32 and 34)	2,373,089	-	2,361,443	-	348,012	-
Other noncurrent assets	8,358,362	1	8,733,172	1	7,596,169	1
Total noncurrent assets	534,638,022	77	533,761,988	78	512,858,182	78
TOTAL	$ 694,045,827	100	$ 681,999,373	100	$ 660,871,451	100

LIABILITIES AND EQUITY	June 30, 2014 (Reviewed) Amount	%	December 31, 2013 (Audited) Amount	%	June 30, 2013 (Reviewed) Amount	%
CURRENT LIABILITIES						
Short-term borrowings and bank overdraft (Notes 6, 19, 32 and 34)	$ 35,058,628	5	$ 28,652,599	4	$ 48,453,090	7
Short-term bills payable (Notes 19, 32 and 34)	26,611,577	4	30,786,300	5	40,884,282	6
Financial liabilities at fair value through profit or loss - current (Notes 7, 20 and 32)	4,478	-	9,094	-	4,132	-
Derivative financial liabilities for hedging - current (Notes 10 and 32)	25,005	-	44,281	-	184,630	-
Notes payable (Note 32)	845,992	-	1,015,417	-	605,426	-
Notes payable - related parties (Notes 32 and 33)	-	-	756	-	-	-
Accounts payable (Notes 21 and 32)	12,373,297	2	11,543,379	2	9,610,606	2
Accounts payable - related parties (Notes 21, 32, 33 and 37)	744,960	-	157,372	-	207,522	-
Amounts due to customers for construction contracts (Note 12)	5,502,559	1	5,818,449	1	5,697,642	1
Other payables (Notes 22 and 32)	35,579,434	5	23,925,757	3	29,772,351	5
Current tax liabilities	3,043,294	-	3,700,145	1	2,949,752	-
Provisions - current (Note 23)	3,685,612	1	2,968,838	-	3,067,526	1
Current portion of bonds payable (Notes 20 and 32)	3,499,659	-	3,499,318	1	11,273,771	2
Current portion of long-term bank borrowings (Notes 19, 32 and 34)	19,197,204	3	19,426,467	3	20,304,884	3
Other current liabilities	2,787,845	-	3,306,668	-	2,475,514	-
Total current liabilities	148,959,544	21	134,854,840	20	175,491,128	27
NONCURRENT LIABILITIES						
Financial liabilities at fair value through profit or loss - noncurrent (Notes 7 and 32)	-	-	-	-	2,118	-
Derivative financial liabilities for hedging - noncurrent (Notes 10 and 32)	7,000	-	18,043	-	15,754	-
Bonds payable (Notes 20 and 32)	97,834,023	14	62,994,437	9	46,761,388	7
Long-term bank borrowings (Notes 19, 32 and 34)	82,717,253	12	108,062,267	16	84,321,222	13
Long-term bills payable (Notes 19 and 32)	26,016,711	4	34,882,033	5	26,717,205	4
Provisions - noncurrent (Note 23)	1,020,254	-	1,067,087	-	55,167	-
Deferred tax liabilities	12,753,325	2	12,976,988	2	13,094,046	2
Accrued pension liabilities	7,096,034	1	7,237,168	1	7,382,443	1
Other noncurrent liabilities	534,850	-	536,795	-	512,650	-
Total noncurrent liabilities	227,979,450	33	227,774,818	33	178,861,993	27
Total liabilities	376,938,994	54	362,629,658	53	354,353,121	54
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 10, 16, 25 and 34)						
Share capital						
Ordinary shares	154,255,840	22	154,255,840	23	152,724,765	23
Preference shares	382,680	-	382,680	-	382,680	-
Total share capital	154,638,520	22	154,638,520	23	153,107,445	23
Capital surplus	36,965,155	6	36,960,818	5	36,664,652	5
Retained earnings						
Legal reserve	56,957,880	8	55,359,726	8	55,359,726	8
Special reserve	27,086,712	4	26,920,871	4	26,921,505	4
Unappropriated earnings	12,520,183	2	16,348,240	3	10,411,352	2
Total retained earnings	96,564,775	14	98,628,837	15	92,692,583	14
Other equity	8,960,665	1	7,955,853	1	6,088,342	1
Treasury shares	(8,544,473)	(1)	(8,496,974)	(1)	(8,581,510)	(1)
Total equity attributable to owners of the Corporation	288,584,642	42	289,687,054	43	279,971,512	42
NON-CONTROLLING INTERESTS	28,522,191	4	29,682,661	4	26,546,818	4
Total equity	317,106,833	46	319,369,715	47	306,518,330	46
TOTAL	$ 694,045,827	100	$ 681,999,373	100	$ 660,871,451	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)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 10, 23, 26, 33 and 37)	$ 92,161,647	100	$ 84,695,287	100	$ 184,577,177	100	$ 173,155,802	100
OPERATING COSTS (Notes 10, 13, 24, 27, 33 and 37)	81,738,223	89	74,764,910	88	166,045,149	90	154,138,816	89
GROSS PROFIT	10,423,424	11	9,930,377	12	18,532,028	10	19,016,986	11
REALIZED GAIN ON THE TRANSACTIONS WITH ASSOCIATES	-	-	7,809	-	-	-	15,618	-
REALIZED GROSS PROFIT	10,423,424	11	9,938,186	12	18,532,028	10	19,032,604	11
OPERATING EXPENSES (Notes 24 and 27)								
Selling and marketing expenses	1,202,780	1	1,299,143	1	2,477,138	1	2,595,577	1
General and administrative expenses	1,752,719	2	1,509,623	2	3,421,185	2	2,977,239	2
Research and development expenses	513,828	1	531,326	1	953,976	1	951,591	1
Total operating expenses	3,469,327	4	3,340,092	4	6,852,299	4	6,524,407	4
PROFIT FROM OPERATIONS	6,954,097	7	6,598,094	8	11,679,729	6	12,508,197	7
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 27 and 33)	715,788	1	335,121	1	1,327,916	1	845,087	1
Other gains and losses (Notes 10, 15, 27, 32 and 33)	(125,179)	-	64,951	-	272,712	-	(51,442)	-
Finance costs (Note 27)	(989,940)	(1)	(661,956)	(1)	(1,908,501)	(1)	(1,324,971)	(1)
Share of the profit of associates and joint ventures	65,956	-	195,440	-	321,958	-	233,432	-
Total non-operating income and expenses	(333,375)	-	(66,444)	-	14,085	-	(297,894)	-
PROFIT BEFORE INCOME TAX	6,620,722	7	6,531,650	8	11,693,814	6	12,210,303	7
INCOME TAX EXPENSE (Notes 4 and 28)	925,381	1	1,174,019	2	1,721,079	1	1,975,106	1
NET PROFIT FOR THE PERIOD	5,695,341	6	5,357,631	6	9,972,735	5	10,235,197	6

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Notes 10, 16, 25, 28 and 32)								
Exchange differences on translating foreign operations	$ (619,121)	-	$ (224,643)	-	$ 253,621	-	$ 602,280	-
Unrealized gain (loss) on available-for-sale financial assets	916,978	1	(151,273)	-	933,409	1	1,168,586	1
Cash flow hedges	(93,719)	-	70,148	-	6,626	-	214,301	-
Actuarial loss from defined benefit plans	-	-	-	-	-	-	(1,130)	-
Share of the other comprehensive income of associates and joint ventures	176,559	-	(107,205)	-	49,803	-	(91,429)	-
Income tax benefit (expense) relating to the components of other comprehensive income	29,367	-	(13,915)	-	(3,096)	-	(56,628)	-
Other comprehensive income for the period, net of income tax	410,064	1	(426,888)	-	1,240,363	1	1,835,980	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 6,105,405	7	$ 4,930,743	6	$ 11,213,098	6	$ 12,071,177	7
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Corporation	$ 5,152,848	6	$ 4,885,757	6	$ 8,781,387	5	$ 8,678,353	5
Non-controlling interests	542,493	-	471,874	-	1,191,348	-	1,556,844	1
	$ 5,695,341	6	$ 5,357,631	6	$ 9,972,735	5	$ 10,235,197	6
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Corporation	$ 5,551,503	6	$ 4,419,204	5	$ 9,786,199	5	$ 10,169,676	6
Non-controlling interests	553,902	1	511,539	1	1,426,899	1	1,901,501	1
	$ 6,105,405	7	$ 4,930,743	6	$ 11,213,098	6	$ 12,071,177	7
EARNINGS PER SHARE (Note 29)								
Basic	$ 0.34		$ 0.32		$ 0.58		$ 0.57	
Diluted	$ 0.34		$ 0.32		$ 0.58		$ 0.57	

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)
(Reviewed, Not Audited)

	Equity Attributable to 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 Instruments	Cash Flow Hedges	Total Other Equity	Treasury Shares	Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2014	$ 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)	$ 289,687,054	$ 29,682,661	$ 319,369,715
Appropriation of 2013 earnings														
Legal reserve	-	-	-	1,598,154	-	(1,598,154)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	166,266	(166,266)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.7 per share	-	-	-	-	-	(10,797,909)	-	-	-	-	-	(10,797,909)	-	(10,797,909)
Cash dividends to preference shareholders - NT$1.2 per share	-	-	-	-	-	(45,922)	-	-	-	-	-	(45,922)	-	(45,922)
Reversal of special reserve	-	-	-	-	(425)	425	-	-	-	-	-	-	-	-
Net profit for the six months ended June 30, 2014	-	-	-	-	-	8,781,387	-	-	-	-	-	8,781,387	1,191,348	9,972,735
Other comprehensive income for the six months ended June 30, 2014, net of income tax	-	-	-	-	-	-	184,113	819,539	1,160	1,004,812	-	1,004,812	235,551	1,240,363
Total comprehensive income for the six months ended June 30, 2014	-	-	-	-	-	8,781,387	184,113	819,539	1,160	1,004,812	-	9,786,199	1,426,899	11,213,098
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	(47,499)	(47,499)	(75,128)	(122,627)
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,512,241)	(2,512,241)
Adjustment of other equity	-	-	4,337	-	-	(1,618)	-	-	-	-	-	2,719	-	2,719
BALANCE AT JUNE 30, 2014	$ 154,255,840	$ 382,680	$ 36,965,155	$ 56,957,880	$ 27,086,712	$ 12,520,183	$ (475,576)	$ 9,422,706	$ 13,535	$ 8,960,665	$ (8,544,473)	$ 288,584,642	$ 28,522,191	$ 317,106,833
BALANCE AT JANUARY 1, 2013	$ 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)	$ 275,871,151	$ 26,869,649	$ 302,740,800
Appropriation of 2012 earnings														
Legal reserve	-	-	-	581,149	-	(581,149)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	(2,325,000)	2,325,000	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.4 per share	-	-	-	-	-	(6,108,990)	-	-	-	-	-	(6,108,990)	-	(6,108,990)
Cash dividends to preference shareholders - NT$1.3 per share	-	-	-	-	-	(49,748)	-	-	-	-	-	(49,748)	-	(49,748)
Reversal of special reserve	-	-	-	-	(2,486)	2,486	-	-	-	-	-	-	-	-
Net profit for the six months ended June 30, 2013	-	-	-	-	-	8,678,353	-	-	-	-	-	8,678,353	1,556,844	10,235,197
Other comprehensive income for the six months ended June 30, 2013, net of income tax	-	-	-	-	-	(11,302)	109,478	1,207,730	185,417	1,502,625	-	1,491,323	344,657	1,835,980
Total comprehensive income for the six months ended June 30, 2013	-	-	-	-	-	8,667,051	109,478	1,207,730	185,417	1,502,625	-	10,169,676	1,901,501	12,071,177
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,224,332)	(2,224,332)
Adjustment of other equity	-	-	88,655	-	-	(19)	-	-	-	-	787	89,423	-	89,423
BALANCE AT JUNE 30, 2013	$ 152,724,765	$ 382,680	$ 36,664,652	$ 55,359,726	$ 26,921,505	$ 10,411,352	$ (308,342)	$ 6,491,533	$ (94,849)	$ 6,088,342	$ (8,581,510)	$ 279,971,512	$ 26,546,818	$ 306,518,330

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)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2014	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 11,693,814	$ 12,210,303
Adjustments for:		
Depreciation expense	17,316,033	14,758,180
Amortization expense	189,382	150,070
Net gain on financial assets and liabilities at fair value through profit or loss	(135,241)	(4,760)
Finance costs	1,908,501	1,324,971
Interest income	(268,101)	(217,161)
Dividend income	(39,903)	(56,333)
Share of the profit of associates and joint ventures	(321,963)	(234,233)
Loss on disposal of property, plant and equipment	97,156	27,276
Gain on disposal of intangible assets	(72,249)	-
Gain on disposal of investments	(486,800)	(412,585)
Increase (decrease) in provision for loss on inventories	(12,283)	973,760
Realized gain on the transactions with associates	-	(15,618)
Recognition of provisions	1,315,580	2,283,769
Others	58,037	(12,765)
Changes in operating assets and liabilities		
Financial assets held for trading	(168,524)	(414,618)
Derivative financial assets for hedging	-	18,626
Notes receivable	243,290	87,966
Notes receivable - related parties	319,749	(75,204)
Accounts receivable	(673,088)	(726,738)
Accounts receivable - related parties	(507,925)	199,552
Amounts due from customers for construction contracts	(54,941)	(292,086)
Other receivables	758,172	(615,911)
Inventories	5,381,999	(6,872,652)
Other current assets	(470,272)	(135,954)
Notes payable	(169,425)	311,629
Notes payable - related parties	(756)	(1,168)
Accounts payable	829,918	(490,496)
Accounts payable - related parties	587,588	(23,785)
Amounts due to customers for construction contracts	(315,890)	2,050,286
Other payables	2,110,871	212,288
Provisions	(595,297)	(1,337,255)
Other current liabilities	(518,823)	116,461
Accrued pension liabilities	(141,134)	(56,839)
Cash generated from operations	37,857,475	22,728,976
Income taxes paid	(2,641,111)	(377,707)
Net cash generated from operating activities	35,216,364	22,351,269

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CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30 2014	For the Six Months Ended June 30 2013
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	$ (4,313,558)	$ (2,131,658)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	1,945,994	1,353,134
Acquisition of available-for-sale financial assets	(5,327,299)	(2,855,370)
Proceeds from disposal of available-for-sale financial assets	1,188,558	1,844,009
Proceeds from the capital reduction on available-for-sale financial assets	44,163	25,734
Acquisition of bond investments with no active market	(15,822)	(14,580)
Proceeds from disposal of bond investments with no active market	9,758	-
Acquisition of held-to-maturity financial assets	-	(102,016)
Proceeds from disposal of held-to-maturity financial assets	-	82,159
Net cash inflow on acquisition of subsidiaries	-	32,973
Acquisition of investments accounted for using equity method	(141,934)	(9,147,368)
Proceeds from the capital reduction on investments accounted for using equity method	11,550	-
Acquisition of property, plant and equipment	(16,141,809)	(32,138,926)
Proceeds from disposal of property, plant and equipment	12,162	108,894
Decrease (increase) in refundable deposits	27,726	(26,368)
Acquisition of intangible assets	(48,275)	(16,688)
Acquisition of investment properties	-	(5,241)
Proceeds from disposal of investment properties	89	-
Increase in other financial assets	(391,361)	(2,226,598)
Decrease (increase) in other noncurrent assets	166,546	(868,658)
Interest received	258,931	185,738
Dividends received from associates	264,087	9,272
Dividends received from others	12,350	44,025
Net cash used in investing activities	(22,438,144)	(45,847,533)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	104,435,442	166,942,680
Repayments of short-term borrowings	(96,007,521)	(146,087,043)
Increase (decrease) in short-term bills payable	(4,174,723)	12,204,852
Issuance of bonds payable	34,900,000	-
Proceeds from long-term bank borrowings	11,385,271	15,219,667
Repayments of long-term bank borrowings	(37,412,397)	(23,520,372)
Decrease in long-term bills payable	(8,865,322)	(5,066,526)
Decrease in other noncurrent liabilities	(1,945)	(28,750)
Dividends paid to owners of the Corporation	(3,191)	(4,731)

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Six Months Ended June 30	
	2014	**2013**
Purchase of the Corporation's shares by subsidiaries	$ (122,627)	$ -
Interest paid	(1,443,236)	(1,305,334)
Decrease in non-controlling interests	(2,512,241)	(2,244,530)
Net cash generated from financing activities	177,510	16,109,913
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	10,075	429,880
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,965,805	(6,956,471)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	10,541,442	16,959,256
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 23,507,247	$ 10,002,785
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2014 and 2013:		
Cash and cash equivalents in the consolidated balance sheets	$ 24,522,952	$ 12,967,395
Bank overdraft	(1,015,705)	(2,964,610)
Cash and cash equivalents in the consolidated statements of cash flows	$ 23,507,247	$ 10,002,785

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

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 June 30, 2014, 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 reported to the board of directors and approved for issue on August 13, 2014.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. The 2013 version of International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), International Financial Reporting Interpretations (IFRIC), and Interpretations of IAS (SIC) in issue but not yet effective

Under Rule No. 1030010325 issued by the Financial Supervisory Commission ("FSC") on April 3, 2014, starting January 1, 2015, the Corporation and its subsidiaries should apply the 2013 version of IFRS, IAS, IFRIC and SIC (the "IFRSs") announced by the International Accounting Standards Board (IASB) and endorsed by the FSC.

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 or January 1, 2010, as appropriate
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

(Continued)

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note)
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

(Concluded)

Note: Unless stated otherwise, the above new, amended and revised standards and interpretations are effective for annual periods beginning on or after the respective effective dates.

Except for the following, whenever applied, the initial application of the 2013 version of the IFRSs would not have any material impact on the Corporation and its subsidiaries’ accounting policies:

1) 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.

2) 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.

3) 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.

4) 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.

5) 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.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

6) 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) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

Starting 2015, the Corporation and its subsidiaries will apply the above amendments when preparing their consolidated statements of comprehensive income. The items which will not be reclassified to profit or loss include actuarial gains and losses from defined benefit plans and share of actuarial gains and losses of associates and joint ventures. The items which are likely to be reclassified subsequently to profit or loss include exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, cash flow hedges and share of the other comprehensive income of associates and joint ventures (except share of actuarial gains and losses from defined benefit plans).

7) Revision to IAS 19 "Employee Benefits"

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur and accelerates the recognition of past service costs. The revision requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Furthermore, 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.

In addition, revised IAS 19 changes the definition of short-term employee benefits. The revised definition is “employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service”. However, this change does not affect unused annual leave to be presented as a current liability in the consolidated balance sheet.

Except the aforementioned impact, as of the date the consolidated financial statements were reported to the board of directors and approved for issue, the Corporation and its subsidiaries are in the process of estimating the impact of the impending initial application of the 2013 version of the IFRSs on their financial position and results of operations. Disclosures will be provided after a detailed review of the impact has been completed.

b. IFRSs announced by the IASB but not yet endorsed by the FSC

The Corporation and its subsidiaries have not applied the IFRSs announced by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were reported to the board of directors and approved for issue, the FSC has not yet announced the effective date.

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
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”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date and Transition Disclosures”	January 1, 2018
Amendment to IFRS 11 “Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	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
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above new, amended and revised standards and interpretations 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.

Except for the following, whenever applied, the initial application of the above new, amended and revised standards and interpretations 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. Under IFRS 9, the requirements for classifying financial assets were as follows.

When the contractual cash flow of the debt instruments invested by the Corporation and its subsidiaries that are solely payments of principal and interest on the principal outstanding, the classification and measurement are as follows:

a) Financial assets that are held within a business model whose objective is to collect the contractual cash flow are generally measured at amortized cost. Related interest revenue is recognized in profit or loss using the effective interest rate; impairment is continually evaluated and recognized in profit or loss.

b) Financial assets that are held within business models whose objectives are to collect the contractual cash flow and to sell are measured at fair value through other comprehensive income. Related interest revenue is recognized in profit or loss using the effective interest rate; impairment is continually evaluated and recognized in profit or loss as well as exchange gain or loss, while other fair value changes are recognized in other comprehensive income.

All other financial assets are measured at fair value, with changes recognized in profit or loss. 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. No impairment evaluation is needed for the subsequent period.

Impairment of financial assets

Under IFRS9, expected credit loss model is applied to recognize impairment of financial assets. Allowance for credit losses is recognized for financial assets measured at amortized cost, financial assets measured at fair value mandatorily through other comprehensive income, lease receivables, contract assets or loans commitments under IFRS 15 “Revenue from Contracts with Customers” and financial guarantee contracts. If credit risks of such financial assets have not increased significantly since initial recognition, allowance for credit losses is measured at 12-month expected credit losses. If credit risks of such financial assets have increased significantly since initial recognition, allowance for credit losses is measured at lifetime expected credit losses. Credit losses for accounts receivable should be measured at expected credit losses.

Furthermore, for the financial assets with credit impairment on initial recognition, the Corporation and its subsidiaries consider the expected credit losses on initial recognition to calculate effective interest rate after adjusting credit risk. Subsequently, allowance for credit losses is measured at accumulated changes in expected credit losses.

Recognition and measurement of financial liabilities

As for financial liabilities, the main changes in the classification and measurement relate to the subsequent measurement of financial liabilities designated as at fair value through profit or loss. The amount of change in the fair value of such financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch in profit or loss, the Corporation and its subsidiaries present all gains or losses on that liability 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.

2) 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.

3) 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.

4) 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.

5) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The Corporation and its subsidiaries should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the Corporation and its subsidiaries.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

a) in which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the Corporation and its subsidiaries’ use of the intangible asset will expire upon achievement of a revenue threshold); or

b) when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The Corporation and its subsidiaries should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

6) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, the Corporation and its subsidiaries shall recognize revenue by applying the following steps:

a) Identify the contract with the customer;

b) Identify the performance obligations in the contract;

c) Determine the transaction price;

d) Allocate the transaction price to the performance obligations in the contracts; and

e) Recognize revenue when the Corporation and its subsidiaries satisfy a performance obligation.

When IFRS 15 is effective, the Corporation and its subsidiaries may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

As of the date the consolidated financial statements were reported to the board of directors and approved for issue, the Corporation and its subsidiaries are in the process of estimating the impact of the impending initial application of the aforementioned and other Standards and the amendments to 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

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 IAS 34 "Interim Financial Reporting" endorsed by the FSC. The consolidated financial statements do not present full disclosures required for a complete set of IFRSs annual consolidated financial statements.

Basis of Consolidation

a. Subsidiaries included in consolidated financial statements

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%) June 30, 2014	December 31, 2013	June 30, 2013	Additional Descriptions
China Steel Corporation	China Steel Express Corporation (CSE)	Ocean freight forwarding	100	100	100	
	C. S. Aluminium Corporation	Production and sale of aluminum and other non-ferrous metal	100	100	100	
	Gains Investment Corporation	General investment	100	100	100	
	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	Steel product agency and trading service	100	100	100	
	China Steel Machinery Corporation	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	
	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	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) June 30, 2014	December 31, 2013	June 30, 2013	Additional Descriptions
	China Ecotek Corporation (CEC)	Electrical engineering and co-generation	45	45	45	Refer to 1) below
	China Steel Chemical Corporation (CSCC)	Production and sale of coal chemistry and specialty chemicals	29	29	29	Refer to 1) below
	Chung Hung Steel Corporation Ltd. (CHSC)	Manufacture and sale of steel product	41	41	41	Refer to 1) 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 1) 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 1) below
	China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Manufacture and sale of steel product	51	51	51	
	China Steel Corporation India Pvt. Ltd. (CSCI)	Manufacture and sale of steel product (electromagnetic steel coil)	100	100	100	
	Kaohsiung Rapid Transit Corporation (KRTC)	Operation of mass rapid transit	43	43	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%, 50% and 32% as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively
	China Steel Resources Corporation	Disposal and process of waste	100	-	-	Investment in February 2014
	CSC Precision Metal Industrial Corporation	Non-ferrous metals processing	100	-	-	Investment in June 2014
	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	66	66	
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%
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	End of settlement in February 2014
	Betacera Inc. (BETA)	Manufacture, processing and trading of electronic ceramics	48	48	48	Refer to 1) below
	Universal Exchange Inc.	Software programming	64	64	64	
	Thintech Materials Technology Co., Ltd. (TMTC)	Target material and bimetal material tube sale	32	33	33	Direct and indirect ownerships amounted to 40%, 41% and 42% as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively and refer to 2) 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%

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) June 30, 2014	Percentage of Ownership (%) December 31, 2013	Percentage of Ownership (%) June 30, 2013	Additional Descriptions
	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	100	
Thintech International Limited	Nantong Zhongxing Materials Technology Co., Ltd. (NZMTCL)	Manufacture, processing and trading of target material	47	47	47	Refer to 1) 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. (TUMRCL)	Refining, purification and sale of metal	84	76	65	
China Prosperity Development Corporation	CK Japan Co., Ltd.	Real estate sale and rental	80	80	80	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 1) 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	60	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	
	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	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	100	
	China Steel Machinery Vietnam Co., Ltd.	Installation of machinery and equipment, and technology service	100	100	100	
	China Steel Machinery Corporation India Pvt. Ltd.	Manufacture of machinery	99	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	100	100	
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	100	
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	

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) June 30, 2014	December 31, 2013	June 30, 2013	Additional Descriptions
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	100	100	
	China Ecotek Construction Corporation	Construction, interior design and decoration, and retail and wholesale of building materials	100	100	100	
CEC International Corp.	China Ecotek India Private Limited	Planning, maintenance and management of eco-construction and eco-equipment	100	100	100	
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	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	100	-	Investment in December 2013
Chung Hung Steel Corporation Ltd.	Taiwan Steel Corporation (TSC)	Not yet in operation	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	90	
China Steel Structure Co., Ltd.	United Steel Constructure Corporation (USCC)	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	
	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:

1) 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.

2) 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.

b. Honley Auto. Parts Co., Ltd. of which the Corporation holds 50% equity as of June 30, 2014 is not included in the consolidated entities since the Corporation expects to hold only 30% equity after the second capital increase based on agreements between shareholders and has no control over the board of directors.

Other significant accounting policies

Except the following descriptions, the same accounting policies have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2013.

a. Inventories

Besides the goods manufactured or traded by the Corporation and its subsidiaries, inventories also include buildings and lands under construction and prepayment for land.

Buildings and lands under construction consist of land and construction costs which will be transferred to operating costs based on the ratio of area sold to total area when the lands and buildings are sold and the criteria of revenue recognition were met.

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.

The cost of buildings construction investment is calculated by each different construction. The expenditure on land before acquiring land ownership is recorded as prepayment for land. The construction and other costs after acquiring land ownership are recognized as construction in progress, which will be transferred to property held for sale after the completion.

Before the transfer of land ownership and the completion of construction, interest arising from land payment and cost of construction in progress (including costs of lands and constructions) is capitalized and recorded as acquisition cost of land and construction cost.

b. Retirement Benefit Costs

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

c. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated on an interim period's pre-tax income by applying to the tax rate that would be applicable to expected total annual earnings.

Reclassification

Several items were reclassified in the consolidated balance sheet as of June 30, 2013 to comply with the presentation of the consolidated balance sheet as of June 30, 2014.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2013.

6. CASH AND CASH EQUIVALENTS

	June 30, 2014	December 31, 2013	June 30, 2013
Cash on hand	$ 43,861	$ 50,046	$ 39,273
Checking accounts and demand deposits	9,060,617	8,240,411	7,214,910
Cash equivalents			
Commercial papers	7,819,250	1,319,610	1,334,456
Time deposits with original maturities less than three months	4,352,104	3,975,772	4,318,756
Bonds with repurchase agreements	3,247,120	115,000	60,000
	$ 24,522,952	$ 13,700,839	$ 12,967,395

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 June 30, 2014 and 2013 was shown in the consolidated statements of cash flows; the reconciliation information as of December 31, 2013 was as follows:

	December 31, 2013
Cash and cash equivalents	$ 13,700,839
Bank overdraft	(3,159,397)
	$ 10,541,442

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2014	December 31, 2013	June 30, 2013
Financial assets at FVTPL - current			
Financial assets designated as at FVTPL			
Mutual funds	$ 4,800,424	$ 2,342,785	$ 2,533,602
Structured notes	89,542	118,270	112,521
Listed shares	48,537	39,441	35,221
Convertible bonds	-	10,660	10,150
Options	-	-	308
	4,938,503	2,511,156	2,691,802

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
Financial assets held for trading			
Mutual funds	$ 1,159,687	$ 1,091,978	$ 1,286,069
Listed shares	1,152,444	1,091,299	795,667
Emerging market shares	275,574	283,883	277,305
Convertible bonds	176,740	12,250	-
Foreign exchange forward contracts	2,081	3,891	26,739
Structured notes	-	20,053	30,099
	2,766,526	2,503,354	2,415,879
	$ 7,705,029	$ 5,014,510	$ 5,107,681
Financial liabilities at FVTPL - current			
Financial liabilities designated as at FVTPL			
Call and put options (Note 20)	$ 1,332	$ 1,561	$ -
Financial liabilities held for trading			
Foreign exchange forward contracts (a)	3,062	7,533	4,132
Futures contracts (b)	84	-	-
	$ 4,478	$ 9,094	$ 4,132
Financial liabilities at FVTPL - noncurrent			
Financial liabilities held for trading			
Foreign exchange forward contracts (a)	$ -	$ -	$ 2,118

(Concluded)

a. 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)
June 30, 2014			
Buy	NTD/GBP	July 2014-December 2014	NTD29,785/GBP603
Buy	NTD/JPY	December 2014	NTD13,487/JPY37,460
Buy	NTD/USD	July 2014	NTD8,940/USD297
Sell	USD/NTD	July 2014-August 2014	USD16,543/NTD495,598
Sell	EUR/NTD	August 2014	EUR4,207/NTD171,669
Sell	HKD/NTD	August 2014	HKD9,266/NTD35,765
Sell	JPY/NTD	August 2014	JPY100,250/NTD29,293

(Continued)

	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	HKD/NTD	February 2014	HKD9,266/NTD35,158
Sell	EUR/NTD	February 2014	EUR801/NTD32,072
June 30, 2013			
Buy	NTD/USD	September 2013-April 2014	NTD706,798/USD24,304
Buy	NTD/EUR	November 2013	NTD70,247/EUR1,906
Buy	NTD/JPY	February 2014-December 2014	NTD30,000/JPY83,730
Sell	USD/NTD	July 2013	USD6,131/NTD183,109
Sell	HKD/NTD	July 2013	HKD17,614/NTD67,805

(Concluded)

b. The subsidiary TUMRCL entered into precious metals futures contracts to manage fair value exposures arising from price fluctuation on precious metals. However, some contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for using hedge accounting. As of June 30, 2014, the outstanding precious metals futures contract was as follows:

	Maturity Date	Quantities (Kilogram)	Amount (In thousands)
Precious metals futures contract	December 15, 2014	1,035	$21,526 (RMB4,474 thousand)

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2014	December 31, 2013	June 30, 2013
Current			
Domestic investments			
Listed shares	$ 5,804,251	$ 4,169,630	$ 2,596,808
Mutual funds	1,142,487	1,043,144	1,249,530
Emerging market shares and unlisted shares	5,547	5,521	21,764
	6,952,285	5,218,295	3,868,102
Foreign investments			
Listed shares	56,985	72,142	60,085
	$ 7,009,270	$ 5,290,437	$ 3,928,187
Noncurrent			
Domestic investments			
Emerging market shares and unlisted shares	$ 6,440,855	$ 7,471,575	$ 6,687,587

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
Listed shares	$ 2,615,253	$ 2,385,264	$ 1,459,652
Private-placement shares of listed companies	131,898	146,898	708,744
	9,188,006	10,003,737	8,855,983
Foreign investments			
Unlisted shares	16,058,747	11,286,722	7,564,730
Certificate of entitlement	5,197,001	5,023,220	3,148,194
Listed shares	1,896,766	1,786,932	1,799,907
	23,152,514	18,096,874	12,512,831
	$ 32,340,520	$ 28,100,611	$ 21,368,814

(Concluded)

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 since December 2013. Those securities of Taiwan Liposome Company, Ltd. held by the subsidiary EVCC have been released from the 3-year lock-up period since May 2014. However, GreTai Securities Market has not approved the listing of those securities; thus, the securities cannot be transferred freely in public market yet.

9. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	June 30, 2014	December 31, 2013	June 30, 2013
Structured notes	$ 163,796	$ 176,116	$ 164,395
Guarantee debt certificates	110,662	163,530	176,624
	274,458	339,646	341,019
Less: Accumulated impairment	64,045	129,655	129,655
	$ 210,413	$ 209,991	$ 211,364

10. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	June 30, 2014	December 31, 2013	June 30, 2013
Derivative financial assets for hedging - current			
Foreign exchange forward contracts (a)	$ 34,846	$ 30,501	$ 45,971
Futures contracts (b)	-	-	16,315
	$ 34,846	$ 30,501	$ 62,286

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
Derivative financial assets for hedging - noncurrent			
Foreign exchange forward contracts (a)	$ 8,249	$ 6,957	$ 22,196
Interest rate swap contracts (c)	15,631	35,245	14,116
	$ 23,880	$ 42,202	$ 36,312
Derivative financial liabilities for hedging - current			
Foreign exchange forward contracts (a)	$ 25,005	$ 44,281	$ 184,630
Derivative financial liabilities for hedging - noncurrent			
Foreign exchange forward contracts (a)	$ 4,500	$ 18,043	$ 13,971
Interest rate swap contracts (c)	2,500	-	1,783
	$ 7,000	$ 18,043	$ 15,754

(Concluded)

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)
June 30, 2014			
Buy	NTD/USD	July 2014-May 2018	NTD2,877,616/USD98,134
Buy	NTD/EUR	July 2014-October 2016	NTD447,816/EUR11,199
Buy	NTD/JPY	July 2014-June 2015	NTD392,593/JPY1,284,083
Buy	NTD/GBP	January 2015	NTD10,335/GBP226
Sell	USD/NTD	August 2014	USD299/NTD8,970
December 31, 2013			
Buy	NTD/USD	January 2014-December 2016	NTD2,313,237/USD79,139
Buy	NTD/JPY	January 2014-June 2015	NTD609,912/JPY1,949,613
Buy	NTD/EUR	January 2014-September 2015	NTD225,739/EUR5,792
Buy	NTD/GBP	January 2014-January 2015	NTD33,599/GBP731
Sell	USD/NTD	January 2014-March 2014	USD3,413/NTD101,697
June 30, 2013			
Buy	NTD/USD	July 2013-March 2016	NTD2,664,426/USD91,027
Buy	NTD/EUR	July 2013-September 2015	NTD473,406/EUR11,980
Buy	NTD/JPY	July 2013-June 2015	NTD1,116,916/JPY3,058,244
Buy	NTD/GBP	January 2014-January 2015	NTD33,599/GBP731
Sell	USD/NTD	July 2013-December 2013	USD4,109/NTD122,666

b. The subsidiary TMTC entered into precious metals futures contracts to manage fair value exposures arising from price fluctuation on precious metals. As of June 30, 2013, the outstanding precious metals futures contracts were as follows:

	Maturity Date	Quantities (Ounce)	Amount (In thousands)
Precious metals futures contracts	August 13, 2013 - October 30, 2013	207,694	$133,828 (USD4,461 thousand)

c. 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 as of June 30, 2014, December 31, 2013 and June 30, 2013 were as follows:

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

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Balance, beginning of period	$ 82,800	$ (182,058)	$ 10,379	$ (274,276)
Recognized in other comprehensive income	(45,151)	22,143	11,140	128,480
Recognized in operating costs	(1,344)	16,314	-	16,314
Recognized in other gains and losses	1,781	3,286	16,252	2,974
Transferred to construction in progress and equipment to be inspected	(8,849)	55,799	(10,605)	56,285
Transferred to foreign-currency equity investments	-	104	-	(976)
Transferred to operating revenues	(2,516)	(17,374)	(445)	(30,587)
Balance, end of period	$ 26,721	$ (101,786)	$ 26,721	$ (101,786)

11. NOTES AND ACCOUNTS RECEIVABLE, NET (INCLUDING RELATED PARTIES)

	June 30, 2014	December 31, 2013	June 30, 2013
Notes receivable - operating	$ 1,242,244	$ 1,805,283	$ 1,481,402
Less: Allowance for doubtful accounts	-	-	-
	$ 1,242,244	$ 1,805,283	$ 1,481,402

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
Accounts receivable	$ 11,968,092	$ 10,787,154	$ 11,645,171
Less: Allowance for doubtful accounts	23,085	17,492	26,805
	$ 11,945,007	$ 10,769,662	$ 11,618,366

(Concluded)

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. For the past due notes and accounts receivable not collected after executing legal procedures, the Corporation will recognize 100% 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:

	June 30, 2014	December 31, 2013	June 30, 2013
Less than 30 days	$ 326,926	$ 413,177	$ 227,260
31-60 days	82,667	84,381	34,486
61-365 days	142,646	150,485	194,564
More than 365 days	51,622	54,818	9,769
	$ 603,861	$ 702,861	$ 466,079

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 Six Months Ended June 30	
	2014	2013
Balance, beginning of the period	$ 17,492	$ 57,957
Add: Recognition	5,839	8,615
Less: Reversal	-	40,336
Write off	75	-
Effect of foreign currency exchange difference	(171)	569
Balance, end of the period	$ 23,085	$ 26,805

Aging analysis of impaired accounts receivable was as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
31-60 days	$ 675	$ -	$ -
61-365 days	6,067	3,880	3,882
More than 365 days	1,055	-	-
	$ 7,797	$ 3,880	$ 3,882

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

Retentions receivable from construction contracts included in the accounts receivable 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 six months ended June 30, 2014 and 2013, the related information for the Corporation and CHSC's sale of accounts receivable was as follows:

Counterparty	Advances Received at Period - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Period - End	Interest Rate on Advances Received (%)	Credit Line
For the Six Months ended June 30, 2014						
Mega International Commercial Bank	$ 4,773,367	$ 6,675,117	$ 6,276,701	$ 5,171,783	1.26-1.51	NT$12 billion
Bank of Taiwan	1,432,364	1,930,075	1,860,787	1,501,652	1.26-1.51	NT$3 billion
Bank of Taiwan	-	85,331	223	85,108	1.93	USD0.1 billion
	$ 6,205,731	$ 8,690,523	$ 8,137,711	$ 6,758,543		
For the Six Months ended June 30, 2013						
Mega International Commercial Bank	$ 4,495,587	$ 6,625,420	$ 6,331,286	$ 4,789,721	1.24-1.51	NT$12 billion
Bank of Taiwan	1,242,954	1,832,882	1,696,107	1,379,729	1.24-1.51	NT$3 billion
	$ 5,738,541	$ 8,458,302	$ 8,027,393	$ 6,169,450		

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

	June 30, 2014	December 31, 2013	June 30, 2013
Amounts due from customers for construction contracts			
Construction costs incurred plus recognized profits less recognized losses to date	$ 53,937,814	$ 45,548,144	$ 52,318,711
Less: Progress billings	46,573,403	38,238,674	44,593,959
Amounts due from customers for construction contracts	$ 7,364,411	$ 7,309,470	$ 7,724,752

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
Amounts due to customers for construction contracts			
Progress billings	$ 30,432,888	$ 30,549,296	$ 28,567,260
Less: Construction costs incurred plus recognized profits less recognized losses to date	24,930,329	24,730,847	22,869,618
Amounts due to customers for construction contracts	$ 5,502,559	$ 5,818,449	$ 5,697,642
Retentions receivable (Note 11)	$ 769,293	$ 798,637	$ 762,844
Retentions payable (Note 21)	$ 2,123,685	$ 2,821,026	$ 1,431,735

(Concluded)

13. INVENTORIES

	June 30, 2014	December 31, 2013	June 30, 2013
Finished goods	$ 19,816,082	$ 22,187,421	$ 19,394,652
Work in progress	20,797,006	24,033,890	23,865,081
Raw materials	20,730,299	20,239,655	24,751,934
Supplies	9,108,544	8,233,416	8,395,760
Raw materials and supplies in transit	6,355,990	7,604,018	5,943,247
Buildings and lands under construction			
Land under construction	411,907	411,907	-
Construction in process	14,750	12,717	-
Payment for floor area	26,041	26,041	-
Prepaid land payment	92,748	-	-
Others	328,114	291,212	418,076
	$ 77,681,481	$ 83,040,277	$ 82,768,750

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; therefore, the related balances are recorded as buildings and lands under construction.

Prepayment for land was the payment by the subsidiary USCC for acquiring public land from Kaohsiung City Government through tendering. The amount has not been fully paid; therefore, USCC has not acquired ownership of the land yet.

The cost of inventories recognized as operating costs for the three months and six months ended June 30, 2014 and 2013 was NT$69,800,732 thousand, NT$65,537,694 thousand, NT$142,192,995 thousand and NT$134,886,162 thousand, respectively.

Movements of provision for loss on inventories were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Balance, beginning of period	$ 4,549,168	$ 3,573,723	$ 4,677,333	$ 4,519,281
Add: Recognized	1,369,625	2,910,649	3,727,473	4,567,666
Less: Sold	1,253,743	991,331	3,739,756	3,593,906
Balance, end of period	$ 4,665,050	$ 5,493,041	$ 4,665,050	$ 5,493,041

14. BOND INVESTMENTS WITH NO ACTIVE MARKET

	June 30, 2014	December 31, 2013	June 30, 2013
Current			
Bonds	$ -	$ 9,259	$ 9,320
Noncurrent			
Unlisted preference shares - overseas			
East Asia United Steel Corporation (EAUS) - Preference A	$ 2,946,000	$ 2,839,000	$ 3,036,000
Subordinated financial bonds	120,000	120,000	120,000
Bonds	30,299	14,651	42,689
	$ 3,096,299	$ 2,973,651	$ 3,198,689

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 JPY10 billion in EAUS. 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.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	June 30, 2014		December 31, 2013		June 30, 2013	
	Amount	% of Owner - ship	Amount	% of Owner - ship	Amount	% of Owner - ship
Unlisted companies						
7623704 Canada Inc.	$ 7,813,152	25	$ 7,741,788	25	$ 7,978,262	25
Kaohsiung Arena Development Corporation	759,068	29	768,674	29	753,584	29
Eminent II Venture Capital Corporation	618,244	46	557,366	46	495,827	46
Hsin Hsin Cement Enterprise Corp.	478,888	41	457,863	41	442,344	41
Chateau International Development Co., Ltd.	276,443	20	279,661	20	256,298	20

(Continued)

	June 30, 2014		December 31, 2013		June 30, 2013	
	Amount	% of Owner - ship	Amount	% of Owner - ship	Amount	% of Owner - ship
Wuhan Wisco Yutek Environment Technology Co., Ltd.	$ 240,072	49	$ 240,989	49	$ 235,009	49
Ascentek Venture Capital Corp.	221,769	39	226,333	39	191,844	39
Dyna Rechi Co., Ltd.	221,542	29	231,839	29	240,000	33
IPASS Corporation (IPASS) (Note 33)	143,579	32	-	-	-	-
Honley Auto. Part Co., Ltd. (Note 4)	138,529	50	-	-	-	-
Kaohsiung Rapid Transit Corporation (KRTC)	-	-	-	-	232,589	32
Others	555,011		485,649		401,747	
	$ 11,466,297		$ 10,990,162		$ 11,227,504	

(Concluded)

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 30) and made KRTC a subsidiary of the Corporation.

The subsidiary KRTC acquired 25% equity of IPASS in the amount of NT$130,000 thousand through prepaid investment of NT$10,000 thousand in December 2013 and transfer of intangible assets in February 2014. Gain on disposal of intangible assets, after deducting transaction cost of NT$5,714 thousand, amounted to NT$94,366 thousand of which NT$23,259 thousand was deferred by the percentage of ownership and recognized as reduction in investments accounted for using equity method. The subsidiary ICSC further invested in IPASS for NT$40,000 thousand in February 2014, acquiring 7% equity, which increased the Corporation and its subsidiaries' total equity in IPASS to 32%.

Except for some companies, investments accounted for using equity method and the share of profit and other comprehensive income of those investments were calculated based on the reviewed financial statements. The Corporation's management considered the use of unreviewed financial statements as acceptable and will not have material impact on the equity method investments and income.

16. OTHER FINANCIAL ASSETS

	June 30, 2014	December 31, 2013	June 30, 2013
Current			
Pledged time deposits	$ 6,913,312	$ 7,379,446	$ 6,686,924
Time deposits with original maturities more than three months	4,807,147	3,896,332	5,133,620
Hedging foreign-currency deposits	2,164,576	2,169,062	3,590,825
Structured time deposits	-	-	378,254
Deposits for projects	17,937	84,953	10,549
	$ 13,902,972	$ 13,529,793	$ 15,800,172

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
Noncurrent			
Pledged receivables	$ 2,000,000	$ 2,000,000	$ -
Pledged time deposits	301,596	297,349	296,009
Time deposits with original maturities more than three months	21,670	21,670	26,558
Deposits for projects	49,823	42,424	25,445
	$ 2,373,089	$ 2,361,443	$ 348,012

(Concluded)

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 June 30, 2014, December 31, 2013 and June 30, 2013, the balance of the foreign-currency deposits, which consist of those designated as hedging instruments and settlements of expired foreign exchange forward contracts, was NT$2,164,576 thousand (JPY1 billion, USD40,683 thousand, EUR5,969 thousand and GBP783 thousand), NT$2,169,062 thousand (JPY1 billion, CNY80,000 thousand, USD38,501 thousand, EUR8,053 thousand and GBP278 thousand) and NT$3,590,825 thousand (JPY1.5 billion, USD94,805 thousand, EUR6,722 thousand and GBP894 thousand), respectively. The unrealized loss of NT$34,921 thousand, gain of NT$17,376 thousand, gain of NT$8,375 thousand and gain of NT$70,729 thousand on the above deposits designated as hedging instruments were recognized as cash flow hedges in other comprehensive income for the three months and six months ended June 30, 2014 and 2013, respectively. For the three months and six months ended June 30, 2014 and 2013, the cash flow hedges in other equity transferred to construction in progress and equipment to be inspected were gain of NT$2,283 thousand, gain of NT$7,900 thousand, gain of NT$1,839 thousand and gain of NT$9,630 thousand, respectively. As of June 30, 2014, December 31, 2013 and June 30, 2013 cash outflows would be expected from aforementioned contracts during the periods from 2014 to 2015, from 2014 to 2015 and from 2013 to 2015, respectively.

Refer to Note 34 for information relating to other financial assets pledged as security.

17. PROPERTY, PLANT AND EQUIPMENT

For the six months ended June 30, 2014

	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, 2014	$ 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
Additions	-	1,253	709,634	11,037,193	1,747,145	491,115	701,506	(439,275)	14,248,571
Disposals	-	-	(789)	(1,480,697)	(112,675)	(140,500)	(464,969)	-	(2,199,630)
Reclassification	-	-	125,178	(60,603)	11,387	17,973	(101,816)	(228,411)	(236,292)
Effect of foreign currency exchange difference	2,049	-	(22,478)	50,886	(467,892)	(256)	-	71,391	(366,300)
Others	-	-	-	(351)	-	33	(362)	-	(680)
Balance at June 30, 2014	$ 60,397,105	$ 4,877,697	$ 108,097,973	$ 569,704,857	$ 26,274,268	$ 15,675,212	$ 10,420,035	$ 45,554,601	$ 841,001,748

(Continued)

	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, 2014	$ 25,546	$ 4,351,474	$ 33,920,610	$ 301,901,198	$ 13,232,418	$ 9,682,984	$ 3,699,555	$ -	$ 366,813,785
Depreciation	-	34,576	1,696,960	13,461,583	668,662	662,262	753,071	-	17,277,114
Disposals	-	-	(257)	(1,382,087)	(111,440)	(131,559)	(464,969)	-	(2,090,312)
Reclassification	-	-	18,370	(1,511)	541	(809)	-	-	16,591
Effect of foreign currency exchange difference	-	-	(165)	26,475	(473,952)	167	-	-	(447,475)
Others	-	-	-	(230)	-	33	-	-	(197)
Balance at June 30, 2014	$ 25,546	$ 4,386,050	$ 35,635,518	$ 314,005,428	$ 13,316,229	$ 10,213,078	$ 3,987,657	$ -	$ 381,569,506
Carrying amount at June 30, 2014	$ 60,371,559	$ 491,647	$ 72,462,455	$ 255,699,429	$ 12,958,039	$ 5,462,134	$ 6,432,378	$ 45,554,601	$ 459,432,242
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

(Concluded)

For the six months ended June 30, 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	7,008	4,659	1,804,942	4,560,786	84,207	330,957	600,995	25,226,104	32,619,658
Disposals	-	-	(4,745)	(2,702,220)	(20,404)	(162,764)	(405,881)	(444)	(3,296,458)
Reclassification	(36,588)	-	(29,754)	601	(33)	39,690	(16,032)	(206,661)	(248,777)
Effect of foreign currency exchange difference	(3,785)	-	72,513	131,528	240,973	9,604	-	415,658	866,491
Others	3,337	-	6,398	15,469	(4,100)	827	(59)	-	21,872
Balance at June 30, 2013	$ 59,529,855	$ 4,879,596	$ 89,877,716	$ 470,825,524	$ 21,493,589	$ 14,118,944	$ 10,423,002	$ 131,862,437	$ 803,010,663
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	-	36,223	1,413,659	11,398,449	530,748	623,263	714,356	-	14,716,698
Disposals	-	-	(4,745)	(2,660,226)	(19,720)	(160,281)	(405,881)	-	(3,250,853)
Reversals of impairment losses recognized in profit or loss	-	-	-	(19,292)	-	-	-	-	(19,292)
Reclassification	-	-	(8,182)	(3,292)	-	8,533	-	-	(2,941)
Effect of foreign currency exchange difference	-	-	12,988	47,402	108,365	5,814	-	-	174,569
Others	-	-	2,014	15,165	(4,100)	401	-	-	13,480
Balance at June 30, 2013	$ 25,546	$ 4,316,871	$ 32,354,961	$ 290,062,672	$ 12,981,653	$ 9,073,653	$ 3,531,143	$ -	$ 352,346,499
Carrying amount at June 30, 2013	$ 59,504,309	$ 562,725	$ 57,522,755	$ 180,762,852	$ 8,511,936	$ 5,045,291	$ 6,891,859	$ 131,862,437	$ 450,664,164

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	5-15 years
Buildings	
Main structure	10-60 years
Facility	20-30 years

(Continued)

Mechanical and electrical facilities	8-20 years
Trellis and corrugated iron building	5-10 years
Others	2-10 years
Machinery and equipment	
Power equipment	15-25 years
Process equipment	8-40 years
Lifting equipment	8-25 years
Electrical equipment	5-15 years
High-temperature equipment	5-10 years
Examination equipment	3-10 years
Others	2-25 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	3-25 years
Computer equipment	3-10 years
Others	2-18 years

(Concluded)

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. As of June 30, 2014, December 31, 2013 and June 30, 2013, the book value of those remaining farmlands recognized as land were all NT$66,753 thousand.

Refer to Note 34 for the carrying amount of property, plant and equipment that had been pledged by the Corporation and its subsidiaries to secure borrowings.

18. INVESTMENT PROPERTIES

For the six months ended June 30, 2014

Cost	Land	Buildings	Total
Balance at January 1, 2014	$ 8,266,753	$ 2,589,535	$ 10,856,288
Disposals	(89)	-	(89)
Reclassification	-	(3,329)	(3,329)
Effect of foreign currency exchange difference	6,078	12,128	18,206
Balance at June 30, 2014	$ 8,272,742	$ 2,598,334	$ 10,871,076

(Continued)

	Land	Buildings	Total
Accumulated depreciation and impairment			
Balance at January 1, 2014	$ 1,891,031	$ 628,008	$ 2,519,039
Depreciation	-	38,919	38,919
Reclassification	-	(17,634)	(17,634)
Effect of foreign currency exchange difference	-	435	435
Balance at June 30, 2014	$ 1,891,031	$ 649,728	$ 2,540,759
Carrying amount at June 30, 2014	$ 6,381,711	$ 1,948,606	$ 8,330,317
Carrying amount at December 31, 2013	$ 6,375,722	$ 1,961,527	$ 8,337,249

(Concluded)

For the six months ended June 30, 2013

	Land	Buildings	Total
Cost			
Balance at January 1, 2013	$ 8,666,564	$ 2,478,766	$ 11,145,330
Additions	5,241	-	5,241
Reclassification	36,588	-	36,588
Effect of foreign currency exchange difference	(18,632)	(38,230)	(56,862)
Balance at June 30, 2013	$ 8,689,761	$ 2,440,536	$ 11,130,297
Accumulated depreciation and impairment			
Balance at January 1, 2013	$ 1,920,494	$ 535,700	$ 2,456,194
Depreciation	-	41,482	41,482
Effect of foreign currency exchange difference	-	(615)	(615)
Balance at June 30, 2013	$ 1,920,494	$ 576,567	$ 2,497,061
Carrying amount at June 30, 2013	$ 6,769,267	$ 1,863,969	$ 8,633,236

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

The fair value of the investment properties was partly 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 partly on the basis of information on Ministry of the Interior's real estate transaction database website. Appraised lands and buildings were evaluated under market approach and income approach. The important assumptions and fair value were as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Fair value	$ 11,307,918	$ 11,285,636	$ 9,940,960

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
Depreciation rate	1.80%-2.00%	1.80%-2.00%	1.80%-2.00%
Discount rate	2.11%-5.50%	2.11%-5.50%	2.11%-2.38%

(Concluded)

All of the Corporation and its subsidiaries' investment properties were held under freehold interests. Refer to Note 34 for the carrying amount of the investment properties that had been pledged by the Corporation and its subsidiaries to secure borrowings.

19. BORROWINGS

a. Short-term borrowings and bank overdraft

	June 30, 2014	December 31, 2013	June 30, 2013
Unsecured loans - interest at 0.77%-5.40% p.a., 0.64%-3.27% p.a. and 0.62%-6.35% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively	$ 30,926,146	$ 21,981,951	$ 41,119,814
Letters of credit - interest at 0.01%-1.96% p.a., 0.57%-1.75% p.a. and 0.46%-1.66% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively	3,011,153	3,367,143	4,231,812
Bank overdraft - interest at 0.43%-6.16% p.a., 0.43%-7.35% p.a. and 0.43%-7.35% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively	1,015,705	3,159,397	2,964,610
Secured loans - interest all at 5.04%-6.16% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013	105,624	144,108	136,854
	$ 35,058,628	$ 28,652,599	$ 48,453,090

The amount of USD45,467 thousand and AUD91,147 thousand (NT$3,917,747 thousand), which is included in the above unsecured loans as of June 30, 2014, the amount of AUD53,595 thousand (NT$1,424,832 thousand), which is included in the above unsecured loans as of December 31, 2013 and the amount of CAD278,345 thousand and AUD16,642 thousand (NT$8,436,810 thousand), which is included in the above unsecured loans as of June 30, 2013, 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 June 30, 2014, the Corporation and its subsidiaries held 70% equity of CCSPMC and three-quarters of the seats in the board of directors and supervisors.

In May 2014 and March 2014, the subsidiary CSCI entered into short-term financing contracts with Chinatrust Commercial Bank for USD27,000 thousand and INR0.4 billion credit lines and with Credit Agricole Corporate and Investment Bank for USD25,000 thousand credit lines, respectively. No amount was used as of June 30, 2014. Under the agreement, the Corporation and its related parties should collectively hold at least 75% and 60% of the CSCI's issued shares and hold two-third and half or more of the seats in the board of directors, respectively. As of June 30, 2014, the Corporation held

100% equity of CSCI and all of the seats in the board of directors.

In April 2014, the subsidiary Qingdao China Steel Precision Metals Co., Ltd. (QCSPMC) entered into a comprehensive credit agreement with Credit Agricole Corporate and Investment Bank for a USD12,000 thousand credit line. No amount was used as of June 30, 2014. Under the agreement, the Corporation and its subsidiaries should collectively hold at least 70% of the QCSPMC's issued shares and 70% of the seats in the board of directors. As of June 30, 2014, the Corporation and the subsidiary China Steel Global Trading Corporation collectively held 70% equity of QCSPMC and four-fifth of the seats in the board of directors.

b. Short-term bills payable

	June 30, 2014	December 31, 2013	June 30, 2013
Commercial paper - interest at 0.65%-1.38% p.a., 0.45%-1.11% p.a. and 0.41%-1.23% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively	$ 26,619,000	$ 30,798,800	$ 40,896,400
Less: Unamortized discounts	7,423	12,500	12,118
	$ 26,611,577	$ 30,786,300	$ 40,884,282

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

c. Long-term borrowings

	June 30, 2014	December 31, 2013	June 30, 2013
Syndicated bank loans			
Bank of Taiwan and other banks loan to CHSC			
Repayable in 13 equal semiannual installments from March 2014 to March 2019, interest all at 1.59% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013	$ 5,364,615	$ 5,903,077	$ 6,441,538
Repayable in March 2019 with a revolving credit, interest at 1.59%-1.61% p.a., 1.59%-1.60% p.a. and 1.60% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively	2,700,000	4,050,000	4,050,000
Bank of Taiwan and other banks loan to DSC			
Repayable in 14 equal semiannual installments from January 2012 to July 2018, interest at 1.28%-1.32% p.a., 1.31%-1.35% p.a. and 1.33%-1.37% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively	33,235,000	36,928,000	40,621,000

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
Repayable in 10 equal semiannual installments from August 2012 to February 2017, repaid in June 2014, interest at 1.49%-1.54% p.a. and 1.53%-1.58% p.a. as of December 31, 2013 and June 30, 2013, respectively	$ -	$ 14,000,000	$ 16,000,000
Repayable in 10 equal semiannual installments from June 2015 to December 2019, interest both at 1.58% p.a. as of June 30, 2014 and December 31, 2013	8,000,000	8,000,000	-
Taiwan Cooperative Bank and other banks loan to HLSC, repayable in June 2015 with a revolving credit, interest at 1.54%-1.59% p.a., 1.51%-1.56% p.a. and 1.53%-1.58% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively	2,250,000	2,300,000	2,350,000
Chinatrust Commercial Bank and other banks loan to CSCI, repayable in 5 semiannual installments from June 2017 to June 2019, interest all at 2.10% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013	3,287,284	2,392,697	754,602
Mega International Commercial Bank and other banks loan to CSVC, repayable in 10 semiannual installments from September 2015 to March 2020, interest at 2.40% p.a., 1.60%-1.85% p.a. and 1.50% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively	3,762,990	3,755,430	690,000
Bank of Taiwan and other banks loan to the Corporation, repayable in full in July 2018, interest at 3.31% p.a. and 2.56% p.a. as of June 30, 2014 and December 31, 2013, respectively	6,433,100	6,442,300	-
Bank of Taiwan and other banks loan to the Corporation, repayable in full in July 2016, interest at 3.26% p.a. and 2.52% p.a. as of June 30, 2014 and December 31, 2013, respectively	1,352,204	1,354,138	-
Mortgage loans (Note 34)			
Due on various dates through April 2032, interest at 0.88%-2.10% p.a., 0.88%-1.80% p.a. and 0.75%-1.80% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively	10,863,078	11,369,428	13,210,031

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
Unsecured loans			
Due on various dates through April 2019, interest at 0.41%-4.71% p.a., 0.44%-3.90% p.a., and 0.44%-3.87% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively	$ 24,785,379	$ 31,146,867	$ 20,663,524
	102,033,650	127,641,937	104,780,695
Less: Syndicated loan fee	119,193	153,203	154,589
Current portion	19,197,204	19,426,467	20,304,884
	$ 82,717,253	$ 108,062,267	$ 84,321,222

(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 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 June 30, 2014. 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 needs to be adjusted in accordance with the agreement. CHSC and HLSC were in compliance with the syndicated credit facility agreement based on their financial statements of 2013. As of June 30, 2014, the Corporation held directly and indirectly 41% equity of CHSC and held half of the seats in the board of directors and controlled its operation; CHSC held 100% equity of HLSC and held 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 June 30, 2014, NT$8 billion secured loan and all secured commercial paper (recognized as long-term bills payable) were used. Under the agreements, 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.

DSC was in compliance with the syndicated credit facility agreement based on its financial statements of 2013. As of June 30, 2014, 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 2015, CSVC should meet some financial ratios and criteria based on the agreement amended in March 2014. As of June 30, 2014, 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 its financial statements of 2013, CSCI got the consent of the syndicated banks in December 2013 and increased its capital in June 2014. CSCI has met the criteria relating to tangible net value after capital increase. As of June 30, 2014, the Corporation held 100% equity of CSCI and held 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. The Corporation was in compliance with the syndicated credit facility agreement based on the Corporation's consolidated financial statements for the six months ended June 30, 2014.

6) The above unsecured 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

	June 30, 2014	December 31, 2013	June 30, 2013
Commercial paper - interest at 0.75%-1.38% p.a., 0.65%-1.76% p.a. and 0.76%-1.25% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively	$ 21,030,000	$ 29,900,000	$ 23,730,000
Secured commercial paper in syndicated bank loans - interest at 1.21% p.a., 1.18% p.a. and 1.20% p.a. as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively	5,000,000	5,000,000	3,000,000
	26,030,000	34,900,000	26,730,000

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
Less: Unamortized discounts	$ 13,289	$ 17,967	$ 12,795
	$ 26,016,711	$ 34,882,033	$ 26,717,205

(Concluded)

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).

20. BONDS PAYABLE

	June 30, 2014	December 31, 2013	June 30, 2013
5-year unsecured bonds - issued at par by the Corporation in:			
December 2008; repaid in December 2012 and December 2013; interest at 2.08% p.a.	$ -	$ -	$ 6,475,000
December 2008; repaid in December 2012 and December 2013; interest at 2.42% p.a.	-	-	4,800,000
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
5-year unsecured bonds - issued at par by DSC in June 2014; repayable in June 2018 and June 2019; interest at 1.4% p.a., payable annually	7,000,000	-	-
7-year unsecured bonds - issued at par by the Corporation in:			
December 2008; repayable in December 2014 and December 2015; interest at 2.30% p.a., payable annually	7,000,000	7,000,000	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	5,000,000
July 2013; repayable in July 2019 and July 2020; interest at 1.44% p.a., payable annually	6,300,000	6,300,000	-
January 2014; repayable in January 2020 and January 2021; interest at 1.75% p.a., payable annually	6,900,000	-	-

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
7-year unsecured bonds - issued at par by DSC in June 2014; repayable in June 2020 and June 2021; interest at 1.75% p.a., payable annually	$ 5,000,000	$ -	$ -
10-year unsecured bonds - issued at par by the Corporation in:			
August 2012; repayable in August 2021 and August 2022; interest at 1.50% p.a., payable annually	15,000,000	15,000,000	15,000,000
July 2013; repayable in July 2022 and July 2023; interest at 1.6% p.a., payable annually	9,700,000	9,700,000	-
January 2014; repayable in January 2023 and January 2024; interest at 1.95% p.a., payable annually	7,000,000	-	-
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	3,600,000	-
January 2014; repayable 30% in January 2027 and January 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	9,000,000	-	-
Liability component of unsecured domestic convertible bonds - issued by CEC and TMTC	45,500	73,100	101,000
Liability component of secured domestic convertible bonds - issued by TMTC	185,700	194,300	-
	101,431,200	66,567,400	58,076,000
Add: Accrued interest	-	-	344
Less: Issuance cost of bonds payable	72,841	55,879	39,201
Unamortized discount on bonds payable	24,677	17,766	1,984
Current portion	3,499,659	3,499,318	11,273,771
	$ 97,834,023	$ 62,994,437	$ 46,761,388

(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). The convertible bonds have been fully converted into CEC's ordinary share in 2013.

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 June 30, 2014, the convertible bonds with NT$14,300 thousand face value have been converted into NT$5,766 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 June 30, 2014, the convertible bonds with NT$54,500 thousand face value have been converted into NT$21,975 thousand ordinary share capital.

The subsidiary DSC issued NT$7 billion of 5-year unsecured bonds and NT$5 billion of 7-year unsecured bonds at par in June 2014.

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.

21. ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

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 were 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.

22. OTHER PAYABLES

	June 30, 2014	December 31, 2013	June 30, 2013
Dividends payable	$ 13,619,175	$ 285,482	$ 8,912,434
Purchase of equipment	6,241,254	8,869,389	6,203,135
Salaries and incentive bonus	5,373,578	6,339,587	4,984,876
Bonus to employees, and remuneration to directors and supervisors	2,317,193	1,582,465	1,724,413
Interest payable	1,238,796	484,738	796,864
Sale returns and discounts	1,021,427	1,035,974	2,043,391
Outsourced repair and construction	508,080	361,873	341,705
Others	5,259,931	4,966,249	4,765,533
	$ 35,579,434	$ 23,925,757	$ 29,772,351

23. PROVISIONS

	June 30, 2014	December 31, 2013	June 30, 2013
Current			
Onerous contracts (a)	$ 2,149,140	$ 2,293,019	$ 1,549,090
Construction warranties (b)	613,268	632,341	753,076
Sale returns and discounts (c)	878,852	-	682,500
Others	44,352	43,478	82,860
	$ 3,685,612	$ 2,968,838	$ 3,067,526
Noncurrent			
Provision for stabilization funds (d)	$ 976,040	$ 1,026,382	$ -
Others	44,214	40,705	55,167
	$ 1,020,254	$ 1,067,087	$ 55,167

	Onerous Contracts	Construction Warranties	Sale Returns and Discounts	Provision for Stabilization Funds	Others	Total
Balance at January 1, 2014	$ 2,293,019	$ 632,341	$ -	$ 1,026,382	$ 84,183	$ 4,035,925
Recognized (reversed)	446,714	(19,073)	878,852	-	9,087	1,315,580
Paid	(590,593)	-	-	-	(4,704)	(595,297)
Others	-	-	-	(50,342)	-	(50,342)
Balance at June 30, 2014	$ 2,149,140	$ 613,268	$ 878,852	$ 976,040	$ 88,566	$ 4,705,866
Balance at January 1, 2013	$ 1,378,181	$ 764,562	$ 25,754	$ -	$ 7,682	$ 2,176,179
Recognized (reversed)	1,383,445	(11,448)	682,500	-	229,272	2,283,769
Paid	(1,212,536)	(38)	(25,754)	-	(98,927)	(1,337,255)
Balance at June 30, 2013	$ 1,549,090	$ 753,076	$ 682,500	$ -	$ 138,027	$ 3,122,693

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.

24. RETIREMENT BENEFIT PLANS

The relating pension expenses under defined benefit plans were calculated using actuarially determined pension cost discount rate as of December 31, 2013 and 2012, and recognized in respective periods in the following line items:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Operating costs	$ 169,948	$ 173,859	$ 339,280	$ 337,786
Operating expenses	59,291	62,159	141,849	130,987
Others	1,308	1,288	2,968	4,622
	$ 230,547	$ 237,306	$ 484,097	$ 473,395

25. EQUITY

a. Share capital

	June 30, 2014	December 31, 2013	June 30, 2013
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
Numbers of shares issued and fully paid (in thousands)			
Ordinary shares (in thousands)	15,425,584	15,425,584	15,272,477
Preference shares (in thousands)	38,268	38,268	38,268
	15,463,852	15,463,852	15,310,745
Shares issued			
Ordinary shares	$ 154,255,840	$ 154,255,840	$ 152,724,765
Preference shares	382,680	382,680	382,680
	$ 154,638,520	$ 154,638,520	$ 153,107,445

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, the Corporation issued 153,107 thousand ordinary shares through capitalization of retained earnings of NT$1,531,075 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 June 30, 2014, December 31, 2013 and June 30, 2013, the outstanding depositary receipts were 3,029,601 units, 3,511,961 units and 2,728,837 units, equivalent to 60,592,315 ordinary shares (including 295 fractional shares), 70,239,515 ordinary shares (including 295 fractional shares) and 54,577,024 ordinary shares (including 284 fractional shares), which represented 0.39%, 0.46% and 0.36% of the outstanding ordinary shares, respectively.

b. Capital surplus

	June 30, 2014	**December 31, 2013**	**June 30, 2013**
May be used to offset deficits, distribute cash or transfer to share capital (see 1 below)			
Additional paid-in capital	$ 31,154,766	$ 31,154,766	$ 31,154,766
Treasury share transactions	5,487,610	5,487,610	5,332,432
Others	8,099	8,099	8,099
	36,650,475	36,650,475	36,495,297
May be used to offset deficits only (see 2 below)			
Share of change in equity of subsidiaries	314,578	310,259	169,244
May not be used for any purpose			
Share of change in equity of associates	102	84	111
	$ 36,965,155	$ 36,960,818	$ 36,664,652

1) The capital surplus could be used to offset a deficit and distribute as cash dividends or transferred to capital when the Corporation has no deficit (limited to a certain percentage of the Corporation's paid-in capital and once a year).

2) The capital surplus included the share of change in equity of subsidiaries recognized without any actual acquisition or disposal of subsidiaries' share by the Corporation or the adjustments to capital surplus of subsidiaries under equity method.

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 six months ended June 30, 2014, the Corporation's bonus to employees and remuneration to directors and supervisors were NT$718,496 thousand and NT$12,673 thousand, respectively, and for the six months ended June 30, 2013 the related amounts were NT$945,685 thousand and NT$18,631 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. Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the consolidated financial statements are authorized for issue or on the date of shareholders' resolution, 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.

The Corporation appropriates and reverses special reserves under Rule No. 1010012865, Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity item.

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 a tax credit equal to their proportionate share of the income tax paid by the Corporation.

The appropriations of earnings for 2013 and 2012 had been approved in the shareholders' meeting on June 18, 2014 and June 19, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	2013	**2012**	**2013**	**2012**
Legal reserve	$ 1,598,154	$ 581,149		
Special reserve	166,266	-		
Preference shares				
Cash dividends	45,922	49,748	$ 1.2	$ 1.3
Share dividends	7,653	3,827	0.2	0.1
			$ 1.4	$ 1.4
Ordinary shares				
Cash dividends	10,797,909	6,108,990	$ 0.7	$ 0.4
Share dividends	3,085,117	1,527,248	0.2	0.1
	$ 15,701,021	$ 8,270,962	$ 0.9	$ 0.5

The reversal of the special reserve for NT$2,325,000 thousand had been approved in the shareholders' meeting in 2013. As of June 30, 2014 and 2013, the cash dividends declared have not been distributed to shareholders and were recognized as other payables. Capitalization of retained earnings of 2013 for NT$3,092,770 thousand has been approved by the government and will be effective on August 20, 2014.

The bonus to employees and remuneration to directors and supervisors (distributed in cash) for 2013 and 2012 approved in the above shareholders' meetings, respectively, were as follows:

	For the Year Ended December 31			
	2013		**2012**	
	Bonus to Employees	**Remuneration to Directors and Supervisors**	**Bonus to Employees**	**Remuneration to Directors and Supervisors**
Amounts approved in shareholders' meetings	$ 1,133,084	$ 21,245	$ 414,141	$ 7,765
Amounts recognized in respective financial statements	1,133,084	21,245	414,141	7,765
Difference	$ -	$ -	$ -	$ -

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

	For the Six Months Ended June 30	
	2014	2013
Balance, beginning of period	$ 26,920,871	$ 29,248,991
Appropriation in respect of		
Debit to other equity items	166,266	-
Reversal of special reserve		
Disposal of property, plant and equipment	(425)	(983)
Disposal of property, plant and equipment by subsidiaries	-	(1,503)
Others	-	(2,325,000)
Balance, end of period	$ 27,086,712	$ 26,921,505

e. Others equity items

1) Exchange differences on translating foreign operations

	For the Six Months Ended June 30	
	2014	2013
Balance, beginning of period	$ (659,689)	$ (417,820)
Exchange differences arising on translating foreign operations	547,552	308,633
Income tax relating to gain or loss arising on translating the net assets of foreign operations	(1,549)	(21,042)
Gain or loss on hedging instruments designated in hedges of the net assets of foreign operations	(347,194)	(77,852)
Share of exchange difference of associates accounted for using the equity method	(14,696)	(100,261)
Balance, end of period	$ (475,576)	$ (308,342)

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

	For the Six Months Ended June 30	
	2014	2013
Balance, beginning of period	$ 8,603,167	$ 5,283,803
Unrealized gain or loss on available-for-sale financial assets	1,165,304	1,597,923
Income tax relating to unrealized gain or loss on available-for-sale financial assets	(805)	(917)
Reclassified to profit or loss on disposal of available-for-sale financial assets	(411,575)	(398,390)
Income tax relating to the amounts reclassified to profit or loss on disposal of available-for-sale financial assets	1,237	2,922
Share of unrealized gain or loss on available-for-sale financial assets of associates accounted for using the equity method	65,378	6,192
Balance, end of period	$ 9,422,706	$ 6,491,533

3) Cash flow hedge

	For the Six Months Ended June 30	
	2014	**2013**
Balance, beginning of period	$ 12,375	$ (280,266)
Fair value changes of hedging instruments	14,496	210,931
Income tax relating to fair value changes	(2,639)	(38,028)
Fair value changes of hedging instruments transferred to profit or loss	(445)	(30,587)
Income tax relating to amounts transferred to profit or loss	76	5,199
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	(12,444)	45,665
Income tax relating to amounts transferred to adjust carrying amount of hedged items	2,116	(7,763)
Balance, end of period	$ 13,535	$ (94,849)

f. Treasury shares

	Thousand Shares			June 30	
Purpose of Treasury Stock	**Beginning of Period**	**Addition**	**Reduction**	**Thousand Shares**	**Book Value**
For the six months ended June 30, 2014					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	308,545	1,897	-	310,442	$ 8,544,473
For the six months ended June 30, 2013					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	309,816	-	55	309,761	$ 8,581,510

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 change in percentage of ownership.

For the six months ended June 30, 2014 and 2013, the subsidiaries did not sell any share of the Corporation. As of June 30, 2014, December 31, 2013, and June 30, 2013, the market values of the treasury shares calculated by combined holding percentage were NT$7,792,099 thousand, NT$8,330,708 thousand, and NT$7,604,639 thousand, respectively.

g. Non-controlling interests

	For the Six Months Ended June 30	
	2014	**2013**
Balance, beginning of period	$ 29,682,661	$ 26,869,649
Attributable to non-controlling interests:		
Net profit for the period	1,191,348	1,556,844

(Continued)

	For the Six Months Ended June 30	
	2014	2013
Exchange difference on translating foreign operations	$ 53,263	$ 371,499
Income tax relating to exchange difference on translating foreign operations	3	-
Unrealized gain or loss on available-for-sale financial assets	179,680	(30,947)
Income tax relating to unrealized gain and loss on available-for-sale financial assets	(683)	(1,301)
Fair value changes of cash flow hedges	5,019	(11,708)
Income tax relating to cash flow hedges	(852)	4,110
Actuarial gain or loss on defined benefit plans	-	10,364
Share of other comprehensive income of associates accounted for using the equity method	(879)	2,640
Increase of non-controlling interest arising from acquisition of subsidiaries	-	21,892
Dividend distributed by subsidiaries	(2,542,569)	(2,494,460)
Conversion of convertible bonds issued by subsidiaries	28,860	129,193
Purchase of the Corporation's shares by subsidiaries	(75,128)	-
Others	1,468	119,043
Balance, end of period	$ 28,522,191	$ 26,546,818

(Concluded)

26. OPERATING REVENUES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Revenue from the sale of goods	$ 84,605,850	$ 78,371,620	$ 169,967,829	$ 161,319,112
Construction contract revenue	5,159,530	4,182,985	9,560,285	7,588,061
Freight and service revenue	1,628,415	1,215,849	3,412,582	2,472,295
Other revenues	767,852	924,833	1,636,481	1,776,334
	$ 92,161,647	$ 84,695,287	$ 184,577,177	$ 173,155,802

27. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Interest income	$ 149,785	$ 124,355	$ 268,101	$ 217,161
Rental income	31,659	28,600	63,642	58,094
Dividend income	31,162	54,716	31,162	56,333
Others	503,182	127,450	965,011	513,499
	$ 715,788	$ 335,121	$1,327,916	$ 845,087

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Net foreign exchange gain	$ 38,796	$ 178,362	$ 288,284	$ 296,887
Gain on disposal of investments	18,154	24,272	156,663	186,796
Gain on disposal of intangible assets	686	-	72,249	-
Gain (loss) arising on financial assets at fair value through profit or loss	26,517	(7,895)	36,186	19,703
Loss on disposal of property, plant and equipment	(32,138)	(10,376)	(97,156)	(27,276)
Other losses	(177,194)	(119,412)	(183,514)	(527,552)
	$ (125,179)	$ 64,951	$ 272,712	$ (51,442)

The components of net foreign exchange gain were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Foreign exchange gain	$ 245,927	$ 525,892	$ 790,179	$ 1,196,085
Foreign exchange loss	(207,131)	(347,530)	(501,895)	(899,198)
Net exchange gain	$ 38,796	$ 178,362	$ 288,284	$ 296,887

c. Finance costs

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Total interest expense for financial liabilities measured at amortized cost	$ 1,135,703	$ 926,814	$ 2,197,294	$ 1,801,412
Less: Amounts included in the cost of qualifying assets	(145,763)	(264,858)	(288,793)	(476,441)
	$ 989,940	$ 661,956	$ 1,908,501	$ 1,324,971

Information about capitalized interest was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Capitalized amounts	$ 145,763	$ 264,858	$ 288,793	$ 476,441
Capitalized annual rates	1.08%-1.64%	1.15%-2.00%	1.06%-1.70%	1.10%-2.00%

d. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Property, plant and equipment	$ 8,736,440	$ 7,350,539	$ 17,277,114	$ 14,716,698
Investment properties	19,620	20,679	38,919	41,482
Intangible assets	67,738	39,315	132,928	78,631
Others	32,491	48,394	56,454	71,439
	$ 8,856,289	$ 7,458,927	$ 17,505,415	$ 14,908,250
Analysis of depreciation by function				
Operating costs	$ 8,404,346	$ 7,163,547	$ 16,620,710	$ 14,337,416
Operating expenses	343,548	203,020	679,104	409,515
Others	8,166	4,651	16,219	11,249
	$ 8,756,060	$ 7,371,218	$ 17,316,033	$ 14,758,180
Analysis of amortization by function				
Operating costs	$ 66,997	$ 74,703	$ 121,652	$ 122,626
Operating expenses	32,971	11,703	66,838	25,856
Others	261	1,303	892	1,588
	$ 100,229	$ 87,709	$ 189,382	$ 150,070

e. Operating expenses directly related to investment properties

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Direct operating expenses of investment properties that generated rental income	$ 37,248	$ 39,167	$ 71,037	$ 77,981

f. Employee benefits

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Short-term employee benefits				
Salaries	$ 7,276,156	$ 7,175,165	$ 14,773,259	$ 13,988,897
Labor and health insurance	422,802	388,034	852,988	780,138
Others	381,986	405,947	784,798	884,281
	8,080,944	7,969,146	16,411,045	15,653,316
Post-employment benefits				
Defined contribution plans	99,843	107,008	200,218	205,736

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Defined benefit plans (Note 24)	$ 230,547	$ 237,306	$ 484,097	$ 473,395
	330,390	344,314	684,315	679,131
Termination benefits	18,262	335	24,587	342,142
	$ 8,429,596	$ 8,313,795	$ 17,119,947	$ 16,674,589

(Concluded)

28. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Current tax				
In respect of the current period	$ 1,272,123	$ 1,260,880	$ 1,933,632	$ 2,004,510
In respect of prior periods	(153,327)	47,975	(142,560)	61,313
Deferred tax				
In respect of the current period	(90,933)	(314,757)	32,526	(270,638)
In respect of prior periods	(29,953)	179,921	(42,543)	179,921
Write-down in the current period	(72,529)	-	(59,976)	-
	$ 925,381	$ 1,174,019	$ 1,721,079	$ 1,975,106

b. Income tax recognized directly in equity

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Current tax				
Reversal of special reserve due to disposal of property, plant and equipment	$ 34	$ 178	$ 108	$ 249
Deferred tax				
Reversal of special reserve due to disposal of property, plant and equipment	(34)	(178)	(108)	(249)
	$ -	$ -	$ -	$ -

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	**2013**	**2014**	**2013**
Recognized in other comprehensive income:				
Translation of foreign operations	$ (13,322)	$ 4,692	$ 1,546	$ 21,042
Unrealized gain or loss on available-for-sale financial assets	(392)	(1,386)	1,488	2,218
Fair value changes of cash flow hedges	(13,327)	6,544	3,491	33,918
Actuarial gain or loss on defined benefit retirement plan	-	(192)	-	(192)
Fair value changes of hedging instruments in cash flow hedges transferred to profit or loss	(428)	(2,953)	(76)	(5,199)
Disposal of available-for-sale financial assets	(6)	(949)	(1,237)	(2,922)
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	(1,892)	8,159	(2,116)	7,763
	$ (29,367)	$ 13,915	$ 3,096	$ 56,628

d. Integrated income tax

	June 30, 2014	**December 31, 2013**	**June 30, 2013**
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	$ 15,954	$ 15,954	$ 15,440
Unappropriated earnings generated on and after January 1, 1998	12,504,229	16,332,286	10,395,912
	$ 12,520,183	$ 16,348,240	$ 10,411,352
Imputation credits accounts ("ICA")	$ 1,634,787	$ 27,022	$ 103,653

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 10.01% (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.

e. Income tax assessments

Except for 2009, the Corporation's income tax returns through 2010 and the subsidiaries' income tax returns through 2009 to 2012 have been assessed by the tax authorities. The Corporation disagreed with the tax authorities' assessment of its 2010 tax return and filed an application for recheck. However, the Corporation had recognized the related additional tax payable in prior year. The Corporation's administrative litigation regarding the assessment of its 2008 income tax return was dismissed by Kaohsiung High Administrative Court in July 2014, and there will be no further appeal by the Corporation. Furthermore, the subsidiary KRTC's administrative litigation on the tax authorities' assessment of its 2009 tax return was dismissed by Kaohsiung High Administrative Court in April 2014, and KRTC has further appealed to Kaohsiung Supreme Administrative Court in June 2014.

29. 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 period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	**2013**	**2014**	**2013**
Net profit for the period attributable to owners of the Corporation	$ 5,152,848	$ 4,885,757	$ 8,781,387	$ 8,678,353
Less: Dividends on preference shares	13,394	13,394	26,788	26,788
Net profit used in computation of basic and diluted earnings per share	$ 5,139,454	$ 4,872,363	$ 8,754,599	$ 8,651,565

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	**2013**	**2014**	**2013**
Weighted average number of ordinary shares in computation of basic earnings per share	15,115,142	15,415,745	15,115,142	15,415,745
Effect of dilutive potential ordinary shares:				
Bonus to employees	71,057	54,812	74,457	55,971

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Weighted average number of ordinary shares used in the computation of diluted earnings per share	15,186,199	15,470,557	15,189,599	15,471,716

(Concluded)

Preference shares were not included in the calculation of diluted earnings per share for the three months and six months ended June 30, 2014 and 2013 because of their anti-dilutive effect.

Pro forma earnings per share that adjusted retrospectively for the issuance of share dividends distributed out of earnings (August 20, 2014) after the consolidated financial statements were approved for issue were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	2013	2014	2013
Basic earnings per share	$ 0.33	$ 0.32	$ 0.57	$ 0.56
Diluted earnings per share	$ 0.33	$ 0.31	$ 0.56	$ 0.56

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.

30. 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

(Continued)

Inventories	$ 5,406
Other financial assets - current	220,500
Other current assets	186,639
Noncurrent 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)
Noncurrent 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 with reference to the fair value of the non-controlling interest amounted to NT$1,735,390 thousand. This fair value was estimated based on KRTC's identifiable net assets.

d. Goodwill arising on acquisition

Consideration transferred	$ 982,436
Add: Fair value of KRTC's shares held by the Corporation and its subsidiaries before the date of acquisition	771,798
Non-controlling interests (50% ownership in KRTC)	1,735,390
Less: Fair value of identifiable net assets acquired	3,489,624
Goodwill arising on acquisition	$ -

31. 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 19, the Corporation and its subsidiaries are not subject to any externally imposed capital requirements.

32. 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
June 30, 2014				
Financial assets at fair value through profit or loss				
Mutual funds	$ 5,960,111	$ -	$ -	$ 5,960,111
Listed shares	1,200,981	-	-	1,200,981
Emerging market shares	-	-	275,574	275,574
Structure notes	-	89,542	-	89,542
Foreign exchange forward contracts	-	2,081	-	2,081
Convertible bonds	176,740	-	-	176,740
	$ 7,337,832	$ 91,623	$ 275,574	$ 7,705,029
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 16,058,747	$ 16,058,747
Domestic listed shares	8,419,504	-	-	8,419,504
Domestic emerging market shares and unlisted shares	-	-	6,446,402	6,446,402
Certificate of entitlement	-	-	5,197,001	5,197,001
Foreign listed shares	1,953,751	-	-	1,953,751
Mutual funds	1,142,487	-	-	1,142,487
Private-placement shares of listed companies	-	131,898	-	131,898
	$ 11,515,742	$ 131,898	$ 27,702,150	$ 39,349,790
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 43,095	$ -	$ 43,095
Interest rate swap contracts	-	15,631	-	15,631
	$ -	$ 58,726	$ -	$ 58,726

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ 3,062	$ -	$ 3,062
Call and put options	-	1,332	-	1,332
Futures contracts	-	84	-	84
	$ -	$ 4,478	$ -	$ 4,478
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 29,505	$ -	$ 29,505
Interest rate swap contracts	-	2,500	-	2,500
	$ -	$ 32,005	$ -	$ 32,005
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
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

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ 7,533	$ -	$ 7,533
Call and put options	-	1,561	-	1,561
	$ -	$ 9,094	$ -	$ 9,094
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 62,324	$ -	$ 62,324
June 30, 2013				
Financial assets at fair value through profit or loss				
Mutual funds	$ 3,819,671	$ -	$ -	$ 3,819,671
Listed shares	830,888	-	-	830,888
Emerging market shares	-	-	277,305	277,305
Structure notes	-	142,620	-	142,620
Foreign exchange forward contracts	-	26,739	-	26,739
Convertible bonds	10,150	-	-	10,150
Options	-	308	-	308
	$ 4,660,709	$ 169,667	$ 277,305	$ 5,107,681
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 7,564,730	$ 7,564,730
Domestic emerging market shares and unlisted shares	-	-	6,709,351	6,709,351
Domestic listed shares	4,056,460	-	-	4,056,460
Certificate of entitlement	-	-	3,148,194	3,148,194
Foreign listed shares	1,859,992	-	-	1,859,992
Mutual funds	1,249,530	-	-	1,249,530
Private-placement shares of listed companies	-	708,744	-	708,744
	$ 7,165,982	$ 708,744	$ 17,422,275	$ 25,297,001
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 68,167	$ -	$ 68,167
Precious metals futures contracts	-	16,315	-	16,315
Interest rate swap contracts	-	14,116	-	14,116
	$ -	$ 98,598	$ -	$ 98,598
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ 6,250	$ -	$ 6,250

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 198,601	$ -	$ 198,601
Interest rate swap contracts	-	1,783	-	1,783
	$ -	$ 200,384	$ -	$ 200,384

(Concluded)

There was no transfer between Level 1 and Level 2 for the six months ended June 30, 2014 and 2013.

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.

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 six months ended June 30, 2014			
Balance, beginning of period	$ 283,883	$ 23,787,038	$ 24,070,921
Recognized in profit or loss - other gains and losses	(8,309)	143,926	135,617
Recognized in other comprehensive income - unrealized gain on available-for-sale financial assets	-	229,116	229,116
Purchases	-	4,807,035	4,807,035
Disposal	-	(290,581)	(290,581)
Effect of foreign currency exchange difference	-	345,844	345,844
Transfers out of Level 3	-	(1,301,081)	(1,301,081)
Others	-	(19,147)	(19,147)
Balance, end of period	$ 275,574	$ 27,702,150	$ 27,977,724
For the six months ended June 30, 2013			
Balance, beginning of period	$ 304,655	$ 14,606,157	$ 14,910,812
Recognized in profit or loss - other gains and losses	(27,350)	7,612	(19,738)
Recognized in other comprehensive income - unrealized gain on available-for-sale financial assets	-	882,983	882,983
Reclassification	-	15,734	15,734
Purchases	-	2,285,931	2,285,931
Disposal	-	(174,384)	(174,384)

(Continued)

	Financial Assets at Fair Value Through Profit or Loss	Available-for-sale Financial Assets	Total
Effect of foreign currency exchange difference	$ -	$ (123,020)	$ (123,020)
Transfers out of Level 3	-	(53,390)	(53,390)
Others	-	(25,348)	(25,348)
Balance, end of period	$ 277,305	$ 17,422,275	$ 17,699,580

(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. The estimates and assumptions of credit linked notes, convertible bonds and held-to-maturity financial assets used by the Corporation and its subsidiaries were consistent with those that market participants would use in setting a price for financial instrument.

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

	June 30, 2014	December 31, 2013	June 30, 2013
Financial assets			
Fair value through profit or loss			
Designated as at fair value through profit or loss	$ 4,938,503	$ 2,511,156	$ 2,691,802
Held for trading	2,766,526	2,503,354	2,415,879
Derivative instruments in designated hedge accounting relationships	58,726	72,703	98,598
Held-to-maturity investments	210,413	209,991	211,364

(Continued)

	June 30, 2014	December 31, 2013	June 30, 2013
Loans and receivables 1)	$ 59,121,636	$ 47,606,236	$ 47,494,595
Available-for-sale financial assets	39,349,790	33,391,048	25,297,001
Financial liabilities			
Fair value through profit or loss			
Held for trading	3,146	7,533	6,250
Designated as at fair value through profit or loss	1,332	1,561	-
Derivative instruments in designated hedge accounting relationships	32,005	62,324	200,384
Measured at amortized cost 2)	340,478,738	324,946,102	318,911,747

(Concluded)

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), 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 (including related parties), 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.

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:

	June 30, 2014	December 31, 2013	June 30, 2013
Assets			
USD	$ 11,939,680	$ 8,134,138	$ 10,538,501
JPY	3,577,136	3,479,503	3,670,779
VND	1,122,577	798,069	1,624,998
AUD	5,251	6,365	5,317
CAD	412	3,777	-
Liabilities			
USD	22,477,743	20,589,139	18,082,992
AUD	8,000,752	4,207,803	921,630
CAD	7,785,304	7,796,438	7,974,579
JPY	4,177,413	4,013,306	4,245,854
VND	-	216,597	1,713,803

The Corporation and its subsidiaries were mainly exposed to the currencies USD, JPY, CAD, VND 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 Six Months Ended June 30			For the Six Months Ended June 30		
	2014	2013		2014	2013	
Profit or loss	$ 30,104	$ 14,777	1)	$ 8,817	$ 10,176	2)
Equity	75,277	60,668	3)	(2,815)	(4,426)	3)

	CAD Impact			VND Impact		
	For the Six Months Ended June 30			For the Six Months Ended June 30		
	2014	2013		2014	2013	
Profit or loss	$ (4)	$ -	1)	$ (11,226)	$ 888	1)
Equity	77,853	79,746	3)	-	-	

	AUD Impact		
	For the Six Months Ended June 30		
	2014	2013	
Profit or loss	$ (53)	$ (53)	1)
Equity	80,008	9,216	3)

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

2) This was mainly attributable to the exposure of cash, 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.

3) 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:

	June 30, 2014	December 31, 2013	June 30, 2013
Fair value interest rate risk			
Financial liabilities	$ 127,945,259	$ 97,280,055	$ 98,919,441
Cash flow interest rate risk			
Financial liabilities	162,989,796	191,023,366	179,796,401

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 six months ended June 30, 2014 and 2013 would have been lower/higher by NT$814,949 thousand and NT$898,982 thousand, respectively.

c. Other price risk

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

If equity prices had been 1% higher/lower, pre-tax profit for the six months ended June 30, 2014 and 2013 would have been higher/lower by NT$71,611 thousand and NT$46,506 thousand, respectively, as a result of the changes in fair value of financial assets at fair value through profit or loss, and the pre-tax other comprehensive income for the six months ended June 30, 2014 and 2013 would have been higher/lower by NT$116,476 thousand and NT$78,747 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

1) 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.

Counterparties of accounts receivable consisted of a large number of different 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 June 30, 2014, the maximum credit risk of off-balance-sheet guarantees provided to investees of co-investment for procurement compliance was NT$2,472,864 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 following table details the Corporation and its subsidiaries' remaining contractual maturity for its non-derivative financial liabilities with agreed repayment dates. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Corporation and its subsidiaries can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

	Less Than 1 Year	**2-5 Years**	**Over 5 Years**	**Total**
June 30, 2014				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 48,251,927	$ 52,959	$ -	$ 48,304,886
Variable interest rate liabilities	60,918,587	96,722,379	10,840,986	168,481,952
Fixed interest rate liabilities	32,825,111	38,432,182	69,230,163	140,487,456
Financial guarantee liabilities	2,472,864	-	-	2,472,864
	$ 144,468,489	$ 135,207,520	$ 80,071,149	$ 359,747,158
December 31, 2013				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 34,692,894	$ 81,086	$ -	$ 34,773,980
Variable interest rate liabilities	49,892,529	131,320,457	15,365,402	196,578,388
Fixed interest rate liabilities	35,360,688	29,144,549	39,076,395	103,581,632
Financial guarantee liabilities	2,462,939	-	-	2,462,939
	$ 122,409,050	$ 160,546,092	$ 54,441,797	$ 337,396,939
June 30, 2013				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 39,342,355	$ 56,686	$ -	$ 39,399,041

(Continued)

	Less Than 1 Year	2-5 Years	Over 5 Years	Total
Variable interest rate liabilities	$ 70,396,995	$ 104,227,596	$ 10,341,446	$ 184,966,037
Fixed interest rate liabilities	53,718,413	23,759,656	26,075,848	103,553,917
	$ 163,457,763	$ 128,043,938	$ 36,417,294	$ 327,918,995

(Concluded)

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.

33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not in this note. Details of transactions between the Corporation and its subsidiaries and other related parties were disclosed below:

a. Operating revenues

		For the Three Months Ended June 30		For the Six Months Ended June 30	
Account Items	**Related Parties Types**	**2014**	**2013**	**2014**	**2013**
Revenue from sales of goods	Other related parties as key management personnel of subsidiaries	$ 902,376	$ 559,807	$ 1,890,937	$ 1,262,093
	Other related parties as supervisors of the Corporation and its subsidiaries	352,228	-	936,209	-
	The Corporation and its subsidiaries as key management personnel of other related parties	872,309	987,705	2,120,140	1,640,218
	Others	157,811	119,452	283,724	175,700
		$ 2,284,724	$ 1,666,964	$ 5,231,010	$ 3,078,011
Construction contract revenue	The Corporation and its subsidiaries as key management personnel of other related parties	$ 314,668	$ 1,549	$ 523,996	$ 99,170
	Others	2,653	49,351	6,161	49,429
		$ 317,321	$ 50,900	$ 530,157	$ 148,599

Sales to related parties were made under normal terms.

b. Purchase of goods

Related Parties Types	For the Three Months Ended June 30 2014	For the Three Months Ended June 30 2013	For the Six Months Ended June 30 2014	For the Six Months Ended June 30 2013
Companies with significant influence over subsidiaries	$ 1,144,446	$ -	$ 1,144,446	$ -
Associates	51,998	84,754	114,583	149,864
Other related parties as key management personnel of subsidiaries	59,937	70,916	111,783	115,466
Others	97,823	319	98,438	1,550
	$ 1,354,204	$ 155,989	$ 1,469,250	$ 266,880

Purchases from related parties were made under normal terms.

c. Receivables from related parties

Account Items	Related Parties Types	June 30, 2014	December 31, 2013	June 30, 2013
Notes and accounts receivable	The Corporation and its subsidiaries as key management personnel of other related parties	$ 850,497	$ 709,635	$ 665,283
	Other related parties as key management personnel of subsidiaries	403,542	401,596	303,539
	Others	61,931	16,563	31,560
		$ 1,315,970	$ 1,127,794	$ 1,000,382

No guarantee had been received for receivables from related parties. No impairment was recognized for the six months ended June 30, 2014 and 2013 on receivables from related parties.

d. Payables to related parties

Account Items	Related Parties Types	June 30, 2014	December 31, 2013	June 30, 2013
Notes and accounts payable	Companies with significant influence over subsidiaries	$ 667,217	$ -	$ -
	Associates	38,258	28,248	79,362
	Other related parties as key management personnel of subsidiaries	20,225	23,563	22,516
	Other related parties as supervisors of subsidiaries	699	94,790	92,751
	Others	18,561	11,527	12,893
		$ 744,960	$ 158,128	$ 207,522

The outstanding accounts payable to related parties are unsecured.

e. Disposal of other assets

		Price		Gain on Disposal	
		For the Six Months Ended June 30		For the Six Months Ended June 30	
Related Parties Types	**Account Items**	**2014**	**2013**	**2014**	**2013**
Associates	Intangible assets	$ 114,286	$ -	$ 94,366	$ -

Refer to Note 15 for details.

f. Others

		For the Three Months Ended June 30		For the Six Months Ended June 30	
Account Items	**Related Parties Types**	**2014**	**2013**	**2014**	**2013**
Service and other revenues	The Corporation and its subsidiaries as key management personnel of other related parties	$ 288,307	$ 171,848	$ 551,879	$ 328,614
	Others	31,290	16,656	56,954	39,506
		$ 319,597	$ 188,504	$ 608,833	$ 368,120

g. Refer to Note 35 f. for endorsements/guarantees provided to the related parties.

h. Compensation of key management personnel

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2014	**2013**	**2014**	**2013**
Short-term employee benefits	$ 12,859	$ 18,400	$ 33,566	$ 35,751
Post-employment benefits	572	385	1,143	770
	$ 13,431	$ 18,785	$ 34,709	$ 36,521

34. 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):

	June 30, 2014	**December 31, 2013**	**June 30, 2013**
Net property, plant and equipment	$ 165,839,211	$ 170,022,417	$ 154,201,386
Time deposits	7,214,908	7,676,795	6,982,933
Shares (Note 1)	5,795,590	5,964,300	5,423,095
Pledged receivables (Note 2)	2,000,000	2,000,000	-
Net investment properties	1,766,962	1,765,703	1,810,276
	$ 182,616,671	$ 187,429,215	$ 168,417,690

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.

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 19, significant commitments and contingencies of the Corporation and its subsidiaries as of June 30, 2014 were as follows:

a. The Corporation and its subsidiaries provided letters of credits for NT$3.9 billion guaranteed by financial institutions for several construction and lease contracts, and guarantee notes for NT$81.6 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$11.5 billion.

c. Property purchase and construction contracts for NT$17.7 billion were signed but not yet recorded.

d. Construction contracts for NT$36.8 billion were not yet completed.

e. The Corporation and its subsidiaries entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, Japan, Mozambique, Russia, Vietnam, Indonesia and domestic companies with contract terms of 1 to 10 years. Contracted annual purchases of 9,580,000 metric tons of coal, 23,650,000 metric tons of iron ore, and 3,390,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of June 30, 2014 were USD7.8 billion (including 10,490,000 metric tons of coal, 71,040,000 metric tons of iron ore, and 2,640,000 metric tons of limestone).

f. Endorsements/guarantees provided to the consolidated entities as of June 30, 2014 were as follows:

Endorsement/Guarantee Provider	Counterparty	Ending Balance	
China Steel Corporation	Sakura Ferroalloys Sdn. Bhd.	MYR	97,130 thousand
		USD	50,350 thousand

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

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

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
June 30, 2014				
Monetary financial assets				
USD	$ 351,048	29.8650	(USD:NTD)	$ 10,484,053
USD	17,650	6.2076	(USD:CNY)	527,117
USD	10,349	60.0543	(USD:INR)	309,066
USD	10,274	1.0634	(USD:AUD)	306,821
USD	6,085	3.3430	(USD:MYR)	181,741
USD	4,382	21,959.5588	(USD:VND)	130,882
JPY	11,981,988	0.2946	(JPY:NTD)	3,529,893
JPY	124,792	0.0099	(JPY:USD)	36,764
JPY	35,570	0.0612	(JPY:CNY)	10,479
VND	825,424,148	0.00005	(VND:USD)	1,122,577
AUD	107	28.0850	(AUD:NTD)	3,001
AUD	80	0.9404	(AUD:USD)	2,250
CAD	15	0.9365	(CAD:USD)	412
Non-monetary financial assets				
USD	291,217	29.8650	(USD:NTD)	8,697,191
JPY	6,338,000	0.2946	(JPY:NTD)	1,867,175
MYR	148,633	8.9335	(MYR:NTD)	1,327,815
KRW	42,352,900	0.0297	(KRW:NTD)	1,257,881
Monetary financial liabilities				
USD	522,527	29.8650	(USD:NTD)	15,605,261
USD	110,000	60.0543	(USD:INR)	3,285,150
USD	94,797	6.2076	(USD:CNY)	2,831,116
USD	21,899	21,959.5588	(USD:VND)	654,028
USD	3,422	3.3430	(USD:MYR)	102,188
AUD	284,876	28.0850	(AUD:NTD)	8,000,752
CAD	278,345	27.9700	(CAD:NTD)	7,785,304
JPY	14,164,858	0.2946	(JPY:NTD)	4,172,967
JPY	8,872	0.0612	(JPY:CNY)	2,614
JPY	6,219	0.0099	(JPY:USD)	1,832
December 31, 2013				
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
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
VND	582,532,274	0.00005	(VND:USD)	798,069
AUD	179	26.5850	(AUD:NTD)	4,750
AUD	61	0.8920	(AUD:USD)	1,615
CAD	135	0.9398	(CAD:USD)	3,777

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
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
AUD	158,277	26.5850	(AUD:NTD)	4,207,803
CAD	278,345	28.0100	(CAD:NTD)	7,796,438
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
VND	158,100,000	0.00005	(VND:USD)	216,597
June 30, 2013				
Monetary financial assets				
USD	299,515	30.0000	(USD:NTD)	8,985,456
USD	28,704	6.1375	(USD:CNY)	861,135
USD	15,000	59.3354	(USD:INR)	450,000
USD	4,213	21,897.8102	(USD:VND)	126,383
USD	3,391	1.0801	(USD:AUD)	101,721
USD	460	3.3012	(USD:MYR)	13,806
JPY	11,949,603	0.3036	(JPY:NTD)	3,627,899
JPY	118,952	0.0101	(JPY:USD)	36,114
JPY	22,284	0.0621	(JPY:CNY)	6,766
VND	1,184,415,688	0.00005	(VND:USD)	1,622,650
VND	1,713,959	0.0014	(VND:NTD)	2,348
AUD	138	27.7750	(AUD:NTD)	3,838
AUD	53	0.9258	(AUD:USD)	1,479
Non-monetary financial assets				
USD	114,210	30.0000	(USD:NTD)	3,426,297
VND	2,285,126,756	0.0014	(VND:NTD)	3,130,624
JPY	5,856,000	0.3036	(JPY:NTD)	1,777,882
KRW	45,536,750	0.0265	(KRW:NTD)	1,206,724
Monetary financial liabilities				
USD	478,212	30.0000	(USD:NTD)	14,346,369
USD	80,461	6.1375	(USD:CNY)	2,413,833
USD	24,679	21,897.8102	(USD:VND)	740,366
USD	19,030	59.3354	(USD:INR)	570,914
USD	384	3.3012	(USD:MYR)	11,510
AUD	33,182	27.7750	(AUD:NTD)	921,630
CAD	278,345	28.6500	(CAD:NTD)	7,974,579
JPY	13,977,360	0.3036	(JPY:NTD)	4,243,526
JPY	4,196	0.0621	(JPY:CNY)	1,274
JPY	3,471	0.0101	(JPY:USD)	1,054
VND	1,250,951,243	0.00005	(VND:USD)	1,713,803

(Concluded)

37. 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. Reported 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.

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	**Others**	**Adjustment and Elimination**	**Total**
For the six months ended June 30, 2014				
Revenues from external customers	$ 149,502,605	$ 35,074,572	$ -	$ 184,577,177
Inter-segment revenues	32,328,753	22,104,885	(54,433,638)	-
Segment revenues	$ 181,831,358	$ 57,179,457	$ (54,433,638)	$ 184,577,177
Segment profit	$ 6,285,081	$ 4,914,341	$ 480,307	$ 11,679,729
Interest income	175,692	121,221	(28,812)	268,101
Interest expense	(1,770,692)	(156,277)	18,468	(1,908,501)
Share of the profit or loss of associates and joint ventures	5,943,611	1,821,679	(7,443,332)	321,958
Other non-operating income and expenses	871,255	757,910	(296,638)	1,332,527
Profit before income tax	11,504,947	7,458,874	(7,270,007)	11,693,814
Income tax expense	798,985	860,626	61,468	1,721,079
Net profit for the period	$ 10,705,962	$ 6,598,248	$ (7,331,475)	$ 9,972,735
For the six months ended June 30, 2013				
Revenues from external customers	$ 141,907,981	$ 31,247,821	$ -	$ 173,155,802
Inter-segment revenues	24,162,251	23,859,356	(48,021,607)	-
Segment revenues	$ 166,070,232	$ 55,107,177	$ (48,021,607)	$ 173,155,802
Segment profit	$ 7,869,656	$ 4,817,924	$ (179,383)	$ 12,508,197
Interest income	117,177	99,998	(14)	217,161
Interest expense	(1,215,901)	(109,084)	14	(1,324,971)
Share of the profit or loss of associates and joint ventures	4,707,190	1,918,538	(6,392,296)	233,432
Other non-operating income and expenses	421,320	550,043	(394,879)	576,484
Profit before income tax	11,899,442	7,277,419	(6,966,558)	12,210,303
Income tax expense	1,243,634	793,979	(62,507)	1,975,106
Net profit for the period	$ 10,655,808	$ 6,483,440	$ (6,904,051)	$ 10,235,197

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

Segment profit represented the profit from operations 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

Segment assets	June 30, 2014	December 31, 2013	June 30, 2013
Steel	$ 757,773,721	$ 740,605,749	$ 726,977,713
Others	196,709,850	188,038,383	168,877,408
Adjustment and elimination	(260,437,744)	(246,644,759)	(234,983,670)
Consolidated total assets	$ 694,045,827	$ 681,999,373	$ 660,871,451