# China Steel Corporation and Subsidiaries

## Consolidated Financial Statements for the Six Months Ended June 30, 2015 and 2014 and Independent Auditors’ Review Report

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**勤業眾信**

## INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
China Steel Corporation

We have reviewed the accompanying consolidated balance sheets of China Steel Corporation (the "Corporation") and its subsidiaries as of June 30, 2015 and 2014, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2015 and 2014, and the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2015 and 2014. 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 ("FSC") of the Republic of China.

As discussed in Note 3 to the accompanying consolidated financial statements, starting from January 1, 2015, the Corporation and its subsidiaries applied the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS, and Interpretations of IAS endorsed by the FSC. Therefore, some items in the consolidated financial statements of prior reporting periods were adjusted to reflect the effects of retrospective application of the above regulations, standards and interpretations.

Deloitte & Touche

August 12, 2015

<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, 2015 (Reviewed) Amount | % | December 31, 2014 (Restated and Audited) Amount | % | June 30, 2014 (Restated and Reviewed) Amount | % |
|---|---|---|---|---|---|---|
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | $ 19,682,666 | 3 | $ 13,632,013 | 2 | $ 24,522,952 | 4 |
| Financial assets at fair value through profit or loss - current (Note 7) | 5,906,816 | 1 | 5,418,751 | 1 | 7,705,029 | 1 |
| Available-for-sale financial assets - current (Note 8) | 6,382,636 | 1 | 6,651,624 | 1 | 7,009,270 | 1 |
| Derivative financial assets for hedging - current (Note 10) | 53,393 | - | 62,992 | - | 34,846 | - |
| Notes receivable (Note 11) | 1,285,475 | - | 1,243,767 | - | 954,931 | - |
| Notes receivable - related parties (Notes 11 and 32) | 269,849 | - | 162,202 | - | 287,313 | - |
| Accounts receivable, net (Note 11) | 10,057,859 | 1 | 10,818,647 | 2 | 10,916,350 | 2 |
| Accounts receivable - related parties (Notes 11 and 32) | 667,649 | - | 734,991 | - | 1,028,657 | - |
| Amounts due from customers for construction contracts (Note 12) | 8,885,424 | 1 | 7,313,482 | 1 | 7,364,411 | 1 |
| Other receivables | 1,895,585 | - | 1,484,045 | - | 1,553,619 | - |
| Current tax assets | 164,327 | - | 169,509 | - | 302,091 | - |
| Inventories (Note 13) | 79,385,403 | 12 | 81,203,168 | 12 | 77,681,481 | 11 |
| Other financial assets - current (Notes 16 and 33) | 12,334,854 | 2 | 13,714,418 | 2 | 13,902,972 | 2 |
| Other current assets | 4,890,016 | 1 | 5,757,202 | 1 | 6,143,883 | 1 |
| Total current assets | 151,861,952 | 22 | 148,366,811 | 22 | 159,407,805 | 23 |
| NONCURRENT ASSETS | | | | | | |
| Financial assets at fair value through profit or loss - noncurrent (Note 7) | - | - | 31,842 | - | - | - |
| Available-for-sale financial assets - noncurrent (Notes 8 and 19) | 30,036,698 | 5 | 31,102,392 | 5 | 32,340,520 | 5 |
| Held-to-maturity financial assets - noncurrent (Note 9) | 247,262 | - | 222,989 | - | 210,413 | - |
| Derivative financial assets for hedging - noncurrent (Note 10) | 20,724 | - | 87,969 | - | 23,880 | - |
| Debt investments with no active market - noncurrent (Notes 14 and 19) | 1,887,804 | - | 2,806,597 | 1 | 3,096,299 | 1 |
| Investments accounted for using equity method (Notes 4, 15 and 32) | 13,698,189 | 2 | 13,419,402 | 2 | 11,466,297 | 2 |
| Property, plant and equipment (Notes 10, 16, 17 and 33) | 452,554,621 | 67 | 459,313,969 | 67 | 459,432,242 | 66 |
| Investment properties (Notes 18 and 33) | 9,739,424 | 2 | 8,436,098 | 1 | 8,330,317 | 1 |
| Intangible assets (Note 32) | 2,478,735 | - | 2,493,804 | - | 2,600,140 | - |
| Deferred tax assets (Note 3) | 5,539,377 | 1 | 6,065,105 | 1 | 5,923,610 | 1 |
| Refundable deposits | 457,090 | - | 436,833 | - | 485,454 | - |
| Other financial assets - noncurrent (Notes 16 and 33) | 2,515,930 | - | 2,376,787 | - | 2,373,089 | - |
| Other noncurrent assets | 8,166,732 | 1 | 7,579,422 | 1 | 8,358,362 | 1 |
| Total noncurrent assets | 527,342,586 | 78 | 534,373,209 | 78 | 534,640,623 | 77 |
| TOTAL | $ 679,204,538 | 100 | $ 682,740,020 | 100 | $ 694,048,428 | 100 |

| LIABILITIES AND EQUITY | June 30, 2015 (Reviewed) Amount | % | December 31, 2014 (Restated and Audited) Amount | % | June 30, 2014 (Restated and Reviewed) Amount | % |
|---|---|---|---|---|---|---|
| CURRENT LIABILITIES | | | | | | |
| Short-term borrowings and bank overdraft (Notes 6, 19 and 33) | $ 29,552,315 | 4 | $ 30,801,717 | 5 | $ 35,058,628 | 5 |
| Short-term bills payable (Notes 19 and 33) | 33,545,534 | 5 | 20,112,096 | 3 | 26,611,577 | 4 |
| Financial liabilities at fair value through profit or loss - current (Notes 7 and 20) | 4,312 | - | 7,149 | - | 4,478 | - |
| Derivative financial liabilities for hedging - current (Note 10) | 74,728 | - | 46,327 | - | 25,005 | - |
| Notes payable | 489,672 | - | 1,384,782 | - | 845,992 | - |
| Notes payable - related parties (Note 32) | - | - | 88 | - | - | - |
| Accounts payable (Note 21) | 8,271,852 | 1 | 8,903,520 | 1 | 12,373,297 | 2 |
| Accounts payable - related parties (Notes 21 and 32) | 391,098 | - | 689,623 | - | 744,960 | - |
| Amounts due to customers for construction contracts (Note 12) | 3,821,748 | 1 | 5,403,038 | 1 | 5,502,559 | 1 |
| Other payables (Note 22) | 42,281,255 | 6 | 23,131,466 | 3 | 35,579,434 | 5 |
| Current tax liabilities | 2,894,021 | 1 | 4,868,683 | 1 | 3,043,294 | - |
| Provisions - current (Note 23) | 2,572,603 | - | 3,795,700 | 1 | 3,685,612 | 1 |
| Current portion of bonds payable (Note 20) | 8,149,299 | 1 | 8,148,376 | 1 | 3,499,659 | - |
| Current portion of long-term bank borrowings (Notes 19 and 33) | 22,449,627 | 3 | 20,939,065 | 3 | 19,197,204 | 3 |
| Other current liabilities | 2,573,610 | 1 | 3,273,887 | - | 2,787,845 | - |
| Total current liabilities | 157,071,674 | 23 | 131,505,517 | 19 | 148,959,544 | 21 |
| NONCURRENT LIABILITIES | | | | | | |
| Derivative financial liabilities for hedging - noncurrent (Note 10) | 46,442 | - | 10,060 | - | 7,000 | - |
| Bonds payable (Note 20) | 99,693,733 | 15 | 89,695,089 | 13 | 97,834,023 | 14 |
| Long-term bank borrowings (Notes 19 and 33) | 63,604,971 | 9 | 86,579,129 | 13 | 82,717,253 | 12 |
| Long-term bills payable (Note 19) | 17,081,714 | 3 | 20,019,412 | 3 | 26,016,711 | 4 |
| Provisions - noncurrent (Note 23) | 830,320 | - | 1,031,812 | - | 1,020,254 | - |
| Deferred tax liabilities (Note 3) | 12,492,878 | 2 | 12,678,234 | 2 | 12,753,325 | 2 |
| Net defined benefit liabilities (Notes 3, 4 and 24) | 5,512,244 | 1 | 5,503,901 | 1 | 7,164,437 | 1 |
| Other noncurrent liabilities | 1,224,704 | - | 1,072,632 | - | 534,850 | - |
| Total noncurrent liabilities | 200,487,006 | 30 | 216,590,269 | 32 | 228,047,853 | 33 |
| Total liabilities | 357,558,680 | 53 | 348,095,786 | 51 | 377,007,397 | 54 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 3 and 25) | | | | | | |
| Share capital | | | | | | |
| Ordinary shares | 157,348,610 | 23 | 157,348,610 | 23 | 154,255,840 | 22 |
| Preference shares | 382,680 | - | 382,680 | - | 382,680 | - |
| Total share capital | 157,731,290 | 23 | 157,731,290 | 23 | 154,638,520 | 22 |
| Capital surplus | 37,246,857 | 5 | 37,217,876 | 5 | 36,965,155 | 6 |
| Retained earnings | | | | | | |
| Legal reserve | 59,173,907 | 9 | 56,957,880 | 8 | 56,957,880 | 8 |
| Special reserve | 27,133,314 | 4 | 27,086,283 | 4 | 27,086,712 | 4 |
| Unappropriated earnings | 14,430,887 | 2 | 24,106,715 | 4 | 12,477,911 | 2 |
| Total retained earnings | 100,738,108 | 15 | 108,150,878 | 16 | 96,522,503 | 14 |
| Other equity | 8,250,785 | 1 | 10,162,015 | 2 | 8,960,665 | 1 |
| Treasury shares | (8,577,124) | (1) | (8,587,461) | (1) | (8,544,473) | (1) |
| Total equity attributable to owners of the Corporation | 295,389,916 | 43 | 304,674,598 | 45 | 288,542,370 | 42 |
| NON-CONTROLLING INTERESTS (Note 3) | 26,255,942 | 4 | 29,969,636 | 4 | 28,498,661 | 4 |
| Total equity | 321,645,858 | 47 | 334,644,234 | 49 | 317,041,031 | 46 |
| TOTAL | $ 679,204,538 | 100 | $ 682,740,020 | 100 | $ 694,048,428 | 100 |

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

(With Deloitte & Touche review report dated August 12, 2015)

# 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 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 (Restated) | | 2015 | | 2014 (Restated) | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OPERATING REVENUES (Notes 10, 23, 26 and 32) | $ 73,562,673 | 100 | $ 92,161,647 | 100 | $ 154,366,375 | 100 | $ 184,577,177 | 100 |
| OPERATING COSTS (Notes 3, 10, 13 and 32) | 66,305,252 | 90 | 81,736,277 | 89 | 137,243,952 | 89 | 166,041,739 | 90 |
| GROSS PROFIT | 7,257,421 | 10 | 10,425,370 | 11 | 17,122,423 | 11 | 18,535,438 | 10 |
| UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES | (89) | - | - | - | (89) | - | - | - |
| REALIZED GROSS PROFIT | 7,257,332 | 10 | 10,425,370 | 11 | 17,122,334 | 11 | 18,535,438 | 10 |
| OPERATING EXPENSES (Note 3) | | | | | | | | |
| Selling and marketing expenses | 1,154,797 | 2 | 1,202,582 | 1 | 2,392,811 | 1 | 2,476,805 | 1 |
| General and administrative expenses | 1,692,996 | 2 | 1,762,309 | 2 | 3,396,502 | 2 | 3,440,382 | 2 |
| Research and development expenses | 481,471 | 1 | 513,828 | 1 | 993,174 | 1 | 953,976 | 1 |
| Total operating expenses | 3,329,264 | 5 | 3,478,719 | 4 | 6,782,487 | 4 | 6,871,163 | 4 |
| PROFIT FROM OPERATIONS | 3,928,068 | 5 | 6,946,651 | 7 | 10,339,847 | 7 | 11,664,275 | 6 |
| NON-OPERATING INCOME AND EXPENSES | | | | | | | | |
| Other income (Notes 27 and 32) | 621,881 | 1 | 715,788 | 1 | 983,879 | 1 | 1,327,916 | 1 |
| Other gains and losses (Notes 10, 27and 32) | 930,385 | 1 | (125,179) | - | 927,367 | - | 272,712 | - |
| Finance costs (Note 27) | (911,313) | (1) | (989,940) | (1) | (1,819,770) | (1) | (1,908,501) | (1) |
| Share of the profit of associates (Note 15) | (1,757) | - | 65,956 | - | 175,260 | - | 321,958 | - |
| Total non-operating income and expenses | 639,196 | 1 | (333,375) | - | 266,736 | - | 14,085 | - |
| PROFIT BEFORE INCOME TAX | 4,567,264 | 6 | 6,613,276 | 7 | 10,606,583 | 7 | 11,678,360 | 6 |
| INCOME TAX (Notes 3, 4 and 28) | 1,251,303 | 1 | 923,766 | 1 | 2,495,993 | 2 | 1,717,848 | 1 |
| NET PROFIT FOR THE PERIOD | 3,315,961 | 5 | 5,689,510 | 6 | 8,110,590 | 5 | 9,960,512 | 5 |

(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 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 (Restated) | | 2015 | | 2014 (Restated) | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OTHER COMPREHENSIVE INCOME (Notes 10, 15, 16, 25 and 28) | | | | | | | | |
| Exchange differences on translating foreign operations | $ (564,097) | (1) | $ (619,121) | - | $ (2,053,399) | (1) | $ 253,621 | - |
| Unrealized gain (loss) on available-for-sale financial assets | (1,281,837) | (2) | 916,978 | 1 | (1,018,020) | (1) | 933,409 | 1 |
| The effective portion of gains and losses on hedging instruments in a cash flow hedge | (24,077) | - | (93,719) | - | (213,802) | - | 6,626 | - |
| Share of the other comprehensive income of associates | (120,944) | - | 176,559 | - | 478,420 | - | 49,803 | - |
| Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss | 12,595 | - | 29,367 | - | 47,017 | - | (3,096) | - |
| Other comprehensive income for the period, net of income tax | (1,978,360) | (3) | 410,064 | 1 | (2,759,784) | (2) | 1,240,363 | 1 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | $ 1,337,601 | 2 | $ 6,099,574 | 7 | $ 5,350,806 | 3 | $ 11,200,875 | 6 |
| NET PROFIT ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Corporation | $ 2,849,395 | 4 | $ 5,145,595 | 5 | $ 8,375,666 | 5 | $ 8,766,648 | 5 |
| Non-controlling interests | 466,566 | 1 | 543,915 | 1 | (265,076) | - | 1,193,864 | - |
| | $ 3,315,961 | 5 | $ 5,689,510 | 6 | $ 8,110,590 | 5 | $ 9,960,512 | 5 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Corporation | $ 1,339,583 | 2 | $ 5,544,250 | 6 | $ 6,464,436 | 4 | $ 9,771,460 | 5 |
| Non-controlling interests | (1,982) | - | 555,324 | 1 | (1,113,630) | (1) | 1,429,415 | 1 |
| | $ 1,337,601 | 2 | $ 6,099,574 | 7 | $ 5,350,806 | 3 | $ 11,200,875 | 6 |
| EARNINGS PER SHARE (Note 29) | | | | | | | | |
| Basic | $ 0.18 | | $ 0.33 | | $ 0.54 | | $ 0.57 | |
| Diluted | $ 0.18 | | $ 0.33 | | $ 0.54 | | $ 0.56 | |

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

(With Deloitte & Touche review report dated August 12, 2015)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
**(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**
**(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 (Loss) on Available-for-sale Financial Assets | The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge | Total Other Equity | Treasury Shares | Total Equity Attributable to Owners of the Corporation | Non-controlling Interests | Total Equity |
| BALANCE AT JANUARY 1, 2015 | $ 157,348,610 | $ 382,680 | $ 37,217,876 | $ 56,957,880 | $ 27,086,283 | $ 24,125,515 | $ 732,469 | $ 9,283,354 | $ 146,192 | $ 10,162,015 | $ (8,587,461) | $ 304,693,398 | $ 29,994,473 | $ 334,687,871 |
| Effect of retrospective application and retrospective restatement (Note 3) | - | - | - | - | - | (18,800) | - | - | - | - | - | (18,800) | (24,837) | (43,637) |
| BALANCE AT JANUARY 1, 2015 AS RESTATED | 157,348,610 | 382,680 | 37,217,876 | 56,957,880 | 27,086,283 | 24,106,715 | 732,469 | 9,283,354 | 146,192 | 10,162,015 | (8,587,461) | 304,674,598 | 29,969,636 | 334,644,234 |
| Appropriation of 2014 earnings (Note 25) | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | 2,216,027 | - | (2,216,027) | - | - | - | - | - | - | - | - |
| Special reserve | - | - | - | - | 47,049 | (47,049) | - | - | - | - | - | - | - | - |
| Cash dividends to ordinary shareholders - NT$1.0 per share | - | - | - | - | - | (15,734,861) | - | - | - | - | - | (15,734,861) | - | (15,734,861) |
| Cash dividends to preference shareholders - NT$1.4 per share | - | - | - | - | - | (53,575) | - | - | - | - | - | (53,575) | - | (53,575) |
| Reversal of special reserve | - | - | - | - | (18) | 18 | - | - | - | - | - | - | - | - |
| Net profit (loss) for the six months ended June 30, 2015 | - | - | - | - | - | 8,375,666 | - | - | - | - | - | 8,375,666 | (265,076) | 8,110,590 |
| Other comprehensive income for the six months ended June 30, 2015, net of income tax | - | - | - | - | - | - | (819,628) | (919,759) | (171,843) | (1,911,230) | - | (1,911,230) | (848,554) | (2,759,784) |
| Total comprehensive income for the six months ended June 30, 2015 | - | - | - | - | - | 8,375,666 | (819,628) | (919,759) | (171,843) | (1,911,230) | - | 6,464,436 | (1,113,630) | 5,350,806 |
| Disposal of the Corporation's shares held by subsidiaries | - | - | (707) | - | - | - | - | - | - | - | 9,263 | 8,556 | 4,769 | 13,325 |
| Adjustment of non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | (2,604,833) | (2,604,833) |
| Adjustment of other equity | - | - | 29,688 | - | - | - | - | - | - | - | 1,074 | 30,762 | - | 30,762 |
| BALANCE AT JUNE 30, 2015 | $ 157,348,610 | $ 382,680 | $ 37,246,857 | $ 59,173,907 | $ 27,133,314 | $ 14,430,887 | $ (87,159) | $ 8,363,595 | $ (25,651) | $ 8,250,785 | $ (8,577,124) | $ 295,389,916 | $ 26,255,942 | $ 321,645,858 |
| 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 |
| Effect of retrospective application and retrospective restatement (Note 3) | - | - | - | - | - | (27,533) | - | - | - | - | - | (27,533) | (26,046) | (53,579) |
| BALANCE AT JANUARY 1, 2014 AS RESTATED | 154,255,840 | 382,680 | 36,960,818 | 55,359,726 | 26,920,871 | 16,320,707 | (659,689) | 8,603,167 | 12,375 | 7,955,853 | (8,496,974) | 289,659,521 | 29,656,615 | 319,316,136 |
| Appropriation of 2013 earnings (Note 25) | | | | | | | | | | | | | | |
| 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 | - | - | - | - | - | 8,766,648 | - | - | - | - | - | 8,766,648 | 1,193,864 | 9,960,512 |
| 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 | - | - | - | - | - | 8,766,648 | 184,113 | 819,539 | 1,160 | 1,004,812 | - | 9,771,460 | 1,429,415 | 11,200,875 |
| 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 | $ 12,477,911 | $ (475,576) | $ 9,422,706 | $ 13,535 | $ 8,960,665 | $ (8,544,473) | $ 288,542,370 | $ 28,498,661 | $ 317,041,031 |

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

(With Deloitte & Touche review report dated August 12, 2015)

## 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 | |
|---|---|---|
| | **2015** | **2014 (Restated)** |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | $ 10,606,583 | $ 11,678,360 |
| Adjustments for: | | |
| Depreciation expense | 17,946,555 | 17,316,033 |
| Amortization expense | 164,607 | 189,382 |
| Net gain on financial assets and liabilities at fair value through profit or loss | (121,141) | (135,241) |
| Finance costs | 1,819,770 | 1,908,501 |
| Interest income | (224,172) | (268,101) |
| Dividend income | (124,703) | (39,903) |
| Share of the profit of associates | (200,832) | (321,963) |
| Loss on disposal of property, plant and equipment | 32,330 | 97,156 |
| Gain on disposal of intangible assets | (1,206) | (72,249) |
| Gain on disposal of investments | (162,620) | (486,800) |
| Increase (decrease) in provision for loss on inventories | 2,154,190 | (12,283) |
| Recognition of provisions | 2,387,950 | 1,315,580 |
| Impairment loss (reversal of impairment) | (1,104,022) | 33,566 |
| Others | 29,224 | 30,310 |
| Changes in operating assets and liabilities | | |
| Financial assets held for trading | 271,880 | (168,524) |
| Notes receivable | (41,708) | 243,290 |
| Notes receivable - related parties | (107,647) | 319,749 |
| Accounts receivable | 755,722 | (678,927) |
| Accounts receivable - related parties | 67,342 | (507,925) |
| Amounts due from customers for construction contracts | (1,571,942) | (54,941) |
| Other receivables | (242,207) | 758,172 |
| Inventories | (336,425) | 5,381,999 |
| Other current assets | 867,186 | (470,272) |
| Notes payable | (895,110) | (169,425) |
| Notes payable - related parties | (88) | (756) |
| Accounts payable | (631,668) | 829,918 |
| Accounts payable - related parties | (298,525) | 587,588 |
| Amounts due to customers for construction contracts | (1,581,290) | (315,890) |
| Other payables | 3,952,093 | 2,110,871 |
| Provisions | (3,816,191) | (595,297) |
| Other current liabilities | (697,973) | (518,823) |
| Net defined benefit liabilities | 8,343 | (125,680) |
| Cash generated from operations | 28,904,305 | 37,857,475 |
| Income taxes paid | (4,171,713) | (2,641,111) |
| Net cash generated from operating activities | 24,732,592 | 35,216,364 |

(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 | |
|---|---|---|
| | **2015** | **2014 (Restated)** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of financial assets designated as at fair value through profit or loss | $ (3,298,241) | $ (4,313,558) |
| Proceeds from disposal of financial assets designated as at fair value through profit or loss | 2,569,609 | 1,945,994 |
| Acquisition of available-for-sale financial assets | (1,689,132) | (5,327,299) |
| Proceeds from disposal of available-for-sale financial assets | 1,177,737 | 1,188,558 |
| Proceeds from the capital reduction on available-for-sale financial assets | 85,426 | 44,163 |
| Purchases of debt investments with no active market | (45,441) | (15,822) |
| Proceeds from disposal of debt investments with no active market | 848,915 | 9,758 |
| Acquisition of held-to-maturity financial assets | (30,216) | - |
| Acquisition of investments accounted for using equity method | (29,249) | (141,934) |
| Proceeds from the capital reduction on investments accounted for using equity method | - | 11,550 |
| Acquisition of property, plant and equipment | (12,970,008) | (16,141,809) |
| Proceeds from disposal of property, plant and equipment | 70,868 | 12,162 |
| Decrease (increase) in refundable deposits | (20,257) | 27,726 |
| Acquisition of intangible assets | (112,099) | (48,275) |
| Acquisition of investment properties | (237,422) | - |
| Proceeds from disposal of investment properties | - | 89 |
| Decrease (increase) in other financial assets | 1,308,451 | (391,361) |
| Decrease (increase) in other noncurrent assets | (738,172) | 166,546 |
| Interest received | 234,815 | 258,931 |
| Dividends received from associates | 105,357 | 264,087 |
| Dividends received from others | 54,687 | 12,350 |
| Net cash used in investing activities | (12,714,372) | (22,438,144) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from short-term borrowings | 111,203,839 | 104,435,442 |
| Repayments of short-term borrowings | (111,239,598) | (96,007,521) |
| Increase (decrease) in short-term bills payable | 13,433,438 | (4,174,723) |
| Issuance of bonds payable | 10,000,000 | 34,900,000 |
| Proceeds from long-term bank borrowings | 11,908,221 | 11,385,271 |
| Repayments of long-term bank borrowings | (31,975,392) | (37,412,397) |
| Decrease in long-term bills payable | (2,937,698) | (8,865,322) |
| Decrease (increase) in other noncurrent liabilities | 155,199 | (1,945) |
| Dividends paid to owners of the Corporation | (3,627) | (3,191) |
| Purchase of the Corporation's shares by subsidiaries | - | (122,627) |
| Disposal of the Corporation's shares by subsidiaries | 13,325 | - |

(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 | |
|---|---|---|
| | **2015** | **2014 (Restated)** |
| Interest paid | $ (1,844,718) | $ (1,443,236) |
| Decrease in non-controlling interests | (2,604,833) | (2,512,241) |
| Net cash generated from (used in) financing activities | (3,891,844) | 177,510 |
| EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | (1,105,339) | 10,075 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 7,021,037 | 12,965,805 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 10,659,657 | 10,541,442 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | $ 17,680,694 | $ 23,507,247 |
| 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, 2015 and 2014: | | |
| Cash and cash equivalents in the consolidated balance sheets | $ 19,682,666 | $ 24,522,952 |
| Bank overdraft | (2,001,972) | (1,015,705) |
| Cash and cash equivalents in the consolidated statements of cash flows | $ 17,680,694 | $ 23,507,247 |

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

(With Deloitte & Touche review report dated August 12, 2015)

# CHINA STEEL CORPORATION AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**
**(Reviewed, Not Audited)**

## 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. The subsidiary Dragon Steel Corporation has issued shares to the public.

As of June 30, 2015, 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 12, 2015.

## 3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission ("FSC")

   According to Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, 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 and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

   Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of IFRSs did 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”. Under IAS 31, joint arrangements are classified as jointly controlled operations, jointly controlled assets and jointly controlled entities. Under IFRS 11, joint arrangements are classified as joint operations and joint ventures.

Under IAS 31, joint arrangements of the Corporation and its subsidiaries are classified as jointly controlled operations depending on the rights and obligations of the parties to the arrangements. Under IFRS 11, the joint arrangements of the Corporation and its subsidiaries are classified as joint operations. The impact is considered immaterial.

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. Under IFRS 12, the consolidated financial statements include more extensive disclosures.

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 the previous 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 are applied prospectively from January 1, 2015. Refer to Note 31 for more details.

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 the previous IAS 1, there were no such requirements.

Starting 2015, the Corporation and its subsidiaries retrospectively apply the above amendments. The items which are not reclassified to profit or loss are remeasurements of the defined benefit plans. 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, The effective portion of gains and losses on hedging instruments in a cash flow hedge and share of the other comprehensive income of associates (except share of remeasurements of the defined benefit plans). However, the application of the above amendments doesn't result in any impact on the net profit for the period, other comprehensive income for the period (net of income tax), and total comprehensive income for the period.

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 hence eliminates the "corridor approach" permitted under previous IAS 19 and accelerate the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans 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 previous 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, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

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.

On initial application of the revised IAS 19, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to net defined benefit liabilities and retained earnings, the carrying amounts of inventories and property, plant and equipment are not adjusted. In addition, the Corporation and its subsidiaries elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation in the consolidated financial statements for the year ended December 31, 2015.

The impact on the prior period is set out below:

| | As Originally Stated | Adjustments Arising from Initial Application | Restated |
|---|---|---|---|
| Impact on assets, liabilities and equity | | | |
| December 31, 2014 | | | |
| Deferred tax assets | $ 6,062,321 | $ 2,784 | $ 6,065,105 |
| Deferred tax liabilities | $ 12,678,217 | $ 17 | $ 12,678,234 |
| Accrued pension liabilities | $ 5,457,497 | $ (5,457,497) | $ - |
| Net defined benefit liabilities | $ - | $ 5,503,901 | $ 5,503,901 |
| Retained earnings | $ 108,169,678 | $ (18,800) | $ 108,150,878 |
| Non-controlling interests | $ 29,994,473 | $ (24,837) | $ 29,969,636 |
| June 30, 2014 | | | |
| Deferred tax assets | $ 5,921,009 | $ 2,601 | $ 5,923,610 |
| Accrued pension liabilities | $ 7,096,034 | $ (7,096,034) | $ - |

(Continued)

| | As Originally Stated | Adjustments Arising from Initial Application | Restated |
|---|---|---|---|
| Net defined benefit liabilities | $ - | $ 7,164,437 | $ 7,164,437 |
| Retained earnings | $ 96,564,775 | $ (42,272) | $ 96,522,503 |
| Non-controlling interests | $ 28,522,191 | $ (23,530) | $ 28,498,661 |
| January1, 2014 | | | |
| Deferred tax assets | $ 6,077,668 | $ 3,437 | $ 6,081,105 |
| Accrued pension liabilities | $ 7,237,168 | $ (7,237,168) | $ - |
| Net defined benefit liabilities | $ - | $ 7,294,184 | $ 7,294,184 |
| Retained earnings | $ 98,628,837 | $ (27,533) | $ 98,601,304 |
| Non-controlling interests | $ 29,682,661 | $ (26,046) | $ 29,656,615 |
| Impact on total comprehensive income for the three months ended June 30, 2014 | | | |
| Operating cost | $ 81,738,223 | $ (1,946) | $ 81,736,277 |
| Operating expense | $ 3,469,327 | $ 9,392 | $ 3,478,719 |
| Income tax | $ 925,381 | $ (1,615) | $ 923,766 |
| Net profit for the period | $ 5,695,341 | $ (5,831) | $ 5,689,510 |
| Net profit attributable to: | | | |
| Owners of the Corporation | $ 5,152,848 | $ (7,253) | $ 5,145,595 |
| Non-controlling interests | $ 542,493 | $ 1,422 | $ 543,915 |
| Total comprehensive income attributable to: | | | |
| Owners of the Corporation | $ 5,551,503 | $ (7,253) | $ 5,544,250 |
| Non-controlling interests | $ 553,902 | $ 1,422 | $ 555,324 |
| Impact on total comprehensive income for the six months ended June 30, 2014 | | | |
| Operating cost | $ 166,045,149 | $ (3,410) | $ 166,041,739 |
| Operating expense | $ 6,852,299 | $ 18,864 | $ 6,871,163 |
| Income tax | $ 1,721,079 | $ (3,231) | $ 1,717,848 |
| Net profit for the period | $ 9,972,735 | $ (12,223) | $ 9,960,512 |
| Net profit attributable to: | | | |
| Owners of the Corporation | $ 8,781,387 | $ (14,739) | $ 8,766,648 |
| Non-controlling interests | $ 1,191,348 | $ 2,516 | $ 1,193,864 |
| Total comprehensive income attributable to: | | | |
| Owners of the Corporation | $ 9,786,199 | $ (14,739) | $ 9,771,460 |
| Non-controlling interests | $ 1,426,899 | $ 2,516 | $ 1,429,415 |

(Concluded)

On initial application of the revised IAS 19, there is no impact on other comprehensive income and earnings per share of the Corporation and its subsidiaries for the six months ended June 30, 2014; the impact on consolidated assets, liabilities and equity as of June 30, 2015 and the consolidated comprehensive income for the three months and six months ended June 30, 2015 is considered immaterial.

8) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 “Income Taxes”.

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Corporation and its subsidiaries and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. Refer to Note 36 for more details.

9) Recognition and measurement of financial liabilities designated as at fair value through profit or loss

In accordance with the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, for financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value 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. 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, all gains or losses on that liability are presented in profit or loss.

In sum, the impact on applications of the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of IFRSs is considered immaterial to the Corporation and its subsidiaries.

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 |
| Annual Improvements to IFRSs 2012-2014 Cycle | January 1, 2016 (Note 3) |
| IFRS 9 “Financial Instruments” | January 1, 2018 |

(Continued)

| New, Amended and Revised Standards and Interpretations | Effective Date Announced by IASB (Note 1) |
|---|---|
| Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date and Transition Disclosures” | January 1, 2018 |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” | January 1, 2016 (Note 4) |
| Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities : Applying the Consolidation Exception” | January 1, 2016 |
| 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 1 “Disclosure Initiative” | January 1, 2016 |
| 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 |

(Concluded)

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.

Note 3: The amendment to IFRS 5 is applied prospectively for annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Note 4: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

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”

<u>Recognition and measurement of financial assets</u>

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 are 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. When the financial assets are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through 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, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

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.

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 2 “Share-based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Corporation and its subsidiaries or another entity in the same group or on the market price of the equity instruments of the Corporation and its subsidiaries or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Corporation and its subsidiaries as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it reflects not only the performance of the Corporation and its subsidiaries, but also that of other entities outside the Corporation and its subsidiaries.

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.

7) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

   The amendments stipulated that, when the Corporation and its subsidiaries sell or contribute assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Corporation and its subsidiaries lose control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

   Conversely, when the Corporation and its subsidiaries sell or contribute assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the Corporation and its subsidiaries, share of the gain or loss is eliminated. Also, when the Corporation and its subsidiaries lose control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the Corporation and its subsidiaries’ share of the gain or loss is eliminated.

8) Annual Improvements to IFRSs: 2012-2014 Cycle

   Several standards including IFRS 7 were amended in this annual improvement.

   The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. In addition, the amendments clarify that the offsetting disclosures are not explicitly required for all interim periods; however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34 under specific conditions.

9) Amendment to IAS 1 “Disclosure Initiative”

   The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Corporation and its subsidiaries should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

   The amendment further clarifies that the Corporation and its subsidiaries should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

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.

a. 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.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted 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

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

1) Subsidiaries included in consolidated financial statements

The consolidated entities were as follows:

| | | | Percentage of Ownership (%) | | | |
|---|---|---|---|---|---|---|
| **Investor** | **Investee** | **Main Businesses** | **June 30, 2015** | **December 31, 2014** | **June 30, 2014** | **Additional Descriptions** |
| China Steel Corporation | China Steel Express Corporation (CSE) | Ocean freight forwarding | 100 | 100 | 100 | |
| | C. S. Aluminium Corporation (CSAC) | Production and sale of aluminum and other non-ferrous metal | 100 | 100 | 100 | |
| | Gains Investment Corporation (GIC) | General investment | 100 | 100 | 100 | |
| | China Prosperity Development Corporation (CPDC) | Real estate sale, rental and development service | 100 | 100 | 100 | |
| | China Steel Asia Pacific Holdings Pte Ltd. (CSAPH) | Investment holding company | 100 | 100 | 100 | |
| | China Steel Global Trading Corporation (CSGT) | Steel product agency and trading service | 100 | 100 | 100 | |
| | China Steel Machinery Corporation | 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 | |
| | 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 |

(Continued)

| Investor | Investee | Main Businesses | Percentage of Ownership (%) June 30, 2015 | December 31, 2014 | June 30, 2014 | Additional Descriptions |
|---|---|---|---|---|---|---|
| | 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 36%, 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 | 43 | Direct and indirect ownerships amounted to 50% |
| | China Steel Resources Corporation | Disposal and process of waste | 100 | 100 | 100 | |
| | CSC Precision Metal Industrial Corporation | Non-ferrous metals processing | 100 | 100 | 100 | |
| | Winning Investment Corporation (WIC) | General investment | - | - | - | Indirect ownership was 58% |
| | Eminent Venture Capital Corporation (EVCC) | General investment | - | - | - | Indirect ownership was 55% |
| China Steel Express Corporation | CSE Transport Corporation (Panama) (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 | |
| | 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 | 32 | 32 | Direct and indirect ownerships amounted to 40%, 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% |
| | 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 | |

(Continued)

| Investor | Investee | Main Businesses | Percentage of Ownership (%) June 30, 2015 | December 31, 2014 | June 30, 2014 | Additional Descriptions |
|---|---|---|---|---|---|---|
| | 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. | Refining, purification and sale of metal | 84 | 84 | 84 | |
| 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% |
| | United Steel International Co., Ltd. | General investment | 80 | 80 | - | Investment from United Steel Investment Holding Co., Ltd. in July 2014; direct and indirect ownerships amounted to 100% |
| 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 | |
| United Steel International Co., Ltd. | United Steel Engineering and Construction Co., Ltd. | Steel cutting and processing | 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 | 100 | |
| 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% |
| | CSGT Trading India Pvt. Ltd. | Steel trading | 99 | 99 | - | Investment in October 2014; direct and indirect ownerships amounted to 100% |
| 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 | 99 | 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 | |
| Himag Magnetic Corporation | Himag Magnetic (Belize) Corporation | Magnetic powder trading | 100 | 100 | 100 | |
| | MagnPower Corporation | Magnetic powder trading | 50 | 50 | - | Investment in September 2014 |
| 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 | |

(Continued)

| Investor | Investee | Main Businesses | Percentage of Ownership (%) June 30, 2015 | Percentage of Ownership (%) December 31, 2014 | Percentage of Ownership (%) June 30, 2014 | Additional Descriptions |
|---|---|---|---|---|---|---|
| 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 | End of settlement in April 2015 |
| | China Steel Carbon Materials Technology Co., Ltd. | General investment | 100 | 100 | 100 | |
| China Steel Carbon Materials Technology Co., Ltd. | Changzhou China Steel New Carbon Technology Co., Ltd. | Processing and trading of mesocarbon microbeads products | 100 | 100 | 100 | |
| 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 | End of settlement in August 2014 |
| | United Steel Investment Pte Ltd. | General investment | 100 | 100 | 100 | |
| | Lian Chuan Construction Consultation (Shanghai) Co., Ltd. | Engineering technology consulting | - | - | 100 | End of settlement in August 2014 |
| | 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 | Reorganization to CSAPH in July 2014 |
| 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 | |
| China Steel Resources Corporation (CSRC) | Fa Long Storage Corporation | Storage and delivery of Waste | - | - | - | Investment in August 2014; merged with CSRC in November 2014 |

(Concluded)

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

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

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

2) Honley Auto. Parts Co., Ltd. (Honely), of which the Corporation held 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. The Corporation held 30% equity of Honley as of June 30, 2015 and December 31, 2014.

3) The Corporation had no subsidiary with material non-controlling interests.

d. Other significant accounting policy

Except for the following, please refer to the summary of significant accounting policy in the consolidated financial statements for the year ended December 31, 2014.

1) Retirement benefits

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, past service cost, as well as gains and losses on settlements) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, when the plan amendment or curtailment occurs and the settlement occurs. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Corporation and its subsidiaries' defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

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 plan amendments, settlements, or other significant one-off events.

2) 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.

## 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, 2014.

## 6. CASH AND CASH EQUIVALENTS

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Cash on hand | $ 47,527 | $ 60,515 | $ 43,861 |
| Checking accounts and demand deposits | 15,061,408 | 8,141,918 | 9,060,617 |
| Cash equivalents | | | |
| Commercial papers with repurchase agreements | 181,146 | 1,420,060 | 7,819,250 |
| Time deposits with original maturities less than three months | 4,362,585 | 3,599,520 | 4,352,104 |
| Bonds with repurchase agreements | 30,000 | 410,000 | 3,247,120 |
| | $ 19,682,666 | $ 13,632,013 | $ 24,522,952 |

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, 2015 and 2014 was shown in the consolidated statements of cash flows; the reconciliation information as of December 31, 2014 was as follows:

| | December 31, 2014 |
|---|---|
| Cash and cash equivalents | $ 13,632,013 |
| Bank overdraft | (2,972,356) |
| | $ 10,659,657 |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Financial assets at FVTPL - current | | | |
| Financial assets designated as at FVTPL | | | |
| Mutual funds | $ 3,395,834 | $ 2,712,871 | $ 4,800,424 |
| Structured notes | 40,117 | 72,601 | 89,542 |
| Listed shares | 33,413 | 29,769 | 48,537 |
| Future contracts (a) | - | 78 | - |
| | 3,469,364 | 2,815,319 | 4,938,503 |
| Financial assets held for trading | | | |
| Listed shares | 1,050,062 | 892,664 | 1,152,444 |
| Mutual funds | 1,009,726 | 1,228,816 | 1,159,687 |
| Emerging market shares | 258,610 | 276,613 | 275,574 |
| Convertible bonds | 115,899 | 192,205 | 176,740 |
| Foreign exchange forward contracts (b) | 3,155 | 13,134 | 2,081 |
| | 2,437,452 | 2,603,432 | 2,766,526 |
| | $ 5,906,816 | $ 5,418,751 | $ 7,705,029 |

(Continued)

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Financial assets at FVTPL - noncurrent | | | |
| Financial assets designated as at FVTPL | | | |
| Convertible preference shares | $ - | $ 31,842 | $ - |
| Financial liabilities at FVTPL - current | | | |
| Financial liabilities designated as at FVTPL | | | |
| Call and put options (Note 20) | $ 3,323 | $ 1,631 | $ 1,332 |
| Financial liabilities held for trading | | | |
| Foreign exchange forward contracts (b) | 989 | 5,518 | 3,062 |
| Futures contracts (a) | - | - | 84 |
| | $ 4,312 | $ 7,149 | $ 4,478 |

(Concluded)

a. The subsidiary TMTC entered into precious metals futures contracts to manage fair value exposures arising from price fluctuation on precious metals. However, some of those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting. As of June 30, 2014 and December 31, 2014, the outstanding precious metals futures contracts were as follows:

| Maturity Date | Weight (Kilograms) | Amount (In thousands) |
|---|---|---|
| December 31, 2014 | | |
| June 10, 2015 | 150 | $ 2,770<br>( RMB 544 thousand) |
| June 30, 2014 | | |
| December 15, 2014 | 1,035 | 21,526<br>( RMB 4,474 thousand) |

b. 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, 2015 | | | |
| Buy | NTD/USD | September 2015-November 2015 | NTD92,335/USD3,080 |
| Sell | USD/NTD | August 2015 | USD5,631/NTD173,931 |
| Sell | EUR/NTD | August 2015 | EUR2,002/NTD69,886 |
| December 31, 2014 | | | |
| Buy | NTD/USD | January 2015-November 2015 | NTD398,196/USD13,000 |

(Continued)

| | Currency | Maturity Date | Contract Amount (In Thousands) |
|---|---|---|---|
| Buy | NTD/EUR | March 2015 | NTD9,880/EUR246 |
| Sell | USD/NTD | February 2015 | USD10,373/NTD323,702 |
| June 30, 2014 | | | |
| Buy | NTD/GBP | July 2014-December 2014 | NTD 29,785/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 |

(Concluded)

## 8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Current | | | |
| Domestic investments | | | |
| Listed shares | $ 4,831,825 | $ 5,607,391 | $ 5,804,251 |
| Mutual funds | 1,542,223 | 996,300 | 1,142,487 |
| Unlisted shares | 5,538 | 5,600 | 5,547 |
| | 6,379,586 | 6,609,291 | 6,952,285 |
| Foreign investments | | | |
| Listed shares | 3,050 | 42,333 | 56,985 |
| | $ 6,382,636 | $ 6,651,624 | $ 7,009,270 |
| Noncurrent | | | |
| Domestic investments | | | |
| Emerging market shares and unlisted shares | $ 6,497,257 | $ 6,315,609 | $ 6,440,855 |
| Listed shares | 2,725,091 | 2,771,076 | 2,615,253 |
| Private-placement shares of listed companies | 266,472 | 84,133 | 131,898 |
| | 9,488,820 | 9,170,818 | 9,188,006 |
| Foreign investments | | | |
| Unlisted shares | 17,765,813 | 13,837,749 | 15,115,003 |
| Listed shares | 1,829,899 | 1,623,569 | 1,896,766 |
| Certificate of entitlement | 952,166 | 6,470,256 | 6,140,745 |
| | 20,547,878 | 21,931,574 | 23,152,514 |
| | $ 30,036,698 | $ 31,102,392 | $ 32,340,520 |

In April 2015, due to the equity structure adjustment made by Formosa Ha Tinh Steel Corporation, the Corporation transferred its 5% certificate of entitlement of Formosa Ha Tinh Steel Corporation to the shares of Formosa Ha Tinh (Cayman) Limited, with the percentage of ownership remained the same. In June 2015, the Corporation transferred the aforementioned shares to its subsidiary CSAPH.

In June 2015, the Corporation prepaid the investment of NT$163,985 thousand (USD5,320 thousand) in Sakura Ferroalloys Sdn. Bhd. The Corporation has received 52,200 thousand preference C shares of

Sakura Ferroalloys Sdn. Bhd. in July 2015.

In May 2011, the subsidiary EVCC invested in Taiwan Liposome Company, Ltd. through its private placement, and the subsidiary GIC and Eminence Investment Corporation invested in Brogent Technologies Inc. through its private placement in June 2015. 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 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, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Structured notes | $ 168,213 | $ 171,720 | $ 163,796 |
| Guarantee debt certificates | 113,256 | 115,314 | 110,662 |
| Corporate bonds | 29,838 | - | - |
| | 311,307 | 287,034 | 274,458 |
| Less: Accumulated impairment | 64,045 | 64,045 | 64,045 |
| | $ 247,262 | $ 222,989 | $ 210,413 |

## 10. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Derivative financial assets for hedging - current | | | |
| Foreign exchange forward contracts (a) | $ 53,393 | $ 62,992 | $ 34,846 |
| Derivative financial assets for hedging - noncurrent | | | |
| Foreign exchange forward contracts (a) | $ 20,724 | ` $ 85,940 | $ 8,249 |
| Interest rate swap contracts (b) | - | 2,029 | 15,631 |
| | $ 20,724 | $ 87,969 | $ 23,880 |
| Derivative financial liabilities for hedging - current | | | |
| Foreign exchange forward contracts (a) | $ 74,728 | $ 46,327 | $ 25,005 |
| Derivative financial liabilities for hedging - noncurrent | | | |
| Foreign exchange forward contracts (a) | $ 26,650 | $ 748 | $ 4,500 |
| Interest rate swap contracts (b) | 19,792 | 9,312 | 2,500 |
| | $ 46,442 | $ 10,060 | $ 7,000 |

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 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, 2015 | | | |
| Buy | NTD/USD | July 2015-December 2018 | NTD1,475,143/USD50,222 |
| Buy | NTD/EUR | July 2015-December 2017 | NTD1,144,002/EUR30,648 |
| Buy | NTD/JPY | July 2015-December 2019 | NTD256,884/JPY947,685 |
| Sell | JPY/NTD | August 2015 | JPY200,000/NTD50,416 |
| December 31, 2014 | | | |
| Buy | NTD/USD | January 2015-May 2018 | NTD2,094,852/USD71,250 |
| Buy | NTD/EUR | March 2015-December 2017 | NTD997,986/EUR25,724 |
| Buy | NTD/JPY | January 2015-June 2015 | NTD200,733/JPY623,158 |
| Buy | NTD/GBP | January 2015 | NTD10,335/GBP226 |
| Sell | USD/NTD | March 2015 | USD424/NTD13,433 |
| 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 |

b. The subsidiary DSC entered into interest rate swap contracts to manage cash flow exposures arising from interest rate fluctuations on bank loans. The outstanding interest rate swap contracts as of June 30, 2015, December 31, 2014 and June 30, 2014 were all as follows:

| Contract Amount (In Thousands) | Maturity Date | Range of Interest Rates Paid (%) | Range of Interest Rates Received |
|---|---|---|---|
| June 30, 2015 | | | |
| NTD9,277,000 | February 2017-July 2018 | 0.988-1.14 | 90 days fixing TAIBOR rate provided by Thomson Reuters |
| December 31, 2014 | | | |
| NTD9,277,000 | February 2017-July 2018 | 0.988-1.14 | 90 days TWD CPBA |
| June 30, 2014 | | | |
| NTD9,277,000 | February 2017-July 2018 | 0.988-1.14 | 90 days TWD CPBA |

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Balance, beginning of period | $ (52,026) | $ 82,800 | $ 94,574 | $ 10,379 |
| Recognized in other comprehensive income | 4,526 | (45,151) | (147,744) | 11,140 |
| Recognized in operating costs | - | (1,344) | - | - |
| Recognized in other gains and losses | 7,414 | 1,781 | 4,145 | 16,252 |
| Transferred to construction in progress and equipment to be inspected | (6,967) | (8,849) | 3,312 | (10,605) |
| Transferred to operating revenues | - | (2,516) | (1,340) | (445) |
| Balance, end of period | $ (47,053) | $ 26,721 | $ (47,053) | $ 26,721 |

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

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Notes receivable | | | |
| Operating | $ 1,555,324 | $ 1,404,884 | $ 1,242,244 |
| Non-operating | - | 1,085 | - |
| | 1,555,324 | 1,405,969 | 1,242,244 |
| Less: Allowance for doubtful accounts | - | - | - |
| | $ 1,555,324 | $ 1,405,969 | $ 1,242,244 |
| Accounts receivable | $ 10,870,073 | $ 11,693,587 | $ 11,968,092 |
| Less: Allowance for doubtful accounts | 144,565 | 139,949 | 23,085 |
| | $ 10,725,508 | $ 11,553,638 | $ 11,945,007 |

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. In determining the recoverability of an account receivable, the Corporation and its subsidiaries considered any change in the credit quality of the account receivable since the credit was initially granted to the end of the reporting period. For the past due notes and accounts receivable not collected after executing legal procedures, the Corporation and its subsidiaries will recognize 100% allowance for doubtful accounts.

The Corporation and its subsidiaries had not recognized an allowance for some notes 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.

The aging of notes and accounts receivable was as follows:

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Not past due | $ 11,347,957 | $ 12,078,602 | $ 12,574,917 |
| 1 to 30 days | 423,386 | 305,516 | 327,602 |
| 31-60 days | 169,421 | 172,686 | 83,342 |
| 61-365 days | 317,492 | 365,229 | 148,713 |
| More than 365 days | 22,576 | 37,574 | 52,677 |
| | $ 12,280,832 | $ 12,959,607 | $ 13,187,251 |

Aging analysis of notes and accounts receivable that are past due but not impaired was as follows:

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Less than 31 days | $ 423,386 | $ 304,549 | $ 326,926 |
| 31-60 days | 169,421 | 172,557 | 82,667 |
| 61-365 days | 264,194 | 358,494 | 142,646 |
| More than 365 days | 22,576 | 37,574 | 51,622 |
| | $ 879,577 | $ 873,174 | $ 603,861 |

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 | |
|---|---|---|
| | 2015 | 2014 |
| Balance, beginning of period | $ 139,949 | $ 17,492 |
| Recognition | 17,270 | 5,839 |
| Write off | (450) | (75) |
| Effect of foreign currency exchange difference | (12,204) | (171) |
| Balance, end of period | $ 144,565 | $ 23,085 |

Aging analysis of individually impaired accounts receivable was as follows:

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Less than 31 days | $ - | $ 911 | $ - |
| 31-60 days | - | 129 | 675 |
| 61-365 days | 53,298 | 6,735 | 6,067 |
| More than 365 days | - | - | 1,055 |
| | $ 53,298 | $ 7,775 | $ 7,797 |

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 and CSAC entered into accounts receivable factoring agreements (without recourse) with Mega International Commercial Bank, Bank of Taiwan and HSBC Bank. Under the agreements, the Corporation and its subsidiaries 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, 2015 and 2014, the related information for the Corporation, CHSC and CSAC's sale of accounts receivable was as follows. Advances received at period-end dominated in US Dollars were converted to NT Dollars at the closing rate.

| 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, 2015 | | | | | | |
| Mega International Commercial Bank | $ 5,095,755 | $ 6,705,559 | $ 7,885,936 | $ 3,915,378 | 1.27-1.51 | NT$12 billion |
| Mega International Commercial Bank | 25,855 | 16,745 | 38,309 | 10,247 | 1.00-1.75 | USD1,200 thousand |
| Bank of Taiwan | 1,736,174 | 2,109,096 | 3,172,777 | 672,493 | 1.27-1.51 | NT$3 billion |
| Bank of Taiwan | 357,521 | 1,597,193 | 1,223,054 | 731,660 | 1.46-1.49 | USD0.1 billion |
| HSBC Bank | 10,906 | 19,591 | 16,148 | 3,143 | 1.50-1.70 | USD10,000 thousand |
| | $ 7,226,211 | $ 10,448,184 | $ 12,336,224 | $ 5,332,921 | | |
| 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 | | |

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

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Amounts due from customers for construction contracts | | | |
| Construction costs incurred plus recognized profits less recognized losses to date | $ 56,453,248 | $ 45,010,292 | $ 53,937,814 |
| Less: Progress billings | 47,567,824 | 37,696,810 | 46,573,403 |
| Amounts due from customers for construction contracts | $ 8,885,424 | $ 7,313,482 | $ 7,364,411 |

(Continued)

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| **Amounts due to customers for construction contracts** | | | |
| Progress billings | $ 22,754,560 | $ 30,654,853 | $ 30,432,888 |
| Less: Construction costs incurred plus recognized profits less recognized losses to date | 18,932,812 | 25,251,815 | 24,930,329 |
| Amounts due to customers for construction contracts | $ 3,821,748 | $ 5,403,038 | $ 5,502,559 |
| Retentions receivable | $ 1,097,433 | $ 918,608 | $ 769,293 |
| Retentions payable | $ 2,248,782 | $ 2,169,421 | $ 2,123,685 |

(Concluded)

## 13. INVENTORIES

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Finished goods | $ 19,370,553 | $ 22,562,383 | $ 19,816,082 |
| Work in progress | 21,172,189 | 21,383,356 | 20,797,006 |
| Raw materials | 23,646,157 | 22,326,115 | 20,730,299 |
| Supplies | 9,256,240 | 8,983,173 | 9,108,544 |
| Raw materials and supplies in transit | 5,022,541 | 4,965,094 | 6,355,990 |
| Lands held for construction | 142,688 | 142,688 | - |
| Buildings and lands under construction | | | |
| Land under construction | 245,002 | 411,907 | 411,907 |
| Construction in progress | 205,964 | 25,758 | 14,750 |
| Payment for floor area | 15,489 | 26,041 | 26,041 |
| Others | 308,580 | 376,653 | 420,862 |
| | $ 79,385,403 | $ 81,203,168 | $ 77,681,481 |

The subsidiary CPDC has planned a housing development project on 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 the Urban Development Bureau, Kaohsiung City government and is in the process of designing; therefore, the related balances are recorded as lands under construction.

The cost of inventories recognized as operating costs for the three months and six months ended June 30, 2015 and 2014 was NT$55,640,743 thousand, NT$69,797,973 thousand, NT$115,295,717 thousand and NT$142,190,236 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Balance, beginning of period | $ 7,438,573 | $ 4,549,168 | $ 5,923,626 | $ 4,677,333 |
| Add: Recognized | 4,357,291 | 1,369,625 | 8,466,828 | 3,727,473 |

(Continued)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Less: Sold | $ 3,718,048 | $ 1,253,743 | $ 6,312,638 | $ 3,739,756 |
| Balance, end of period | $ 8,077,816 | $ 4,665,050 | $ 8,077,816 | $ 4,665,050 |

(Concluded)

## 14. DEBT INVESTMENTS WITH NO ACTIVE MARKET

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Noncurrent | | | |
| Unlisted preference shares - overseas | | | |
| East Asia United Steel Corporation (EAUS) - Preference A | $ 1,682,751 | $ 2,646,000 | $ 2,946,000 |
| Subordinated financial bonds | 124,163 | 124,270 | 120,000 |
| Bonds | 80,890 | 36,327 | 30,299 |
| | $ 1,887,804 | $ 2,806,597 | $ 3,096,299 |

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 to acquire 10,000 shares of preference A. The Corporation thus has a stable supply of slab from this joint venture. The Corporation also signed a contract with the subsidiary CHSC to transfer the purchasing right of slabs from EAUS, and the Corporation receives royalty on this contract based on the volume purchased by CHSC.

In April 2015, the Corporation sold 3,333 shares of preference A of EAUS to Sumitomo Metal Industries, Ltd. amounted to JPY 3.333 billion. The loss on disposal of the above transaction is considered immaterial.

## 15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Material associates | | | |
| 7623704 Canada Inc. | $ 8,472,013 | $ 8,564,690 | $ 7,813,152 |
| Associates that are not individually material | 5,226,176 | 4,854,712 | 3,653,145 |
| | $ 13,698,189 | $ 13,419,402 | $ 11,466,297 |

a. Material associates

| | | | Percentage of Ownership and Voting Rights (%) | | |
|---|---|---|---|---|---|
| Name of Associate | Nature of Activities | Principal Place of Business | June 30, 2015 | December 31, 2014 | June 30, 2014 |
| 7623704 Canada Inc. | Mineral Investment | Canada | 25 | 25 | 25 |

The summarized financial information below represent amounts shown in the financial statements of 7623704 Canada Inc. which were prepared in accordance with IFRSs, which were converted to the functional currency and adjusted for the purposes of applying equity method.

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Current assets | $ 572,707 | $ 85,261 | $ 74,117 |
| Noncurrent assets | 33,945,105 | 34,815,802 | 31,724,787 |
| Current liabilities | (287) | (127) | (480) |
| Noncurrent liabilities | - | - | - |
| Equity | $ 34,517,525 | $ 34,900,936 | $ 31,798,424 |
| Percentage of the Corporation and its subsidiaries' ownership (%) | 25 | 25 | 25 |
| Equity attributable to the Corporation and its subsidiaries (carrying amount of the investment) | $ 8,472,013 | $ 8,564,690 | $ 7,813,152 |

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Total comprehensive income for the period | $ 161,431 | $ 62,264 | $ 893,523 | $ 1,047,680 |
| Dividends received from 7623704 Canada Inc. | $ 94,726 | $ - | $ 94,726 | $ 224,787 |
| Comprehensive income attributable to the Corporation and its subsidiaries | $ 39,616 | $ 15,280 | $ 219,271 | $ 257,101 |

b. Associates that are not individually material

| | June 30, 2015 | | December 31, 2014 | | June 30, 2014 | |
|---|---|---|---|---|---|---|
| | Amount | % of Owner - ship | Amount | % of Owner - ship | Amount | % of Owner - ship |
| Listed company | | | | | | |
| Chateau International Development Co., Ltd. | $ 300,563 | 20 | $ 299,517 | 20 | $ 276,443 | 20 |
| Unlisted companies | | | | | | |
| Kaohsiung Arena Development Corporation | 763,459 | 29 | 776,932 | 29 | 759,068 | 29 |
| Eminent Venture Capital Corporation | 704,022 | 46 | 704,647 | 46 | 618,244 | 46 |
| Taiwan Rolling Stock Co., Ltd. | 502,753 | 36 | - | - | - | - |
| Hsin Hsin Cement Enterprise Corp. | 468,734 | 41 | 483,927 | 41 | 478,888 | 41 |
| Fukuta Elec. A Mach. Co., Ltd. | 363,858 | 25 | 360,257 | 25 | - | - |
| Dyna Rechi Co., Ltd. | 363,185 | 28 | 378,885 | 28 | 221,542 | 29 |

(Continued)

| | June 30, 2015 | | December 31, 2014 | | June 30, 2014 | |
|---|---|---|---|---|---|---|
| | Amount | % of Owner - ship | Amount | % of Owner - ship | Amount | % of Owner - ship |
| Honley Auto. Part Co., Ltd. (Note 4) | $ 275,010 | 30 | $ 284,726 | 30 | $ 138,529 | 50 |
| Wuhan Wisco Yutek Environment Technology Co., Ltd. | 235,969 | 49 | 252,372 | 49 | 240,072 | 49 |
| Ascentek Venture Capital Corp. | 233,733 | 38 | 239,375 | 38 | 221,769 | 39 |
| IPASS Corporation (Note 32) | 138,833 | 23 | 140,899 | 23 | 143,579 | 32 |
| White Biotech Corporation | 16,409 | 18 | 18,346 | 18 | 22,707 | 18 |
| Others | 859,648 | | 914,829 | | 532,304 | |
| | $ 5,226,176 | | $ 4,854,712 | | $ 3,653,145 | |

(Concluded)

In June 2015, the Corporation increased NTD260,866 thousand investment in Taiwan Rolling Stock Co., Ltd. and acquired 24,610 thousand common shares, which increased the total shareholding from 19% to 36%. As the result, the investment in Taiwan Rolling Stock Co., Ltd. was reclassified from available-for-sale financial assets to investments accounted for using equity method.

In 2014, the Corporation continually invested NT$285,000 thousand to acquire 30% shareholding in HAPC. HAPC mainly engages in the manufacture and sale of automobiles parts.

In June 2015, the Corporation joined the cash capital increase of White Biotech Corporation through prepaid investment of NT$800,000 thousand and has acquired 80,000 thousand common shares in July 2015, with increasing the total shareholding from 18% to 87%.

In June 2015, the subsidiary of CSAPH invested in Sino Vietnam Hi-tech Material Co. Ltd through prepaid investment of NT$61,720 thousand (USD2,000 thousand) and has acquired 20% of shareholding in July 2015.

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| The Corporation and its subsidiaries' share of | | | | |
| Net profit (loss) for the period | $ (24,892) | $ 50,676 | $ (18,439) | $ 64,862 |
| Other comprehensive income | (120,944) | 176,559 | 478,420 | 49,803 |
| Total comprehensive income | $ (145,836) | $ 227,235 | $ 459,981 | $ 114,665 |

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Chateau International Development Co., Ltd. | $ 850,926 | $ 827,539 | $ 690,473 |

Except for some companies, investments accounted for using equity method as of June 30, 2015 and 2014, and the share of profit and other comprehensive income of those investments for the three months and six months ended June 30, 2015 and 2014, 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.

On February 13, 2015, the Corporation's board of directors approved investing USD939,135 thousand to acquire 20% shareholding of Formosa Ha Tinh (Cayman) Limited through its subsidiary CSAPH, which will increase the total shareholding from 5% to 25%. As of the date the consolidated financial statements were reported to the board of directors and approved for issue, the above investment hasn't been paid.

## 16. OTHER FINANCIAL ASSETS

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Current | | | |
| Pledged time deposits | $ 6,530,004 | $ 7,066,159 | $ 6,913,312 |
| Time deposits with original maturities more than three months | 3,376,418 | 4,723,815 | 4,807,147 |
| Hedging foreign-currency deposits | 2,428,181 | 1,918,252 | 2,164,576 |
| Deposits for projects | 251 | 6,192 | 17,937 |
| | $ 12,334,854 | $ 13,714,418 | $ 13,902,972 |
| Noncurrent | | | |
| Pledged receivables | $ 2,000,000 | $ 2,000,000 | $ 2,000,000 |
| Pledged time deposits | 428,641 | 289,537 | 301,596 |
| Deposits for projects | 65,619 | 65,580 | 49,823 |
| Time deposits with original maturities more than three months | 21,670 | 21,670 | 21,670 |
| | $ 2,515,930 | $ 2,376,787 | $ 2,373,089 |

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, 2015, December 31, 2014 and June 30, 2014, the balance of the foreign-currency deposits, which consist of those designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT$2,428,181 thousand (JPY0.6 billion, RMB 61,982 thousand, USD52,736 thousand, EUR9,031 thousand and GBP786 thousand), NT$1,918,252 thousand (JPY0.4 billion, RMB65,000 thousand, USD40,181 thousand, EUR4,211 thousand and GBP783 thousand) and NT$2,164,576 thousand (JPY1 billion, USD40,683 thousand, EUR5,969 thousand and GBP783 thousand), respectively. As of June 30, 2015, December 31, 2014 and June 30, 2014, cash outflows would be expected from aforementioned contracts for the periods from 2015, from 2015 and from 2014 to 2015, respectively.

Movements of hedging foreign-currency deposits were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Balance, beginning of period | $ 2,074,934 | $ 2,398,471 | $ 1,918,252 | $ 2,169,062 |
| Increase (Decrease) | 374,883 | (196,691) | 577,959 | (11,022) |
| Recognized in other comprehensive income | (26,394) | (34,921) | (66,055) | 8,375 |

(Continued)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Transferred to construction in progress and equipment to be inspected | $ 4,758 | $ (2,283) | $ (1,975) | $ (1,839) |
| Balance, end of period | $ 2,428,181 | $ 2,164,576 | $ 2,428,181 | $ 2,164,576 |

(Concluded)

Refer to Note 33 for information relating to other financial assets pledged as security.

## 17. PROPERTY, PLANT AND EQUIPMENT

For the six months ended June 30, 2015

| | Land | Land Improvements | Buildings | Machinery and Equipment | Transportation Equipment | Other Equipment | Spare Parts | Rental Assets | Construction in Progress and Equipment to be Inspected | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost | | | | | | | | | | |
| Balance at January 1, 2015 | $ 61,194,127 | $ 4,877,697 | $ 112,387,766 | $ 587,056,811 | $ 28,944,254 | $ 15,946,643 | $ 10,398,069 | $ 322,270 | $ 34,452,787 | $ 855,580,424 |
| Additions | 1,110,247 | 77,923 | 3,033,809 | 9,307,857 | 2,291,279 | 456,159 | 720,326 | - | (4,577,863) | 12,419,737 |
| Disposals | - | - | (52,225) | (1,089,628) | (45,732) | (136,647) | (487,124) | - | - | (1,811,356) |
| Reclassification | - | - | 25,227 | (237,228) | 795 | 234,111 | (638) | - | (15,565) | 6,702 |
| Effect of foreign currency exchange difference | (4,878) | (1,947) | (233,780) | (1,021,759) | (620,815) | (37,420) | - | - | (91,626) | (2,012,225) |
| Balance at June 30, 2015 | $ 62,299,496 | $ 4,953,673 | $ 115,160,797 | $ 594,016,053 | $ 30,569,781 | $ 16,462,846 | $ 10,630,633 | $ 322,270 | $ 29,767,733 | $ 864,183,282 |
| Accumulated depreciation and impairment | | | | | | | | | | |
| Balance at January 1, 2015 | $ 25,546 | $ 4,420,094 | $ 37,332,787 | $ 325,618,887 | $ 13,979,627 | $ 10,697,752 | $ 4,190,881 | $ 881 | $ - | $ 396,266,455 |
| Depreciation | - | 34,870 | 1,796,479 | 14,039,661 | 760,132 | 623,651 | 646,343 | 5,283 | - | 17,906,419 |
| Disposals | - | - | (51,147) | (991,215) | (44,869) | (133,781) | (487,124) | - | - | (1,708,136) |
| Reclassification | - | - | (13,876) | (311) | 744 | (6,864) | - | - | - | (20,307) |
| Effect of foreign currency exchange difference | - | (33) | (53,482) | (354,579) | (382,674) | (25,002) | - | - | - | (815,770) |
| Balance at June 30, 2015 | $ 25,546 | $ 4,454,931 | $ 39,010,761 | $ 338,312,443 | $ 14,312,960 | $ 11,155,756 | $ 4,350,100 | $ 6,164 | $ - | $ 411,628,661 |
| Carrying amount at June 30, 2015 | $ 62,273,950 | $ 498,742 | $ 76,150,036 | $ 255,703,610 | $ 16,256,821 | $ 5,307,090 | $ 6,280,533 | $ 316,106 | $ 29,767,733 | $ 452,554,621 |
| Carrying amount at December 31, 2014 | $ 61,168,581 | $ 457,603 | $ 75,054,979 | $ 261,437,924 | $ 14,964,627 | $ 5,248,891 | $ 6,207,188 | $ 321,389 | $ 34,452,787 | $ 459,313,969 |

For the six months ended June 30, 2014

| | Land | Land Improvements | Buildings | Machinery and Equipment | Transportation Equipment | Other Equipment | Spare Parts | Rental Assets | 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 |
| 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 |

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 | 15-40 years |
| Mechanical and electrical facilities | 7-20 years |
| Trellis and corrugated iron building | 5-10 years |
| Others | 3-10 years |
| Machinery and equipment | |
| Power equipment | 15-25 years |
| Process equipment | 8-25 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 | 3-10 years |
| Telecommunication equipment | 4-8 years |
| Others | 2 years |
| Other equipment | |
| Leasehold improvement | 3-35 years |
| Tank | 3-18 years |
| Office, air condition and extinguishment equipment | 3-25 years |
| Computer equipment | 3-10 years |
| Others | 2-18 years |
| Financial lease Assets - Buildings | 30 years |

The subsidiary CHSC bought farmlands for warehousing at the Jia Xing Section and Quing Shui Section of the Gangshan District in Kaohsiung City. However, certain regulations prohibit CHSC from registering the title of these farmlands in CHSC's name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with CHSC in freely changing the land title to CHSC or to other name of other under CHSC instructions. Meanwhile, the land had been pledged to CHSC as collateral. As of June 30, 2015, December 31, 2014 and June 30, 2014, the book value of the farmlands was NT$66,753 thousand, recorded as land.

Refer to Note 33 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, 2015

| | Land | Buildings | Total |
|---|---|---|---|
| Cost | | | |
| Balance at January 1, 2015 | $ 8,344,056 | $ 2,740,155 | $ 11,084,211 |
| Additions | 231,217 | 6,205 | 237,422 |

(Continued)

| | Land | Buildings | Total |
|---|---|---|---|
| Effect of foreign currency exchange difference | $ (6,930) | $ (17,002) | $ (23,932) |
| Balance at June 30, 2015 | $ 8,568,343 | $ 2,729,358 | $ 11,297,701 |
| Accumulated depreciation and impairment | | | |
| Balance at January 1, 2015 | $ 1,891,031 | $ 757,082 | $ 2,648,113 |
| Impairment losses reversed | (1,128,307) | - | (1,128,307) |
| Depreciation | - | 40,136 | 40,136 |
| Effect of foreign currency exchange difference | - | (1,665) | (1,665) |
| Balance at June 30, 2015 | $ 762,724 | $ 795,553 | $ 1,558,277 |
| Carrying amount at June 30, 2015 | $ 7,805,619 | $ 1,933,805 | $ 9,739,424 |
| Carrying amount at December 31, 2014 | $ 6,453,025 | $ 1,983,073 | $ 8,436,098 |

(Concluded)

For the six months ended June 30, 2014

| | Land | Buildings | Total |
|---|---|---|---|
| Cost | | | |
| 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 |
| 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 |

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 |

On April 1, 2015, the parcel number of the “jiou fen zih” land readjustment area of the subsidiary CHSC in Tainan city has been readjusted and confirmed. The subsidiary CHSC has engaged a real estate appraiser for the appraisal of the land value who determined that the fair value of the land amounted to NT$2,273,882 thousand. As such, CHSC reversed impairment loss of NT$1,128,307 thousand to the extent of the recoverable amount had no impairment been recognized.

The fair value of the investment properties was partly arrived at on the basis of valuation carried out in August 2011, December 2013, and April 2015 by independent appraisers, who are not related parties, and partly on the basis of information from the Ministry of the Interior's real estate transaction database website. Appraised lands and buildings were evaluated using Level 3 inputs under market approach and income approach. The important assumptions and fair value were as follows:

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Fair value | $ 15,412,313 | $ 13,623,361 | $ 11,307,918 |
| Depreciation rate (%) | 1.20-2.00 | 1.20-2.00 | 1.80-2.00 |
| Discount rate (%) | 1.30-5.50 | 1.30-5.50 | 2.11-5.50 |

All of the Corporation and its subsidiaries' investment properties were held under freehold interests. Refer to Note 33 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, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Unsecured loans - interest at 0.60 %-9.75% p.a., 0.64%-2.65% p.a. and 0.77%-5.40% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively | $ 24,919,344 | $ 24,779,644 | $ 30,926,146 |
| Letters of credit - interest at 0.26%-1.54% p.a., 0.41%-1.56% p.a. and 0.50%-1.96% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively | 2,550,476 | 2,929,777 | 3,011,153 |
| Bank overdraft - interest at 0.43%-7.60% p.a., 0.43%-7.60% p.a. and 0.43%-6.16% p.a., as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively | 2,001,972 | 2,972,356 | 1,015,705 |
| Secured loans (Note 33) - interest at 5.88%-6.16% p.a., 5.88%-6.16% p.a. and 5.04%-6.16% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively | 80,523 | 119,940 | 105,624 |
| | $ 29,552,315 | $ 30,801,717 | $ 35,058,628 |

The amount of USD45,467 thousand and AUD91,147 thousand (NT$3,917,747 thousand), which was included in the above unsecured loans as of June 30, 2014, were used to hedge the exchange rate fluctuations on investment in CSVC and CSCAU.

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, 2015, the subsidiary CSAPH 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. Under the agreement, the Corporation should hold at least 75% and 60% of the CSCI's issued shares and hold two-thirds and half or more of the seats in the board of directors, respectively. As of June 30, 2015, the Corporation held 100% equity of CSCI and all of the seats in the board of directors.

From April 2014, the subsidiary QCSPMC continuously entered into comprehensive credit agreements with Credit Agricole Corporate and Investment Bank, Standard Chartered Bank and Industrial Bank of Taiwan. Under the agreement, the Corporation and its subsidiaries should collectively hold at least 70%, 60% and 60% of the QCSPMC's issued shares and 70%, 50% and 50% of the seats in the board of directors. As of June 30, 2015, the subsidiary CSAPH and CSGT collectively held 70% equity of QCSPMC and four-fifths of the seats in the board of directors.

In March 2015, the subsidiary United Steel Engineering and Construction Co., Ltd. entered into short-term financing contract with Chinatrust Commercial Bank for USD10,000 thousand credit line. Under the agreement, the Corporation and its subsidiaries should hold 100% of United Steel Engineering and Construction Co., Ltd.'s issued shares and all of the seats in the board of directors. As of June 30, 2015, the subsidiary CSAPH indirectly held 100% equity of United Steel Engineering and Construction Co., Ltd. and all of the seats in the board of directors.

b. Short-term bills payable

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Commercial paper - interest at 0.55%-1.21% p.a., 0.59%-1.35% p.a. and 0.65%-1.38% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively | $ 33,556,000 | $ 20,119,000 | $ 26,619,000 |
| Less: Unamortized discounts | 10,466 | 6,904 | 7,423 |
| | $ 33,545,534 | $ 20,112,096 | $ 26,611,577 |

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, First Bank, Union Bank of Taiwan, Taiwan Cooperative Bank and Mega International Commercial Bank, etc.

c. Long-term borrowings

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Syndicated bank loans | | | |
| Bank of Taiwan and other banks loan to CHSC | | | |
| Repayable in 13 equal semiannual installments from March 2013 to March 2019, interest at 1.58% p.a., 1.58% p.a. and 1.59% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively | $ 4,287,693 | $ 4,826,154 | $ 5,364,615 |

(Continued)

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Repayable in March 2019 with a revolving credit, interest at 1.58% p.a., 1.58%-1.60% p.a. and 1.59%-1.61% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively | $ 4,500,000 | $ 5,850,000 | $ 2,700,000 |
| Bank of Taiwan and other banks loan to DSC | | | |
| Repayable in 14 equal semiannual installments from January 2012 to July 2018, interest at 1.35% p.a., 1.36% p.a. and 1.28%-1.32% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively | 22,848,540 | 26,113,540 | 33,235,000 |
| Repayable in 10 equal semiannual installments from June 2015 to December 2019, interest all at 1.58% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014 | 10,952,000 | 23,280,000 | 8,000,000 |
| Chinatrust Commercial Bank and other banks loan to CSCI, repayable in 5 semiannual installments from June 2017 to June 2019, interest at 2.20% p.a., 2.10% p.a., and 2.10% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014 | 3,394,311 | 3,488,806 | 3,287,284 |
| Mega International Commercial Bank and other banks loan to CSVC, repayable in 10 semiannual installments from September 2015 to March 2020, interest at 2.25% p.a., 2.25% p.a. and 2.40% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively | 3,888,360 | 3,987,900 | 3,762,990 |
| Bank of Taiwan and other banks loan to the Corporation, repaid in October 2014, interest at 3.31% p.a. | - | - | 6,433,100 |
| Bank of Taiwan and other banks loan to the Corporation, repaid in October 2014, interest at 3.26% p.a. | - | - | 1,352,204 |
| Taiwan Cooperative Bank and other banks loan to HLSC, repaid in November 2014, interest at 1.54-1.59% p.a. | - | - | 2,250,000 |
| Mortgage loans (Note 33) | | | |
| Due on various dates through April 2032, interest at 0.84%- 1.67% p.a., 0.84%-2.10% p.a. and 0.88%-2.10% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively | 8,088,026 | 9,695,552 | 10,863,078 |

(Continued)

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Unsecured loans | | | |
| Due on various dates through August 2020, interest at 0.34%-3.89% p.a., 0.38%-3.98% p.a., and 0.41%-4.71% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively | $ 28,176,580 | $ 30,368,792 | $ 24,785,379 |
| | 86,135,510 | 107,610,744 | 102,033,650 |
| Less: Syndicated loan fee | 80,912 | 92,550 | 119,193 |
| Current portion | 22,449,627 | 20,939,065 | 19,197,204 |
| | $ 63,604,971 | $ 86,579,129 | $ 82,717,253 |

(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, 2015. 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 was in compliance with the syndicated credit facility agreement based on their financial statements of 2014. As of June 30, 2015, the Corporation directly held 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 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, 2015, all secured commercial paper (recognized as long-term bills payable) were used. Under the agreements, the Corporation and its associates should collectively hold at least 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 2014. As of June 30, 2015, 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. In addition, since August 2013, the subsidiary CSVC continuously entered into short-term financing contracts with Standard Chartered Bank and other banks for USD56,000 thousand credit lines. Under the agreements, the Corporation should 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 syndicated credit facility agreement amended in March 2014. As of June 30, 2015, 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 should 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 should 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. CSCI increased its capital in 2014 and met the criteria relating to tangible net value. As of June 30, 2015, 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 for the six months ended 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 has repaid the above syndicated bank loans in October 2014.

6) The above unsecured loans included those obtained by the Corporation in JPY, AUD and USD to hedge the exchange rate fluctuations on equity 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, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Commercial paper - interest at 0.78%- 1.28% p.a., 0.78%-1.34% p.a. and 0.75%-1.38% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively | $ 12,090,000 | $ 15,030,000 | $ 21,030,000 |
| Secured commercial paper in syndicated bank loans - interest at 1.16% p.a., 1.27% p.a. and 1.21% p.a. as of June 30, 2015, December 31, 2014 and June 30, 2014, respectively | 5,000,000 | 5,000,000 | 5,000,000 |
| | 17,090,000 | 20,030,000 | 26,030,000 |
| Less: Unamortized discounts | 8,286 | 10,588 | 13,289 |
| | $ 17,081,714 | $ 20,019,412 | $ 26,016,711 |

The Corporation and its subsidiaries entered into 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, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| 5-year unsecured bonds - issued at par by the Corporation in: | | | |
| 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 2019; interest at 1.4% p.a., payable annually | 7,000,000 | 7,000,000 | 7,000,000 |
| June 2015; repayable in June 2019 and 2020; interest at 1.45% p.a., payable annually | 7,500,000 | - | - |
| 7-year unsecured bonds - issued at par by the Corporation in: | | | |
| December 2008; repayable in December 2014 and 2015; interest at 2.30% p.a., payable annually | 3,500,000 | 3,500,000 | 7,000,000 |
| October 2011; repayable in October 2017 and 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 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 2020; interest at 1.44% p.a., payable annually | 6,300,000 | 6,300,000 | 6,300,000 |
| January 2014; repayable in January 2020 and 2021; interest at 1.75% p.a., payable annually | 6,900,000 | 6,900,000 | 6,900,000 |
| 7-year unsecured bonds - issued at par by DSC in: | | | |
| June 2014; repayable in June 2020 and September 2021; interest at 1.75% p.a., payable annually | 5,000,000 | 5,000,000 | 5,000,000 |
| June 2015; repayable in June 2021 and 2022 respectively; interest at 1.72% p.a., payable annually | 2,500,000 | - | - |
| 10-year unsecured bonds - issued at par by the Corporation in: | | | |
| August 2012; repayable in August 2021 and 2022; interest at 1.50% p.a., payable annually | 15,000,000 | 15,000,000 | 15,000,000 |

(Continued)

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| July 2013; repayable in July 2022 and 2023; interest at 1.60% p.a., payable annually | $ 9,700,000 | $ 9,700,000 | $ 9,700,000 |
| January 2014; repayable in January 2023 and 2024; interest at 1.95% p.a., payable annually | 7,000,000 | 7,000,000 | 7,000,000 |
| 15-year unsecured bonds - issued at par by the Corporation in: | | | |
| July 2013; repayable 30% in July 2026 and 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually | 3,600,000 | 3,600,000 | 3,600,000 |
| January 2014; repayable 30% in January 2027 and 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually | 9,000,000 | 9,000,000 | 9,000,000 |
| Liability component of secured domestic convertible bonds - issued by TMTC | 185,700 | 185,700 | 185,700 |
| Liability component of unsecured domestic convertible bonds - issued by TMTC | 45,500 | 45,500 | 45,500 |
| | 107,931,200 | 97,931,200 | 101,431,200 |
| Less: Issuance cost of bonds payable | 59,929 | 66,214 | 72,841 |
| Unamortized discount on bonds payable | 28,239 | 21,521 | 24,677 |
| Current portion | 8,149,299 | 8,148,376 | 3,499,659 |
| | $ 99,693,733 | $ 89,695,089 | $ 97,834,023 |

(Concluded)

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, 2015, 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, 2015, the convertible bonds with NT$54,500 thousand face value have been converted into NT$21,975 thousand ordinary share capital.

In June 2015, the subsidiary DSC issued NT$7.5 billion of 5-year unsecured corporate bonds and NT$2.5 billion of 7-year unsecured corporate bonds at par.

According to IAS 32 and IAS 39, TMTC has separately accounted for the embedded derivatives and the host contract - bonds payable. The embedded derivatives, including put options and call options, were recognized in financial 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, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Dividends payable | $ 18,738,100 | $ 286,835 | $ 13,619,175 |
| Purchase of equipment | 6,353,913 | 7,109,543 | 6,241,254 |
| Salaries and incentive bonus | 5,526,026 | 5,613,982 | 5,373,578 |
| Bonus to employees (employee remuneration), and remuneration to directors and supervisors | 3,093,498 | 2,237,569 | 2,317,193 |
| Sales returns and discounts | 1,463,684 | 1,178,541 | 1,021,427 |
| Outsourced repair and construction | 1,192,963 | 1,078,977 | 508,080 |
| Interest payable | 1,145,836 | 992,379 | 1,238,796 |
| Others | 4,767,235 | 4,633,640 | 5,259,931 |
| | $ 42,281,255 | $ 23,131,466 | $ 35,579,434 |

## 23. PROVISIONS

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Current | | | |
| Onerous contracts (a) | $ 1,495,626 | $ 3,177,583 | $ 2,149,140 |
| Construction warranties (b) | 574,321 | 582,371 | 613,268 |
| Sale returns and discounts (c) | 457,463 | 586 | 878,852 |
| Others | 45,193 | 35,160 | 44,352 |
| | $ 2,572,603 | $ 3,795,700 | $ 3,685,612 |
| Noncurrent | | | |
| Provision for stabilization funds (d) | $ 790,425 | $ 983,466 | $ 976,040 |
| Others | 39,895 | 48,346 | 44,214 |
| | $ 830,320 | $ 1,031,812 | $ 1,020,254 |

| | Onerous Contracts | Construction Warranties | Sale Returns and Discounts | Provision for Stabilization Funds | Others | Total |
|---|---|---|---|---|---|---|
| Balance at January 1, 2015 | $ 3,177,583 | $ 582,371 | $ 586 | $ 983,466 | $ 83,506 | $ 4,827,512 |
| Recognized (reversed) | 1,931,193 | (7,995) | 456,877 | (193,041) | 7,875 | 2,194,909 |
| Paid | (3,613,150) | (55) | - | - | (6,293) | (3,619,498) |
| Balance at June 30, 2015 | $ 1,495,626 | $ 574,321 | $ 457,463 | $ 790,425 | $ 85,088 | $ 3,402,923 |
| 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 | (50,342) | 9,087 | 1,265,238 |
| Paid | (590,593) | - | - | - | (4,704) | (595,297) |
| Balance at June 30, 2014 | $ 2,149,140 | $ 613,268 | $ 878,852 | $ 976,040 | $ 88,566 | $ 4,705,866 |

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 returns and 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. The provision for stabilization funds was recognized based on increase in stabilization funds.

## 24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The Corporation and its domestic subsidiaries adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Corporation and its domestic subsidiaries make contributions, equal to a certain percentage of total monthly salaries, to a pension fund, which is deposited in the Bank of Taiwan in the name of and administered by the pension fund monitoring committee. the Corporation and its domestic subsidiaries have no right to influence the investment policy and strategy. The Corporation and its subsidiaries, such as CSGT, ICSC, CHC, etc., also makes contributions, equal to a certain percentage of salaries of management personnel, to another pension fund, which are deposited and administered by the officers’ pension fund management committee. The Corporation and its subsidiaries, such as CSAC, CHSC, CSCC, etc., also set up rules of consolation payment and holiday benefits, which are defined benefit plans.

The amounts included in the consolidated balance sheets in respect of the Corporation and its subsidiaries’ defined benefit plans were as follows:

| | December 31, 2014 |
|---|---|
| Present value of defined benefit obligation | $ 29,354,071 |
| Fair value of plan assets | (23,797,205) |
| Deficit | 5,556,866 |
| Net defined benefit liabilities - recognized as other payables, other current assets or other noncurrent assets | (52,965) |
| Net defined benefit liability | $ 5,503,901 |

Movements of net defined benefit liability were as follows:

| | Present Value of the Defined Benefit Obligation | Fair Value of the Plan Assets | Net Defined Benefit Liability (Asset) |
|---|---|---|---|
| Balance at January 1, 2014 | $ 30,505,432 | $ (23,236,849) | $ 7,268,583 |
| Service cost | | | |
| Current service cost | 896,309 | - | 896,309 |
| Net interest expense (income) | 455,637 | (352,727) | 102,910 |
| Recognized in profit or loss | 1,351,946 | (352,727) | 999,219 |
| Remeasurement | | | |
| Return on plan assets (excluding amounts included in net interest) | - | (195,248) | (195,248) |
| Actuarial loss - changes in demographic assumptions | 100,987 | - | 100,987 |
| Actuarial loss - changes in financial assumptions | 266,319 | - | 266,319 |
| Actuarial gain - experience adjustments | (1,728,589) | - | (1,728,589) |
| Recognized in other comprehensive income | (1,361,283) | (195,248) | (1,556,531) |
| Contributions from the employer | - | (1,010,500) | (1,010,500) |
| Contributions of employee returning | 12,298 | (12,298) | - |
| Benefits paid | (1,237,881) | 1,133,243 | (104,638) |
| Others | 83,559 | (122,826) | (39,267) |
| Balance at December 31, 2014 | $ 29,354,071 | $ (23,797,205) | $ 5,556,866 |

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Operating costs | $ 157,621 | $ 167,983 | $ 315,649 | $ 335,870 |
| Operating expenses | 62,316 | 68,683 | 124,228 | 160,713 |
| Others | 649 | 1,327 | 1,359 | 2,968 |
| | $ 220,586 | $ 237,993 | $ 441,236 | $ 499,551 |

Through the defined benefit plans under the Labor Standards Law, the Corporation and its subsidiaries are exposed to the following risks:

1) Investment risk

The plan assets are invested in domestic and foreign equity, debt securities, and bank deposits, etc. The investment is conducted at the discretion of the Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk

A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk

The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

| | **December 31, 2014** |
|---|---|
| Discount rate (%) | 1.625-2.000 |
| Expected rate of salary increase (%) | 2.250-3.000 |
| Turnover rate (%) | 0.000-0.300 |

The average duration of the defined benefit obligation at December 31, 2014 is 6 to 19 years.

## 25. EQUITY

a. Share capital

| | **June 30, 2015** | **December 31, 2014** | **June 30, 2014** |
|---|---|---|---|
| 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) | 15,734,861 | 15,734,861 | 15,425,584 |
| Preference shares (in thousands) | 38,268 | 38,268 | 38,268 |
| | 15,773,129 | 15,773,129 | 15,463,852 |
| Shares issued | | | |
| Ordinary shares | $ 157,348,610 | $ 157,348,610 | $ 154,255,840 |
| Preference shares | 382,680 | 382,680 | 382,680 |
| | $ 157,731,290 | $ 157,731,290 | $ 154,638,520 |

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.

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 6,924,354 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 2,668,738,370 shares (including 290 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, 2015, December 31, 2014, and June 30, 2014, the outstanding depositary receipts were 1,332,265 units, 1,841,908 units and 3,029,601 units, equivalent to 26,645,610 ordinary shares (including 310 fractional shares), 36,838,470 ordinary shares (including 310 fractional shares), and 60,592,315 ordinary shares (including 295 fractional shares), which represented 0.17%, 0.23% and 0.39% of the outstanding ordinary shares, respectively.

b. Capital surplus

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| 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 | 5,704,956 | 5,705,663 | 5,487,610 |
| Others | 8,099 | 8,099 | 8,099 |
| | 36,867,821 | 36,868,528 | 36,650,475 |
| May be used to offset deficits only (see 2 below) | | | |
| Share of change in equity of subsidiaries | 375,266 | 345,624 | 314,578 |
| May not be used for any purpose | | | |
| Share of change in equity of associates | 3,770 | 3,724 | 102 |
| | $ 37,246,857 | $ 37,217,876 | $ 36,965,155 |

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.

Under the Company Act as amended in May 2015, the appropriations of dividends and bonuses are limited to shareholders and do not include employees. The Corporation expects to make consequential amendments to the Corporation's Articles of Incorporation to be approved during the 2016 annual shareholders' meeting. For information about the accrual basis of the employee remuneration and remuneration to directors and supervisors for the three months and six months ended June 30, 2015 and 2014, and the actual appropriations for the years ended December 31, 2014 and 2013, please refer to f Employee benefits expense in Note 27.

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.

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.

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 2014 and 2013 had been approved in the shareholders' meeting on June 23, 2015 and June 18, 2014, respectively. The appropriations and dividends per share were as follows:

| | Appropriation of Earnings | | Dividend Per Share (NT$) | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Legal reserve | $ 2,216,027 | $ 1,598,154 | | |
| Special reserve | 47,049 | 166,266 | | |
| Preference shares | | | | |
| Cash dividends | 53,575 | 45,922 | $ 1.4 | $ 1.2 |
| Share dividends | - | 7,653 | - | 0.2 |
| | | | $ 1.4 | $ 1.4 |
| Ordinary shares | | | | |
| Cash dividends | 15,734,861 | 10,797,909 | $ 1.0 | $ 0.7 |
| Share dividends | - | 3,085,117 | - | 0.2 |
| | $ 18,051,512 | $ 15,701,021 | $ 1.0 | $ 0.9 |

As of June 30 2015 and 2014, the cash dividends declared have not been distributed to shareholders and were recognized as other payables.

d. Special reserves

| | For the Six Months Ended June 30 | |
|---|---|---|
| | **2015** | **2014** |
| Balance, beginning of period | $ 27,086,283 | $ 26,920,871 |
| Appropriation in respect of | | |
| The difference between carrying amount of the Corporation's shares held by subsidiaries | 47,049 | 166,266 |
| Reversal of special reserve | | |
| Disposal of property, plant and equipment | (18) | (425) |
| Balance, end of period | $ 27,133,314 | $ 27,086,712 |

e. Other equity items

1) Exchange differences on translating foreign operations

| | For the Six Months Ended June 30 | |
|---|---|---|
| | 2015 | 2014 |
| Balance, beginning of period | $ 732,469 | $ (659,689) |
| Exchange differences arising on translating foreign operations | (2,078,255) | 547,552 |
| Income tax relating to exchange differences arising on translating the net assets of foreign operations | 11,959 | (1,549) |
| Gain (loss) on hedging instruments designated in hedges of the net assets of foreign operations | 743,081 | (347,194) |
| Share of exchange difference of associates accounted for using the equity method | 503,587 | (14,696) |
| Balance, end of period | $ (87,159) | $ (475,576) |

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

| | For the Six Months Ended June 30 | |
|---|---|---|
| | 2015 | 2014 |
| Balance, beginning of period | $ 9,283,354 | $ 8,603,167 |
| Unrealized gain (loss) on available-for-sale financial assets | (733,548) | 1,165,304 |
| Income tax relating to unrealized gain on available-for-sale financial assets | (495) | (805) |
| Reclassified to profit or loss on disposal of available-for-sale financial assets | (169,913) | (411,575) |
| Income tax relating to the amounts reclassified to profit or loss on disposal of available-for-sale financial assets | 791 | 1,237 |
| Share of unrealized gain (loss) on available-for-sale financial assets of associates accounted for using the equity method | (16,594) | 65,378 |
| Balance, end of period | $ 8,363,595 | $ 9,422,706 |

3) The effective portion of gains and losses on hedging instruments in a cash flow hedge

| | For the Six Months Ended June 30 | |
|---|---|---|
| | 2015 | 2014 |
| Balance, beginning of period | $ 146,192 | $ 12,375 |
| Fair value changes of hedging instrument | (206,400) | 14,496 |
| Income tax relating to fair value changes | 34,560 | (2,639) |
| Fair value changes of hedging instruments transferred to profit or loss | (1,340) | (445) |
| Income tax relating to amounts transferred to profit or loss | 227 | 76 |
| Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items | 1,337 | (12,444) |
| Income tax relating to amounts transferred to adjust carrying amount of hedged items | (227) | 2,116 |
| Balance, end of period | $ (25,651) | $ 13,535 |

f. Treasury shares

| Purpose of Treasury Shares | Thousand Shares: Beginning of Period | Addition | Reduction | June 30: Thousand Shares | Book Value |
|---|---|---|---|---|---|
| For the six months ended June 30, 2015 | | | | | |
| Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares | 318,369 | - | 376 | 317,993 | $ 8,577,124 |
| 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 |

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

For the six months ended June 30, 2015, a total of 523 thousand shares of the Corporation held by its subsidiaries were sold for proceeds of NT$13,325 thousand. The proceeds of treasury shares sold, calculated by shareholding percentage, amounted to NT$8,556 thousand, and after deducting book values, resulted in the amounts of NT$707 thousand, recorded as deduction of capital surplus. As of June 30, 2015, December 31, 2014, and June 30, 2014, the market values of the treasury shares calculated by combined holding percentage were NT$7,842,437 thousand, NT$8,374,146 thousand, and NT$7,795,809 thousand, respectively.

g. Non-controlling interests

| | For the Six Months Ended June 30: 2015 | 2014 |
|---|---|---|
| Balance, beginning of period | $ 29,969,636 | $ 29,656,615 |
| Attributable to non-controlling interests: | | |
| Share of net profit (loss) for the period | (265,076) | 1,193,864 |
| Exchange difference on translating foreign operations | (718,225) | 53,263 |
| Income tax relating to exchange difference on translating foreign operations | (501) | 3 |
| Unrealized gain (loss) on available-for-sale financial assets | (114,559) | 179,680 |
| Income tax relating to unrealized loss on available-for-sale financial assets | (551) | (683) |
| Fair value changes of cash flow hedges | (7,399) | 5,019 |
| Income tax relating to cash flow hedges | 1,254 | (852) |
| Share of other comprehensive income of associates accounted for using the equity method | (8,573) | (879) |

(Continued)

| | For the Six Months Ended June 30 | |
|---|---|---|
| | 2015 | 2014 |
| Dividend distributed by subsidiaries | $ (2,605,072) | $ (2,542,569) |
| Disposal (purchase) of the Corporation's shares by subsidiaries | 4,769 | (75,128) |
| Others | 239 | 30,328 |
| Balance, end of period | $ 26,255,942 | $ 28,498,661 |

(Concluded)

## 26. OPERATING REVENUES

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Revenue from the sale of goods | $ 66,773,483 | $ 84,605,850 | $ 140,389,162 | $ 169,967,829 |
| Construction contract revenue | 4,454,016 | 5,159,530 | 9,441,884 | 9,560,285 |
| Freight and service revenue | 1,719,597 | 1,628,415 | 3,209,016 | 3,412,582 |
| Other revenues | 615,577 | 767,852 | 1,326,313 | 1,636,481 |
| | $ 73,562,673 | $ 92,161,647 | $ 154,366,375 | $ 184,577,177 |

## 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Dividends income | $ 113,850 | $ 31,162 | $ 113,850 | $ 31,162 |
| Interest income | 105,068 | 149,785 | 224,172 | 268,101 |
| Insurance claim income | 68,921 | 311,438 | 76,703 | 668,305 |
| Rental income | 47,669 | 31,659 | 80,465 | 63,642 |
| Others | 286,373 | 191,744 | 488,689 | 296,706 |
| | $ 621,881 | $ 715,788 | $ 983,879 | $ 1,327,916 |

b. Other gains and losses

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Reversals of impairment losses recognized on investment property (Note 18) | $ 1,128,307 | $ - | $ 1,128,307 | $ - |
| Gain on disposal of investments | 20,565 | 18,154 | 22,534 | 156,663 |

(Continued)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Gain on disposal of intangible assets | $ 521 | $ 686 | $ 1,206 | $ 72,249 |
| Loss on disposal of property, plant and equipment | (25,995) | (32,138) | (32,330) | (97,156) |
| Gain (loss) arising on financial assets at fair value through profit or loss | (7,109) | 26,517 | 310 | 36,186 |
| Net foreign exchange gain (loss) | (4,202) | 38,796 | 72,230 | 288,284 |
| Other losses | (181,702) | (177,194) | (264,890) | (183,514) |
| | $ 930,385 | $ (125,179) | $ 927,367 | $ 272,712 |

(Concluded)

The components of net foreign exchange gain (loss) were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Foreign exchange gain | $ 479,263 | $ 245,927 | $ 1,007,806 | $ 790,179 |
| Foreign exchange loss | (483,465) | (207,131) | (935,576) | (501,895) |
| Net exchange gain (loss) | $ (4,202) | $ 38,796 | $ 72,230 | $ 288,284 |

Gain (loss) on financial assets at fair value through profit or loss included a decrease in fair value of NT$11,372 thousand, an increase in fair value of NT$17,554 thousand, a decrease in fair value of NT$7,346 thousand and an increase in fair value of NT$23,686 thousand for the three months ended June 30, 2015 and 2014 and six months ended June 30, 2015 and 2014, respectively, and interest income of NT$4,263 thousand, NT$8,963 thousand, NT$7,656 thousand and NT$12,500 thousand for three months ended June 30, 2015 and 2014 and six months ended June 30, 2015 and 2014, respectively.

c. Finance costs

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Total interest expense | $ 1,002,448 | $ 1,135,703 | $ 2,003,553 | $ 2,197,294 |
| Less: Amounts included in the cost of qualifying assets | 91,135 | 145,763 | 183,783 | 288,793 |
| | $ 911,313 | $ 989,940 | $ 1,819,770 | $ 1,908,501 |

Information about capitalized interest was as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Capitalized amounts | $ 91,135 | $ 145,763 | $ 183,783 | $ 288,793 |
| Capitalized annual rates (%) | 1.01-1.56 | 1.08-1.64 | 1.01-1.62 | 1.06-1.70 |

d. Depreciation and amortization

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Property, plant and equipment | $ 8,915,381 | $ 8,736,440 | $ 17,906,419 | $ 17,277,114 |
| Investment properties | 20,030 | 19,620 | 40,136 | 38,919 |
| Intangible assets | 62,412 | 67,738 | 116,972 | 132,928 |
| Others | 23,839 | 32,491 | 47,635 | 56,454 |
| | $ 9,021,662 | $ 8,856,289 | $ 18,111,162 | $ 17,505,415 |
| Analysis of depreciation by function | | | | |
| Operating costs | $ 8,586,244 | $ 8,404,346 | $ 17,252,500 | $ 16,620,710 |
| Operating expenses | 342,725 | 343,548 | 680,669 | 679,104 |
| Others | 6,442 | 8,166 | 13,386 | 16,219 |
| | $ 8,935,411 | $ 8,756,060 | $ 17,946,555 | $ 17,316,033 |
| Analysis of amortization by function | | | | |
| Operating costs | $ 55,535 | $ 66,997 | $ 103,964 | $ 121,652 |
| Operating expenses | 30,458 | 32,971 | 60,150 | 66,838 |
| Others | 258 | 261 | 493 | 892 |
| | $ 86,251 | $ 100,229 | $ 164,607 | $ 189,382 |

e. Operating expenses directly related to investment properties

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Direct operating expenses of investment properties that generated from rental income | $ 32,830 | $ 37,248 | $ 69,459 | $ 71,037 |

f. Employee benefits

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Short-term employee benefits | | | | |
| Salaries | $ 7,435,047 | $ 7,276,156 | $ 14,954,061 | $ 14,773,259 |
| Labor and health insurance | 473,224 | 422,802 | 959,095 | 852,988 |
| Others | 275,462 | 381,986 | 590,648 | 784,798 |
| | 8,183,733 | 8,080,944 | 16,503,804 | 16,411,045 |

(Continued)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Post-employment benefits (Note 24) | | | | |
| Defined contribution plans | $ 159,945 | $ 99,843 | $ 310,897 | $ 200,218 |
| Defined benefit plans | 220,586 | 237,993 | 441,236 | 499,551 |
| | 380,531 | 337,836 | 752,133 | 699,769 |
| Termination benefits | 11,717 | 18,262 | 29,922 | 24,587 |
| | $ 8,575,981 | $ 8,437,042 | $ 17,285,859 | $ 17,135,401 |
| Analysis of employee benefits by function | | | | |
| Operating costs | $ 6,916,717 | $ 6,939,390 | $ 13,852,362 | $ 13,635,669 |
| Operating expenses | 1,603,513 | 1,335,707 | 3,240,713 | 3,159,981 |
| Others | 55,751 | 161,945 | 192,784 | 339,751 |
| | $ 8,575,981 | $ 8,437,042 | $ 17,285,859 | $ 17,135,401 |

(Concluded)

Under the Company Act as amended in May 2015, the Corporation's Articles of Incorporation should stipulate a fixed amount or ratio of annual profit to be distributed as employee remuneration. The amounts of bonus to employees (employee remuneration) and remuneration to directors and supervisors calculated based on the current Articles of Incorporation were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Bonus to employees (employee remuneration) | $ 326,718 | $ 473,868 | $ 718,576 | $ 718,496 |
| Remuneration to directors and supervisors | 6,122 | 8,287 | 13,473 | 12,673 |

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 annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations (in cash) of bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 have been approved in the shareholders' meetings on June 23, 2015 and June 18, 2014, respectively, were as follows:

| | For the Year Ended December 31 | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | Bonus to Employees | Remuneration of Directors and Supervisors | Bonus to Employees | Remuneration of Directors and Supervisors |
| Amounts approved in shareholders' meetings | $ 1,587,490 | $ 29,765 | $ 1,133,084 | $ 21,245 |
| Amounts recognized in respective financial statements | 1,587,490 | 29,765 | 1,133,084 | 21,245 |
| Difference | $ - | $ - | $ - | $ - |

Information on the bonus to employees, directors and supervisors proposed by the Corporation's board of directors and resolved by the shareholders, is available on the Market Observation Post System website of the Taiwan Stock Exchange.

As of June 30, 2015 and 2014, the Corporation and its subsidiaries' number of employees were about 25,197 and 25,265, respectively.

## 28. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax were as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Current tax | | | | |
| In respect of the current period | $ 790,461 | $ 1,101,631 | $ 2,275,566 | $ 1,762,599 |
| Income tax on unappropriated earnings | 557,191 | 168,460 | 563,709 | 170,403 |
| In respect of prior years | (764,210) | (153,327) | (760,800) | (142,560) |
| Deferred tax | | | | |
| In respect of the current period | (91,337) | (90,516) | (341,680) | 29,925 |
| In respect of prior years | 754,521 | (29,953) | 754,521 | (42,543) |
| Write-down in the current period | 4,677 | (72,529) | 4,677 | (59,976) |
| | $ 1,251,303 | $ 923,766 | $ 2,495,993 | $ 1,717,848 |

b. Income tax recognized directly in equity

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Current tax | | | | |
| Reversal of special reserve due to disposal of property, plant and equipment | $ 4 | $ 34 | $ 4 | $ 108 |
| Deferred tax | | | | |
| Reversal of special reserve due to disposal of property, plant and equipment | (4) | (34) | (4) | (108) |
| | $ - | $ - | $ - | $ - |

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Recognized in other comprehensive income: | | | | |
| Translation of foreign operations | $ (4,764) | $ (13,322) | $ (11,458) | $ 1,546 |
| Unrealized gain (loss) on available-for-sale financial asset | (3,998) | (392) | 255 | 1,488 |
| Fair value changes of cash flow hedges | (3,458) | (13,327) | (35,814) | 3,491 |
| Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items | (375) | (1,892) | 227 | (2,116) |
| Fair value changes of hedging instrument in cash flow hedges transferred to profit or loss | - | (428) | (227) | (76) |
| Disposal of available-for-sale financial assets | - | (6) | - | (1,237) |
| | $ (12,595) | $ (29,367) | $ (47,017) | $ 3,096 |

d. Integrated income tax

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Unappropriated earnings | | | |
| Before January 1, 1998 | $ 15,954 | $ 15,954 | $ 15,954 |
| On and after January 1, 1998 | 14,414,933 | 24,090,761 | 12,461,957 |
| | $ 14,430,887 | $ 24,106,715 | $ 12,477,911 |
| Imputation credits accounts (“ICA”) | $ 3,773,614 | $ 515,798 | $ 1,634,787 |

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation, excluding non-ROC-resident, 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 2014 and 2013 earnings was 20.04% (estimated) and 15.13%, 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 2014 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

e. Income tax assessments

The Corporation’s income tax returns through 2010 and the subsidiaries’ income tax returns through 2009 to 2013 have been assessed by the tax authorities. The Corporation disagreed with the tax authorities’ assessment of its 2010 tax return and filed for administrative appeal. However, the Corporation had recognized the related additional tax payable in prior year.

## 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net profit for the period attributable to owners of the Corporation | $ 2,849,395 | $ 5,145,595 | $ 8,375,666 | $ 8,766,648 |
| Less: Dividends on preference shares | 13,394 | 13,394 | 26,788 | 26,788 |
| Net profit used in computation of basic earnings per share | $ 2,836,001 | $ 5,132,201 | $ 8,348,878 | $ 8,739,860 |

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Weighted average number of ordinary shares in computation of basic earnings per share | 15,416,493 | 15,424,419 | 15,416,743 | 15,424,419 |
| Effect of dilutive potential ordinary shares: | | | | |
| Bonus to employees (Employees remuneration) | 92,725 | 71,057 | 95,309 | 74,457 |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | 15,509,218 | 15,495,476 | 15,512,052 | 15,498,876 |

Preference shares were not included in the calculation of diluted earnings per share for the three months and six months ended June 30, 2015 and 2014 because of their anti-dilutive effect.

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of share dividends distributed out of earnings for the year ended December 31, 2014. The adjusted basic and diluted after-tax earnings per share for the three months ended June 30, 2014 were both NT$0.33 and the six months ended June 30, 2014 were NT$0.57 and NT$0.56, respectively.

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. 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.

## 31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Except as detailed in the following table, the Corporation and its subsidiaries believe the carrying amounts of financial instruments, including cash and cash equivalents, receivables, debt investments with no active market, and payables recognized in the consolidated financial statements approximated their fair values.

| | June 30, 2015 | | December 31, 2014 | | June 30, 2014 | |
|---|---|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial assets | | | | | | |
| Held-to-maturity investments | $ 247,262 | $ 223,001 | $ 222,989 | $ 205,097 | $ 210,413 | $ 195,844 |

The fair value of held-to-maturity investment, which were grouped into Level 2, was measured under valuation method. 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 financial instrument.

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| June 30, 2015 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Mutual funds | $ 4,405,560 | $ - | $ - | $ 4,405,560 |
| Listed shares | 1,083,475 | - | - | 1,083,475 |
| Emerging market shares | - | - | 258,610 | 258,610 |
| Convertible bonds | 115,899 | - | - | 115,899 |
| Structure notes | - | 40,117 | - | 40,117 |
| Foreign exchange forward contracts | - | 3,155 | - | 3,155 |
| | $ 5,604,934 | $ 43,272 | $ 258,610 | $ 5,906,816 |
| Available-for-sale financial assets | | | | |
| Foreign unlisted shares | $ - | $ - | $ 17,765,813 | $ 17,765,813 |
| Domestic listed shares | 7,556,916 | - | - | 7,556,916 |
| Domestic emerging market shares and unlisted shares | - | - | 6,502,795 | 6,502,795 |
| Foreign listed shares | 1,832,949 | - | - | 1,832,949 |
| Mutual funds | 1,542,223 | - | - | 1,542,223 |
| Certificate of entitlement | - | - | 952,166 | 952,166 |
| Private-placement shares of listed companies | - | 266,472 | - | 266,472 |
| | $ 10,932,088 | $ 266,472 | $ 25,220,774 | $ 36,419,334 |
| Derivative financial assets for hedging | | | | |
| Foreign exchange forward contracts | $ - | $ 74,117 | $ - | $ 74,117 |
| Financial liabilities at fair value through profit or loss | | | | |
| Call and put options | $ - | $ 3,323 | $ - | $ 3,323 |
| Foreign exchange forward contracts | - | 989 | - | 989 |
| | $ - | $ 4,312 | $ - | $ 4,312 |

(Continued)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Derivative financial liabilities for hedging | | | | |
| Foreign exchange forward contracts | $ - | $ 101,378 | $ - | $ 101,378 |
| Interest rate swap contracts | - | 19,792 | - | 19,792 |
| | $ - | $ 121,170 | $ - | $ 121,170 |
| December 31, 2014 | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Mutual funds | $ 3,941,687 | $ - | $ - | $ 3,941,687 |
| Listed shares | 922,433 | - | - | 922,433 |
| Emerging market shares | - | - | 276,613 | 276,613 |
| Convertible bonds | 192,205 | - | - | 192,205 |
| Structure notes | - | 72,601 | - | 72,601 |
| Convertible preference shares | - | 31,842 | - | 31,842 |
| Foreign exchange forward contracts | - | 13,134 | - | 13,134 |
| Future contracts | - | 78 | - | 78 |
| | $ 5,056,325 | $ 117,655 | $ 276,613 | $ 5,450,593 |
| Available-for-sale financial assets | | | | |
| Foreign unlisted shares | $ - | $ - | $ 13,837,749 | $ 13,837,749 |
| Domestic listed shares | 8,378,467 | - | - | 8,378,467 |
| Certificate of entitlement | - | - | 6,470,256 | 6,470,256 |
| Domestic emerging market shares and unlisted shares | - | - | 6,321,209 | 6,321,209 |
| Foreign listed shares | 1,665,902 | - | - | 1,665,902 |
| Mutual funds | 996,300 | - | - | 996,300 |
| Private-placement shares of listed companies | - | 84,133 | - | 84,133 |
| | $ 11,040,669 | $ 84,133 | $ 26,629,214 | $ 37,754,016 |
| Derivative financial assets for hedging | | | | |
| Foreign exchange forward contracts | $ - | $ 148,932 | $ - | $ 148,932 |
| Interest rate swap contracts | - | 2,029 | - | 2,029 |
| | $ - | $ 150,961 | $ - | $ 150,961 |
| Financial liabilities at fair value through profit or loss | | | | |
| Foreign exchange forward contracts | $ - | $ 5,518 | $ - | $ 5,518 |
| Call and put options | - | 1,631 | - | 1,631 |
| | $ - | $ 7,149 | $ - | $ 7,149 |

(Continued)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Derivative financial liabilities for hedging | | | | |
| Foreign exchange forward contracts | $ - | $ 47,075 | $ - | $ 47,075 |
| Interest rate swap contracts | - | 9,312 | - | 9,312 |
| | $ - | $ 56,387 | $ - | $ 56,387 |

| June 30, 2014 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| 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 |
| Convertible bonds | 176,740 | - | - | 176,740 |
| Foreign exchange forward contracts | - | 2,081 | - | 2,081 |
| | $ 7,337,832 | $ 91,623 | $ 275,574 | $ 7,705,029 |
| Available-for-sale financial assets | | | | |
| Foreign unlisted shares | $ - | $ - | $ 15,115,003 | $ 15,115,003 |
| Domestic listed shares | 8,419,504 | - | - | 8,419,504 |
| Certificate of entitlement | - | - | 6,140,745 | 6,140,745 |
| Domestic emerging market shares and unlisted shares | - | - | 6,446,402 | 6,446,402 |
| 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 |
| Financial liabilities at fair value through profit or loss | | | | |
| Foreign exchange forward contracts | $ - | $ 3,062 | $ - | $ 3,062 |
| Call and put options | - | 84 | - | 84 |
| Future contracts | - | 1,332 | - | 1,332 |
| | $ - | $ 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 |

(Concluded)

There was no transfer between Level 1 and Level 2 for the six months ended June 30, 2015 and 2014.

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, 2015 | | | |
| Balance, beginning of period | $ 276,613 | $ 26,629,214 | $ 26,905,827 |
| Recognized in profit or loss - other gains and losses | | | |
| Realized | - | 26,528 | 26,528 |
| Unrealized | (18,003) | (19,616) | (37,619) |
| Recognized in other comprehensive income - unrealized gain (loss) on available-for-sale financial assets | - | (407,944) | (407,944) |
| Purchases | - | 69,644 | 69,644 |
| Transfer into Level 3 | - | 30,020 | 30,020 |
| Disposal | - | (305,360) | (305,360) |
| Capital reduction | - | (85,426) | (85,426) |
| Effect of foreign currency exchange difference | - | (716,286) | (716,286) |
| Balance, end of period | $ 258,610 | $ 25,220,774 | $ 25,479,384 |
| 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 | | | |
| Realized | | 182,464 | 182,464 |
| Unrealized | (8,309) | (38,538) | (46,847) |
| 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 |

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

| Financial Instrument | Valuation Techniques and Inputs |
|---|---|
| Derivative instruments | 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. |
| Private-placement shares of listed companies | Based on information from the Market Observation Post System, the Taiwan GreTai Securities Market, etc. and calculated by using the Black-Scholes Model. |

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

a) For emerging market shares, fair values were estimated on the basis of the closing price and liquidity.

b) For domestic unlisted shares, some foreign unlisted shares and certificate of entitlement, fair values were determined based on industry types, valuations of similar companies and operations, or by using the net worth of companies.

c) For other foreign unlisted shares, fair values were measured under income approach and calculated by the present value of the expected return by using discounted cash flow model. Significant unobservable inputs were as follows; if the long-term revenue growth rate increased, long-term pre-tax operating income rate increased or discount rate decreased, the fair value of the investments would increase.

| | June 30, 2015 |
|---|---|
| Long-term revenue growth rate (%) | - |
| Long-term pre-tax operating income rate (%) | 16.80 |
| Discount rate (%) | 10.18 |

If the below input to the valuation model was changed to reflect reasonably possible alternative assumptions while all other variables were held constant, the fair value of the equity investment would increase (decrease) as follows:

| | June 30, 2015 |
|---|---|
| Discount rate | |
| Increase 1% | $ (123,899) |
| Decrease 1% | $ 150,171 |

c. Categories of financial instruments

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Financial assets | | | |
| Fair value through profit or loss | | | |
| Designated as at fair value through profit or loss | $ 3,469,364 | $ 2,847,161 | $ 4,938,503 |
| Held for trading | 2,437,452 | 2,603,432 | 2,766,526 |
| Derivative instruments in designated hedge accounting relationships | 74,117 | 150,961 | 58,726 |
| Held-to-maturity investments | 247,262 | 222,989 | 210,413 |
| Loans and receivables (see 1 below) | 51,054,761 | 47,410,300 | 59,121,636 |
| Available-for-sale financial assets | 36,419,334 | 37,754,016 | 39,349,790 |
| Financial liabilities | | | |
| Fair value through profit or loss | | | |
| Designated as at fair value through profit or loss | 3,323 | 1,631 | 1,332 |
| Held for trading | 989 | 5,518 | 3,146 |
| Derivative instruments in designated hedge accounting relationships | 121,170 | 56,387 | 32,005 |
| Measured at amortized cost (see 2 below) | 325,511,070 | 310,404,363 | 340,478,738 |

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, debt 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.

d. Financial risk management objectives and policies

The Corporation and its subsidiaries are extremely focused on financial risk management. By tracking and managing the market risk, credit risk, and liquidity risk efficiently, the management ensured that the Corporation and its subsidiaries were equipped with sufficient and lower cost working capital, which reduced financial uncertainty that may have adverse effects on the operations.

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. The finance department follows the accountability and related financial risk control procedures required by the Corporation for executing financial projects. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Corporation and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

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

The carrying amounts of the significant non-functional currency monetary assets and liabilities (including those eliminated on consolidation) at the balance sheet date were referred to Note 35.

The Corporation and its subsidiaries were mainly exposed to the currencies USD, JPY, CAD, AUD, RMB and VND. 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** | |
| | **2015** | **2014** | **2015** | **2014** |
| Pre-tax profit or loss | $ (20,098) | $ 30,104 i | $ 8,026 | $ 8,817 ii |
| Pre-tax equity | 84,674 | 75,277 iii | (1,421) | (2,815) iii |

| | **CAD Impact** | | **AUD Impact** | |
|---|---|---|---|---|
| | **For the Six Months Ended June 30** | | **For the Six Months Ended June 30** | |
| | **2015** | **2014** | **2015** | **2014** |
| Pre-tax profit or loss | $ (17) | $ (4) i | $ (155) | $ (53) i |
| Pre-tax equity | - | 77,853 iii | 67,473 | 80,008 iii |

| | **RMB Impact** | | **VND Impact** | |
|---|---|---|---|---|
| | **For the Six Months Ended June 30** | | **For the Six Months Ended June 30** | |
| | **2015** | **2014** | **2015** | **2014** |
| Pre-tax profit or loss | $ (13,297) | $ (4,597) ii | $ (2,613) | $(11,226) i |
| Pre-tax equity | (3,083) | (3,849) iii | - | - |

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

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

iii. This was attributable to other financial assets, which were designated as hedging instruments 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, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Fair value interest rate risk | | | |
| Financial liabilities | $ 141,388,566 | $ 117,955,561 | $ 127,945,259 |
| Cash flow interest rate risk | | | |
| Financial liabilities | 132,688,627 | 158,339,323 | 162,989,796 |

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, 2015 and 2014 would have been lower/higher by NT$663,443 thousand and NT$814,949 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, the pre-tax profit for the six months ended June 30, 2015 and 2014 would have been higher/lower by NT$54,890 thousand and NT$71,611 thousand, respectively, as a result of the fair value changes of financial assets at fair value through profit or loss, and the pre-tax other comprehensive income for the six months ended June 30, 2015 and 2014 would have been higher/lower by NT$111,986 thousand and NT$116,476 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

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

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

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, 2015, the maximum credit risk of off-balance-sheet guarantees provided to investees of co-investment for procurement compliance was NT$2,314,687 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 undiscounted cash flows of the Corporation and its subsidiaries' remaining contractual maturity for its non-derivative financial liabilities from the earliest date on which they 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.

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

| | **Less Than 1 Year** | **1-5 Years** | **Over 5 Years** | **Total** |
|---|---|---|---|---|
| June 30, 2015 | | | | |
| Non-derivative financial liabilities | | | | |
| Non-interest bearing liabilities | $ 49,974,446 | $ 313,595 | $ - | $ 50,288,041 |
| Variable interest rate liabilities | 54,936,061 | 78,774,083 | 2,567,858 | 136,278,002 |
| Fixed interest rate liabilities | 44,398,679 | 42,977,269 | 65,618,844 | 152,994,792 |
| Financial guarantee liabilities | 2,314,687 | - | - | 2,314,687 |
| | $ 151,623,873 | $ 122,064,947 | $ 68,186,702 | $ 341,875,522 |
| December 31, 2014 | | | | |
| Non-derivative financial liabilities | | | | |
| Non-interest bearing liabilities | $ 32,971,821 | $ 145,279 | $ - | $ 33,117,100 |
| Variable interest rate liabilities | 55,150,465 | 102,854,300 | 5,619,154 | 163,623,919 |
| Fixed interest rate liabilities | 30,622,779 | 35,702,021 | 63,098,950 | 129,423,750 |
| Financial guarantee liabilities | 2,435,424 | - | - | 2,435,424 |
| | $ 121,180,489 | $ 138,701,600 | $ 68,718,104 | $ 328,600,193 |
| 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 |

The amounts included above for financial guarantee liabilities 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.

## 32. 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

| Account Items | Related Parties Types | For the Three Months Ended June 30 2015 | For the Three Months Ended June 30 2014 | For the Six Months Ended June 30 2015 | For the Six Months Ended June 30 2014 |
|---|---|---|---|---|---|
| Revenue from sales of goods | The Corporation and its subsidiaries as key management personnel of other related parties | $ 921,212 | $ 872,309 | $ 1,928,016 | $ 2,120,140 |
| | Other related parties as key management personnel of subsidiaries | 505,804 | 902,376 | 1,021,749 | 1,890,937 |
| | Other related parties as supervisors of the Corporation and its subsidiaries | 414,581 | 352,228 | 826,242 | 936,209 |
| | Others | 301,790 | 157,811 | 587,823 | 283,724 |
| | | $ 2,143,387 | $ 2,284,724 | $ 4,363,830 | $ 5,231,010 |
| Construction contract revenue | The Corporation and its subsidiaries as key management personnel of other related parties | $ 496,377 | $ 314,668 | $ 884,510 | $ 523,996 |
| | Others | 255,089 | 2,653 | 435,938 | 6,161 |
| | | $ 751,466 | $ 317,321 | $ 1,320,448 | $ 530,157 |

Sales to related parties were made under normal terms. The construction contracts undertaken by the Corporation and its subsidiaries with related parties were different from those with unrelated parties; therefore, the prices were not comparable. However, the collection terms have no material differences.

b. Purchase of goods

| Related Parties Types | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Companies with significant influence over subsidiaries | $ 340,782 | $ 1,144,446 | $ 592,283 | $ 1,144,446 |
| Associates | 58,672 | 51,998 | 107,049 | 114,583 |
| Other related parties as key management personnel of subsidiaries | 58,281 | 59,937 | 131,681 | 111,783 |
| Others | 1,586 | 97,823 | 4,430 | 98,438 |
| | $ 459,321 | $ 1,354,204 | $ 835,443 | $ 1,469,250 |

Purchases from related parties were made under normal terms.

c. Receivables from related parties

| Account Items | Related Parties Types | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|---|
| Notes and accounts receivable | The Corporation and its subsidiaries as key management personnel of other related parties | $ 440,286 | $ 327,329 | $ 850,497 |
| | Other related parties as key management personnel of subsidiaries | 376,990 | 391,629 | 403,542 |
| | Others | 120,222 | 178,235 | 61,931 |
| | | $ 937,498 | $ 897,193 | $ 1,315,970 |

No guarantee was received for receivables from related parties. No impairment was recognized for the six months ended June 30, 2015 and 2014 on receivables from related parties.

d. Payables to related parties

| Account Items | Related Parties Types | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|---|
| Notes and accounts payable | Companies with significant influence over subsidiaries | $ 298,255 | $ 632,506 | $ 667,217 |
| | Associates | 65,752 | 30,259 | 38,258 |
| | Other related parties as key management personnel of subsidiaries | 19,758 | 26,589 | 20,225 |
| | Others | 7,333 | 357 | 19,260 |
| | | $ 391,098 | $ 689,711 | $ 744,960 |

The outstanding payables to related parties were unsecured.

e. Disposal of other assets

| Related Parties Types | Account Items | Price For the Six Months Ended June 30 2015 | Price For the Six Months Ended June 30 2014 | Gain on Disposal For the Six Months Ended June 30 2015 | Gain on Disposal For the Six Months Ended June 30 2014 |
|---|---|---|---|---|---|
| Associates | Intangible assets | $ - | $ 114,286 | $ - | $ 94,366 |

The subsidiary KRTC acquired 25% equity of IPASS Corporation (IPASS) in the amount of NT$130,000 thousand through investment in cash of NT$10,000 thousand 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%.

f. Acquisition of financial assets - for the six months ended June 30, 2015

| Related Parties Types | Account Item | Number of Shares (In Thousand) | Investee | Price |
|---|---|---|---|---|
| The Corporation as key management personnel of other related parties | Investments accounted for using equity method | 24,610 | Taiwan Rolling Stock Co., Ltd. | $ 260,866 |

g. Others

| Account Items | Related Parties Types | For the Three Months Ended June 30 2015 | For the Three Months Ended June 30 2014 | For the Six Months Ended June 30 2015 | For the Six Months Ended June 30 2014 |
|---|---|---|---|---|---|
| Service and other revenues | The Corporation and its subsidiaries as key management personnel of other related parties | $ 218,560 | $ 288,307 | $ 354,243 | $ 551,879 |
| | Others | 36,184 | 31,290 | 69,444 | 56,954 |
| | | $ 254,744 | $ 319,597 | $ 423,687 | $ 608,833 |

h. Endorsements and guarantees provided by the Corporation and its subsidiaries

| Related Party Types | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| The Corporation as key management personnel of others | | | |
| Amount endorsed | $ 2,314,687 | $ 2,435,424 | $ 2,472,864 |
| Amount utilized | (2,314,687) | (2,435,424) | (2,472,864) |
| | $ - | $ - | $ - |

i. 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Short-term employee benefits | $ 27,704 | $ 25,343 | $ 53,461 | $ 46,050 |
| Post-employment benefits | 335 | 572 | 669 | 1,143 |
| | $ 28,039 | $ 25,915 | $ 54,130 | $ 47,193 |

## 33. 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, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Net property, plant and equipment | $ 123,048,222 | $ 138,346,513 | $ 165,839,211 |
| Time deposits (Note 16) | 6,958,645 | 7,355,696 | 7,214,908 |
| Shares (see a. below) | 6,554,435 | 6,993,170 | 5,795,590 |
| Pledged receivables (Note 16) (see b. below) | 2,000,000 | 2,000,000 | 2,000,000 |
| Net investment properties | 1,512,129 | 1,551,118 | 1,766,962 |
| | $ 140,073,431 | $ 156,246,497 | $ 182,616,671 |

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

b. 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.

## 34. 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, 2015 were as follows:

a. The Corporation and its subsidiaries provided letters of credits for NT$4.2 billion guaranteed by financial institutions for several construction and lease contracts, and guarantee notes for NT$78.7 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$9.9 billion.

c. Property purchase and construction contracts for NT$10.5 billion were signed but not yet recorded.

d. Construction contracts for NT$39.9 billion were not yet being completed.

e. The Corporation and its subsidiaries entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, United States, Russia, Japan, Bahrain and domestic companies with contract terms of 1 to 10 years. Contracted annual purchases of 11,150,000 metric tons of coal, 23,000,000 metric tons of iron ore, and 3,340,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of June 30, 2015 were USD4.8 billion (including 18,330,000 metric tons of coal, 52,520,000 metric tons of iron ore, and 2,510,000 metric tons of limestone).

f. In August 2014, the associate Chang-Chun Ceck Auto. Parts Co., Ltd. (CCCA) entered into a credit facility agreement with Chinatrust Commercial Bank for a EUR2,000 thousand import loan commitment. Under the agreement, the Corporation and its associates should collectively hold at least 30% of CCCA's issued shares and one seat in the board of directors. As of June 30, 2015, the Corporation indirectly held 30% equity of CCCA and one seat in the board of directors.

g. In November 2014, the associate Honley Auto. Parts Co., Ltd. (HAPC) entered into credit facility agreements for a NT$225,000 thousand factory building loan commitment and a JPY56,500 thousand import letter of credit loan commitment with Shanghai Commercial & Savings Bank. Under the agreement, the Corporation and its associates should collectively hold at least 30% of HAPC's issued shares and two seats in the board of directors. As of June 30, 2015, the Corporation held 30% equity of HAPC and two seats in the board of directors.

h. Endorsements/guarantees provided to the unconsolidated entities as of June 30, 2015 were as follows:

| **Endorsement/Guarantee Provider** | **Counterparty** | **Ending Balance** |
|---|---|---|
| China Steel Corporation | Sakura Ferroalloys Sdn. Bhd. | NT$ 2,314,687 thousand |

## 35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Corporation and its subsidiaries and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

| June 30, 2015 | **Foreign Currencies (In Thousands)** | **Exchange Rate** | | **Carrying Amount (In Thousands of New Taiwan Dollars)** |
|---|---|---|---|---|
| Monetary financial assets | | | | |
| USD | $ 407,374 | 30.8600 | (USD:NTD) | $ 12,571,546 |
| USD | 28,148 | 6.2055 | (USD:RMB) | 868,642 |
| USD | 18,520 | 1.3029 | (USD:AUD) | 571,536 |
| USD | 3,926 | 22,042.8571 | (USD:VND) | 121,167 |
| USD | 1,123 | 3.9295 | (USD:MYR) | 34,646 |
| USD | 140 | 1.3441 | (USD:SGD) | 4,317 |
| USD | 52 | 63.7603 | (USD:INR) | 1,594 |
| JPY | 11,563,229 | 0.2524 | (JPY:NTD) | 2,918,559 |
| JPY | 74,230 | 0.0082 | (JPY:USD) | 18,736 |
| JPY | 28,598 | 0.0508 | (JPY:RMB) | 7,218 |
| RMB | 316,065 | 4.9730 | (RMB:NTD) | 1,571,791 |

(Continued)

| | Foreign Currencies (In Thousands) | Exchange Rate | | Carrying Amount (In Thousands of New Taiwan Dollars) |
|---|---|---|---|---|
| RMB | $ 15,373 | 0.1611 | (RMB:USD) | $ 76,452 |
| VND | 195,944,762 | 0.00004 | (VND:USD) | 268,444 |
| VND | 867 | 0.0014 | (VND:NTD) | 1 |
| AUD | 569 | 23.6850 | (AUD:NTD) | 13,471 |
| AUD | 86 | 0.7675 | (AUD:USD) | 2,026 |
| CAD | 59 | 24.8900 | (CAD:NTD) | 1,459 |
| CAD | 10 | 0.8065 | (CAD:USD) | 250 |
| | | | | |
| Non-monetary financial assets | | | | |
| Available-for-sales financial assets | | | | |
| USD | 90,638 | 30.8600 | (USD:NTD) | 2,797,083 |
| JPY | 7,150,000 | 0.2524 | (JPY:NTD) | 1,804,660 |
| MYR | 178,360 | 7.8535 | (MYR:NTD) | 1,400,749 |
| | | | | |
| Associate accounted for using equity method | | | | |
| USD | 274,538 | 1.3029 | (USD:AUD) | 8,472,013 |
| | | | | |
| Monetary financial liabilities | | | | |
| USD | 425,128 | 30.8600 | (USD:NTD) | 13,119,445 |
| USD | 110,000 | 63.7603 | (USD:INR) | 3,394,600 |
| USD | 106,482 | 6.2055 | (USD:RMB) | 3,286,027 |
| USD | 23,890 | 22,042.8571 | (USD:VND) | 737,234 |
| USD | 3,039 | 3.9295 | (USD:MYR) | 93,779 |
| AUD | 284,876 | 23.6850 | (AUD:NTD) | 6,747,296 |
| JPY | 14,266,831 | 0.2524 | (JPY:NTD) | 3,600,948 |
| JPY | 8,228 | 0.0082 | (JPY:USD) | 2,077 |
| JPY | 8,020 | 0.0508 | (JPY:RMB) | 2,024 |
| RMB | 2,068 | 4.9730 | (RMB:NTD) | 10,284 |
| VND | 5,193,989 | 0.00004 | (VND:USD) | 7,116 |
| | | | | |
| December 31, 2014 | | | | |
| | | | | |
| Monetary financial assets | | | | |
| USD | 251,956 | 31.6500 | (USD:NTD) | 7,974,401 |
| USD | 15,558 | 6.2156 | (USD:RMB) | 492,413 |
| USD | 14,820 | 1.2218 | (USD:AUD) | 469,052 |
| USD | 3,960 | 22,607.1429 | (USD:VND) | 125,323 |
| USD | 2,751 | 63.1989 | (USD:INR) | 87,063 |
| USD | 2,495 | 3.6413 | (USD:MYR) | 78,956 |
| USD | 502 | 7.7574 | (USD:HKD) | 15,896 |
| USD | 23 | 1.3221 | (USD:SGD) | 742 |
| JPY | 11,699,386 | 0.2646 | (JPY:NTD) | 3,095,657 |
| JPY | 162,335 | 0.0084 | (JPY:USD) | 42,954 |
| JPY | 30,771 | 0.0520 | (JPY:RMB) | 8,142 |
| VND | 918,553,871 | 0.00005 | (VND:USD) | 1,308,939 |
| VND | 854 | 0.0014 | (VND:NTD) | 1 |
| RMB | 175,493 | 5.0920 | (RMB:NTD) | 893,610 |
| RMB | 28,606 | 0.1609 | (RMB:USD) | 145,663 |
| RMB | 32 | 1.2480 | (RMB:HKD) | 165 |
| AUD | 232 | 25.9050 | (AUD:NTD) | 6,022 |
| AUD | 112 | 0.8185 | (AUD:USD) | 2,905 |

(Continued)

| | Foreign Currencies (In Thousands) | Exchange Rate | | Carrying Amount (In Thousands of New Taiwan Dollars) |
|---|---|---|---|---|
| CAD | $ 45 | 27.2700 | (CAD:NTD) | $ 1,229 |
| CAD | 10 | 0.8616 | (CAD:USD) | 273 |
| | | | | |
| Non-monetary financial assets | | | | |
| Available-for-sales financial assets | | | | |
| USD | 265,616 | 31.6500 | (USD:NTD) | 8,406,750 |
| JPY | 6,042,000 | 0.2646 | (JPY:NTD) | 1,598,713 |
| MYR | 178,360 | 8.6920 | (MYR:NTD) | 1,550,304 |
| KRW | 35,870,250 | 0.0292 | (KRW:NTD) | 1,047,411 |
| | | | | |
| Associate accounted for using equity method | | | | |
| USD | 270,600 | 1.2218 | (USD:AUD) | 8,564,690 |
| | | | | |
| Monetary financial liabilities | | | | |
| USD | 449,301 | 31.6500 | (USD:NTD) | 14,220,367 |
| USD | 103,030 | 6.2156 | (USD:RMB) | 3,260,886 |
| USD | 110,000 | 63.1989 | (USD:INR) | 3,481,500 |
| USD | 22,932 | 22,607.1429 | (USD:VND) | 725,795 |
| USD | 4,163 | 3.6413 | (USD:MYR) | 131,747 |
| JPY | 14,149,122 | 0.2646 | (JPY:NTD) | 3,743,858 |
| JPY | 6,934 | 0.0520 | (JPY:RMB) | 1,835 |
| JPY | 7,111 | 0.0084 | (JPY:USD) | 1,882 |
| AUD | 284,884 | 25.9050 | (AUD:NTD) | 7,379,921 |
| RMB | 2,735 | 5.0920 | (RMB:NTD) | 13,924 |
| VND | 8,343,145 | 0.00005 | (VND:USD) | 11,889 |
| | | | | |
| June 30, 2014 | | | | |
| | | | | |
| Monetary financial assets | | | | |
| USD | 351,048 | 29.8650 | (USD:NTD) | 10,484,053 |
| USD | 17,650 | 6.2076 | (USD:RMB) | 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:RMB) | 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 |
| RMB | 157,529 | 4.8110 | (RMB:NTD) | 757,872 |
| RMB | 22,218 | 0.1611 | (RMB:USD) | 106,890 |
| | | | | |
| Non-monetary financial assets | | | | |
| Available-for-sales 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 |

(Continued)

| | Foreign Currencies (In Thousands) | Exchange Rate | | Carrying Amount (In Thousands of New Taiwan Dollars) |
|---|---|---|---|---|
| Associate accounted for using equity method | | | | |
| CAD | $ 279,342 | 0.9959 | (CAD：AUD) | $ 7,813,152 |
| 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:RMB) | 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:RMB) | 2,614 |
| JPY | 6,219 | 0.0099 | (JPY:USD) | 1,832 |
| RMB | 4,190 | 4.8110 | (RMB:NTD) | 20,159 |

(Concluded)

For the three months ended June 30, 2015 and 2014 and six months ended June 30, 2015 and 2014, realized and unrealized net foreign exchange gains and losses were losses NT$4,202 thousand, gains NT$38,796 thousand, gains NT$72,230 thousand and gains NT$288,284 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the each entity.

## 36. 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, 2015 | | | | |
| Revenues from external customers | $ 122,146,595 | $ 32,219,780 | $ - | $ 154,366,375 |
| Inter-segment revenues | 26,287,359 | 21,338,123 | (47,625,482) | - |
| Segment revenues | $ 148,433,954 | $ 53,557,903 | $ (47,625,482) | $ 154,366,375 |
| Segment profit | $ 7,079,399 | $ 4,284,045 | $ (1,023,597) | $ 10,339,847 |
| Interest income | 131,915 | 129,395 | (37,138) | 224,172 |
| Financial costs | ( 1,673,562) | (167,098) | 20,890 | (1,819,770) |

(Continued)

| | Steel | Others | Adjustment and Elimination | Total |
|---|---|---|---|---|
| Share of the profit of associates | $ 2,839,480 | $ 942,325 | $ (3,606,545) | $ 175,260 |
| Other non-operating income and expenses | 1,641,386 | 348,167 | (302,479) | 1,687,074 |
| Profit before income tax | 10,018,618 | 5,536,834 | (4,948,869) | 10,606,583 |
| Income tax | 2,141,264 | 448,175 | (93,446) | 2,495,993 |
| Net profit for the period | $ 7,877,354 | $ 5,088,659 | $ (4,855,423) | $ 8,110,590 |
| 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 | $ 6,264,273 | $ 4,919,695 | $ 480,307 | $ 11,664,275 |
| Interest income | 175,692 | 121,221 | (28,812) | 268,101 |
| Financial costs | (1,770,692) | (156,277) | 18,468 | (1,908,501) |
| Share of the profit of associates | 5,943,611 | 1,821,679 | (7,443,332) | 321,958 |
| Other non-operating income and expenses | 876,435 | 758,724 | (302,632) | 1,332,527 |
| Profit before income tax | 11,489,319 | 7,465,042 | (7,276,001) | 11,678,360 |
| Income tax | 794,905 | 861,475 | 61,468 | 1,717,848 |
| Net profit for the period | $ 10,694,414 | $ 6,603,567 | $ (7,337,469) | $ 9,960,512 |

(Concluded)

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 and liabilities

| | June 30, 2015 | December 31, 2014 | June 30, 2014 |
|---|---|---|---|
| Segment assets | | | |
| Steel | $ 737,197,083 | $ 741,842,358 | $ 757,751,368 |
| Others | 210,198,277 | 204,954,836 | 196,704,960 |
| Adjustment and elimination | (268,190,822) | (264,057,174) | (260,407,900) |
| Consolidated total assets | $ 679,204,538 | $ 682,740,020 | $ 694,048,428 |
| Segment liabilities | | | |
| Steel | $ 310,849,025 | $ 298,981,035 | $ 335,251,840 |
| Others | 74,514,068 | 64,828,118 | 65,899,376 |
| Adjustment and Elimination | (27,804,413) | (15,713,367) | (24,143,819) |
| Consolidated total liabilities | $ 357,558,680 | $ 348,095,786 | $ 377,007,397 |