China Steel Corporation

Standalone Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
China Steel Corporation

We have audited the accompanying standalone balance sheets of China Steel Corporation (the "Corporation") as of December 31, 2015 and 2014, and the related standalone statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the standalone financial statements referred to in the first paragraph present fairly, in all material respects, the standalone financial position of the Corporation as of December 31, 2015 and 2014, and its standalone financial performance and its standalone cash flows for the years then ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China.

As discussed in Note 3 to the accompanying standalone financial statements, starting from January 1, 2015, the Corporation 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 Financial Supervisory Commission ("FSC"). Therefore, some items in the standalone financial statements of prior reporting periods were adjusted to reflect the effects of retrospective application of the above regulations, standards and interpretations.

Deloitte & Touche

March 25, 2016

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

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

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

CHINA STEEL CORPORATION

STANDALONE BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2015 Amount	%	December 31, 2014 (Restated) Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 7,518,687	2	$ 2,603,621	1
Available-for-sale financial assets - current (Notes 4 and 7)	1,341,235	-	3,920,578	1
Derivative financial assets for hedging - current (Notes 4 and 8)	79,125	-	46,345	-
Notes receivable (Notes 4 and 9)	443,376	-	586,347	-
Notes receivable - related parties (Notes 4, 9 and 28)	198,399	-	159,409	-
Accounts receivable, net (Notes 4 and 9)	903,126	-	1,823,421	-
Accounts receivable - related parties (Notes 4, 9 and 28)	686,746	-	962,523	-
Other receivables (Notes 11 and 28)	1,496,979	1	2,028,881	1
Other receivables - loans to related parties (Note 28)	5,890,000	1	5,230,000	1
Inventories (Notes 4, 5 and 10)	37,640,539	8	41,179,810	9
Other financial assets - current (Notes 4, 13 and 29)	6,604,939	2	6,362,957	1
Other current assets	988,788	-	1,073,255	-
Total current assets	63,791,939	14	65,977,147	14
NONCURRENT ASSETS				
Available-for-sale financial assets - noncurrent (Notes 4, 5 and 7)	12,389,861	3	18,094,873	4
Derivative financial assets for hedging - noncurrent (Notes 4 and 8)	36,205	-	61,858	-
Debt investments with no active market - noncurrent (Notes 4 and 11)	1,818,091	-	2,646,000	1
Investments accounted for using equity method (Notes 3, 4, 12 and 28)	200,381,399	43	181,520,724	39
Property, plant and equipment (Notes 4, 14, 28 and 29)	175,420,761	38	185,285,861	40
Investment properties (Notes 4, 15 and 28)	7,163,037	1	6,502,328	1
Intangible assets	65,736	-	76,971	-
Deferred tax assets (Notes 4, 5 and 24)	3,140,979	1	3,984,551	1
Refundable deposits (Note 4)	44,083	-	33,699	-
Other financial assets - noncurrent (Notes 4 and 13)	148,307	-	65,580	-
Total noncurrent assets	400,608,459	86	398,272,445	86
TOTAL	$464,400,398	100	$464,249,592	100

LIABILITIES AND EQUITY	December 31, 2015 Amount	%	December 31, 2014 (Restated) Amount	%
CURRENT LIABILITIES				
Short-term borrowings and bank overdraft (Notes 16, 28 and 29)	$ 11,466,879	3	$ 7,293,715	1
Short-term bills payable (Note 16)	12,847,014	3	1,899,630	-
Derivative financial liabilities for hedging - current (Notes 4 and 8)	26,497	-	11,497	-
Accounts payable	2,057,194	-	3,469,515	1
Accounts payable - related parties (Note 28)	357,453	-	890,942	-
Other payables (Notes 18 and 28)	11,956,612	3	15,076,462	3
Current tax liabilities (Note 24)	822,723	-	2,886,183	1
Provisions - current (Notes 4, 5 and 19)	1,699,678	-	1,459,275	-
Current portion of bonds payable (Note 17)	4,649,075	1	8,148,376	2
Current portion of long-term bank borrowings (Notes 16 and 29)	9,087,829	2	7,827,211	2
Other current liabilities	2,943,340	1	3,035,637	1
Total current liabilities	57,914,294	13	51,998,443	11
NONCURRENT LIABILITIES				
Derivative financial liabilities for hedging - noncurrent (Notes 4 and 8)	17	-	748	-
Bonds payable (Note 17)	72,847,061	16	77,485,410	17
Long-term bank borrowings (Notes 16 and 29)	24,276,027	5	15,113,123	3
Deferred tax liabilities (Notes 4 and 24)	10,925,638	2	11,185,715	2
Net defined benefit liabilities (Notes 4, 5 and 20)	4,057,302	1	3,791,555	1
Other noncurrent liabilities	59,240	-	-	-
Total noncurrent liabilities	112,165,285	24	107,576,551	23
Total liabilities	170,079,579	37	159,574,994	34
EQUITY (Notes 4 and 21)				
Share capital				
Ordinary shares	157,348,610	34	157,348,610	34
Preference shares	382,680	-	382,680	-
Total share capital	157,731,290	34	157,731,290	34
Capital surplus	37,612,027	8	37,217,876	8
Retained earnings				
Legal reserve	59,173,907	12	56,957,880	13
Special reserve	27,132,983	6	27,086,283	6
Unappropriated earnings	13,323,848	3	24,106,715	5
Total retained earnings	99,630,738	21	108,150,878	24
Other equity	7,924,408	2	10,162,015	2
Treasury shares	(8,577,644)	(2)	(8,587,461)	(2)
Total equity	294,320,819	63	304,674,598	66
TOTAL	$464,400,398	100	$464,249,592	100

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

(With Deloitte & Touche audit report dated March 25, 2016)

CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2015		2014 (Restated)	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4, 22 and 28)	$ 160,909,464	100	$ 205,159,602	100
OPERATING COSTS (Notes 10 and 28)	148,511,291	92	183,377,897	89
GROSS PROFIT	12,398,173	8	21,781,705	11
REALIZED (UNREALIZED) GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	225,679	-	(293,861)	-
REALIZED GROSS PROFIT	12,623,852	8	21,487,844	11
OPERATING EXPENSES				
Selling and marketing expenses	2,633,416	2	2,956,375	1
General and administrative expenses	3,217,154	2	3,599,912	2
Research and development expenses	1,618,945	1	1,706,970	1
Total operating expenses	7,469,515	5	8,263,257	4
PROFIT FROM OPERATIONS	5,154,337	3	13,224,587	7
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 23 and 28)	1,068,481	1	1,215,965	-
Other gains and losses (Notes 23 and 28)	1,643,968	1	(564,785)	-
Finance costs (Notes 23 and 28)	(1,886,133)	(1)	(1,984,712)	(1)
Share of the profit of subsidiaries and associates	2,335,661	1	11,765,028	6
Total non-operating income and expenses	3,161,977	2	10,431,496	5
PROFIT BEFORE INCOME TAX	8,316,314	5	23,656,083	12
INCOME TAX EXPENSE (Notes 4, 5 and 24)	711,593	-	1,523,949	1
NET PROFIT FOR THE YEAR	7,604,721	5	22,132,134	11
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 21 and 24)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	(163,686)	-	1,661,090	1

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CHINA STEEL CORPORATION

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

	For the Year Ended December 31			
	2015		2014 (Restated)	
	Amount	%	Amount	%
Share of the other comprehensive income of subsidiaries and associates	$ (158,219)	-	$ (23,046)	-
Income tax benefit (expense) relating to items that will not be reclassified subsequently to profit or loss	27,827	-	(282,385)	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	393,288	-	1,018,234	1
Unrealized gain and losses on available-for-sale financial assets	(2,344,410)	(2)	100,022	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(1,360)	-	135,763	-
Share of the other comprehensive income of subsidiaries and associates	(285,356)	-	975,223	-
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	231	-	(23,080)	-
Other comprehensive income (loss) for the year, net of income tax	(2,531,685)	(2)	3,561,821	2
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 5,073,036	3	$ 25,693,955	13
EARNINGS PER SHARE (Note 25)				
Basic	$ 0.49		$ 1.43	
Diluted	$ 0.49		$ 1.42	

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

(With Deloitte & Touche audit report dated March 25, 2016) (Concluded)

CHINA STEEL CORPORATION

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

	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 Gains and Losses on Available-for-sale Financial Assets	The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedges	Total Other Equity	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2014	$ 154,255,840	$ 382,680	$ 36,960,818	$ 55,359,726	$ 26,920,871	$ 16,348,240	$ (659,689)	$ 8,603,167	$ 12,375	$ 7,955,853	$ (8,496,974)	$ 289,687,054
Effect of retrospective application and retrospective restatement (Note 3)	-	-	-	-	-	(27,533)	-	-	-	-	-	(27,533)
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
Appropriation of 2013 earnings (Note 21)												
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)
Cash dividends to preference shareholders - NT$1.2 per share	-	-	-	-	-	(45,922)	-	-	-	-	-	(45,922)
Share dividends to ordinary shareholders - NT$0.2 per share	3,085,117	-	-	-	-	(3,085,117)	-	-	-	-	-	-
Share dividends to preference shareholders - NT$0.2 per share	7,653	-	-	-	-	(7,653)	-	-	-	-	-	-
Reversal of special reserve	-	-	-	-	(854)	854	-	-	-	-	-	-
Net profit for the year ended December 31, 2014	-	-	-	-	-	22,132,134	-	-	-	-	-	22,132,134
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	1,355,659	1,392,158	680,187	133,817	2,206,162	-	3,561,821
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	23,487,793	1,392,158	680,187	133,817	2,206,162	-	25,693,955
Purchase of the Corporation's shares by subsidiaries	-	-	-	-	-	-	-	-	-	-	(90,487)	(90,487)
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	218,053	-	-	-	-	-	-	-	-	218,053
Adjustment from changes in equity of subsidiaries and associates	-	-	39,005	-	-	(1,618)	-	-	-	-	-	37,387
BALANCE AT DECEMBER 31, 2014 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
Appropriation of 2014 earnings (Note 21)												
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)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)
Reversal of special reserve	-	-	-	-	(349)	349	-	-	-	-	-	-
Net profit for the year ended December 31, 2015	-	-	-	-	-	7,604,721	-	-	-	-	-	7,604,721
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(294,078)	466,327	(2,710,006)	6,072	(2,237,607)	-	(2,531,685)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	7,310,643	466,327	(2,710,006)	6,072	(2,237,607)	-	5,073,036
Disposal of the Corporation's shares held by subsidiaries	-	-	(707)	-	-	-	-	-	-	-	9,263	8,556
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	318,021	-	-	-	-	-	-	-	-	318,021
Adjustment from changes in equity of subsidiaries and associates	-	-	76,837	-	-	(42,347)	-	-	-	-	554	35,044
BALANCE AT DECEMBER 31, 2015	$ 157,348,610	$ 382,680	$ 37,612,027	$ 59,173,907	$ 27,132,983	$ 13,323,848	$ 1,198,796	$ 6,573,348	$ 152,264	$ 7,924,408	$ (8,577,644)	$ 294,320,819

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

(With Deloitte & Touche audit report dated March 25, 2016)

CHINA STEEL CORPORATION

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

	For the Year Ended December 31	
	2015	2014 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 8,316,314	$ 23,656,083
Adjustments for:		
Depreciation expense	18,598,624	19,443,879
Amortization expense	11,071	22,750
Finance costs	1,886,133	1,984,712
Interest income	(166,372)	(183,073)
Dividend income	(222,530)	(206,682)
Share of the profit of subsidiaries and associates	(2,335,661)	(11,765,028)
Loss on disposal of property, plant and equipment	22,915	119,214
Gain on disposal of investments	(1,857,244)	(116,661)
Impairment loss recognized on financial assets	416,000	641,600
Increase in provision for loss on inventories	2,883,645	1,303,012
Unrealized (realized) gain on the transactions with subsidiaries and associates	(225,679)	293,861
Recognition of provisions	3,949,768	3,474,684
Others	249,953	(129,755)
Changes in operating assets and liabilities		
Notes receivable	142,971	(177,903)
Notes receivable - related parties	(38,990)	441,454
Accounts receivable	920,295	292,453
Accounts receivable - related parties	275,777	356,136
Other receivables	1,156,871	(687,209)
Inventories	674,674	4,173,265
Other current assets	84,467	1,921,108
Accounts payable	(1,412,321)	(1,386,758)
Accounts payable - related parties	(533,489)	(700,737)
Other payables	(1,314,346)	(1,860,467)
Provisions	(3,709,365)	(3,481,674)
Other current liabilities	(92,297)	910,187
Net defined benefit liabilities	102,061	63,390
Other noncurrent liabilities	59,240	-
Cash generated from operations	27,842,485	38,401,841
Income taxes paid	(2,163,500)	(1,216,978)
Net cash generated from operating activities	25,678,985	37,184,863
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(462,930)	(1,028,330)
Proceeds from disposal of available-for-sale financial assets	1,941,520	117,662
Proceeds from the capital reduction on available-for-sale financial assets	541,925	-
Proceeds from the capital return on investment accounted for using equity method	13,748	-

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CHINA STEEL CORPORATION

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

	For the Year Ended December 31	
	2015	**2014 (Restated)**
Proceeds from disposal of debt investments with no active market	$ 848,915	$ -
Acquisition of investment properties	(594,606)	-
Acquisition of investments accounted for using equity method	(22,533,483)	(7,681,324)
Acquisition of property, plant and equipment	(10,661,694)	(12,866,036)
Proceeds from disposal of property, plant and equipment	125,537	-
Decrease (increase) in refundable deposits	(10,384)	18,827
Increase in other receivables - loans to related parties	(660,000)	(2,910,000)
Decrease (increase) in other financial assets	(318,927)	282,203
Interest received	165,095	187,797
Dividends received from subsidiaries and associates	11,071,395	5,291,713
Other dividends received	222,530	206,682
Net cash used in investing activities	(20,311,359)	(18,380,806)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	17,530,000	12,429,522
Repayments of short-term borrowings	(13,962,453)	(12,388,733)
Increase (decrease) in short-term bills payable	10,947,384	(7,069,214)
Issuance of bonds payable	-	22,900,000
Repayments of bonds payable	(8,150,000)	(3,500,000)
Proceeds from long-term borrowings	16,683,267	6,209,166
Repayments of long-term borrowings	(6,339,917)	(14,208,929)
Decrease in long-term bills payable	-	(9,000,000)
Dividends paid	(15,784,094)	(10,842,383)
Interest paid	(1,982,364)	(1,827,768)
Net cash used in financing activities	(1,058,177)	(17,298,339)
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,309,449	1,505,718
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	213,938	(1,291,780)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 4,523,387	$ 213,938
Reconciliation of the amounts in the standalone statements of cash flows with the equivalent items reported in the standalone balance sheets as of December 31, 2015 and 2014:		
Cash and cash equivalents in the standalone balance sheets	$ 7,518,687	$ 2,603,621
Bank overdraft	(2,995,300)	(2,389,683)
Cash and cash equivalents in the standalone statements of cash flows	$ 4,523,387	$ 213,938

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

(With Deloitte & Touche audit report dated March 25, 2016) (Concluded)

CHINA STEEL CORPORATION

NOTES TO STANDALONE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The shares of the Corporation have been listed on the Taiwan Stock Exchange since December 1974. As of December 31, 2015, the Ministry of Economic Affairs ("MOEA"), Republic of China owned 20.05% of the Corporation's issued ordinary shares.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were approved by the board of directors and authorized for issue on March 25, 2016.

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 FSC.

According to Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, the Corporation 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 from 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's accounting policies:

1) 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 and associates. The Corporation applies the IFRS 12, please refer to Note 12 for related disclosures.

2) 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. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy 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 27 for more details.

3) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires 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 from 2015, the Corporation retrospectively applied the above amendments. Items which will not be 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 gains and losses 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 subsidiaries and 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 year, other comprehensive income for the year (net of income tax) and total comprehensive income for the year.

4) Revision to IAS 19 “Employee Benefits”

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 standalone balance sheet.

On initial application of the revised IAS 19, the liabilities related to cumulative employee benefit costs as of December 31, 2013 were not affected. In addition, the Corporation elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation in the standalone financial statements for the year ended December 31, 2015.

The impact on 2014 is set out below:

	As Originally Stated	**Adjustments Arising from Initial Application**	**Restated**
Impact on assets, liabilities and equity			
December 31, 2014			
Investments accounted for using equity method	$ 181,539,524	$ (18,800)	$ 181,520,724
Retained earnings	$ 108,169,678	$ (18,800)	$ 108,150,878

(Continued)

	As Originally Stated	Adjustments Arising from Initial Application	Restated
January 1, 2014			
Investments accounted for using equity method	$ 165,350,184	$ (27,533)	$ 165,322,651
Retained earnings	$ 98,628,837	$ (27,533)	$ 98,601,304
Impact on total comprehensive income for the year ended December 31, 2014			
Operating expenses	$ 8,215,262	$ 47,995	$ 8,263,257
Non-operating income and expenses	$ 10,419,792	$ 11,704	$ 10,431,496
Income tax expense	$ 1,532,108	$ (8,159)	$ 1,523,949
Net profit for the year	$ 22,160,266	$ (28,132)	$ 22,132,134
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain from defined benefit plan	$ 1,613,095	$ (1,613,095)	$ -
Remeasurements of defined benefit plan	$ -	$ 1,661,090	$ 1,661,090
Share of the other comprehensive income of subsidiaries and associates (remeasurements of defined benefit plan)	$ (20,075)	$ (2,971)	$ (23,046)
Income tax relating to items that will not be reclassified subsequently to profit or loss	$ (274,226)	$ (8,159)	$ (282,385)
Other comprehensive income for the year, net of income tax	$ 3,524,956	$ 36,865	$ 3,561,821
Total comprehensive income for the year	$ 25,685,222	$ 8,733	$ 25,693,955
Impact on earnings per share for the year ended December 31, 2014			
Basic	$ 1.43	$ -	$ 1.43
Diluted	$ 1.43	$ (0.01)	$ 1.42

(Concluded)

The impact on standalone assets, liabilities and equity as of December 31, 2015 and the standalone comprehensive income and earnings per share for the year ended December 31, 2015 is considered immaterial.

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.

b. New IFRSs in issue but not yet endorsed by the FSC

The Corporation has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Corporation should apply IFRS 15 starting January 1, 2018. As of the date the standalone financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

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
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”	To be determined by IASB
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, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date 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 to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for 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's accounting policies:

1) IFRS 9 "Financial Instruments"

   Recognition and measurement of financial assets

   With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirements for classifying financial assets are as follows.

   When the contractual cash flow of the debt instruments invested by the Corporation 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 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 considers 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 is 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

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 is a related party of the Corporation. Consequently, the Corporation is 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 13 and IAS 40 "Investment Property", were amended in this annual improvement.

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 "Financial Instruments: Presentation".

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) 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 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 satisfies a performance obligation.

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

As of the date the standalone financial statements approved by the board of directors and authorized for issue, the Corporation is in the process of estimating the impact of the impending initial application of the aforementioned and other standards and the amendments to interpretations on its 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 standalone 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 financial statements shall prevail. However, the accompanying standalone 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 standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

The standalone 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.

The subsidiaries and associates are incorporated in the standalone financial statements under the equity method. To make net profit for the year, other comprehensive income and equity in the standalone financial statements equal to those attributed to owners of the Corporation on consolidated financial statements, the effect of the differences between basis of standalone and basis of consolidation are adjusted in the investments accounted for using equity method, the related share of the profit or loss, the related share of other comprehensive income of subsidiaries and associates and related equity.

c. Classification of current and noncurrent assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the standalone financial statements are authorized for issue; and

3) Liabilities for which the Corporation does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Foreign currencies

In preparing the standalone financial statements of the Corporation, transactions in currencies other than the Corporation’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

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

For the purposes of presenting standalone financial statements, the investments of the Corporation’s foreign operations (including subsidiaries and associates operating in other countries or using currencies different from the Corporation’s) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

e. Inventories

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

f. Investments in subsidiaries

The Corporation uses the equity method to account for its investments in subsidiaries.

Subsidiary is an entity that is controlled by the Corporation. Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the subsidiary. The Corporation also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Corporation's ownership interests in subsidiaries that do not result in the Corporation losing of control over the subsidiary are accounted for as equity transaction. Differences between the carrying amounts of the investment and the fair value of consideration paid or received are directly recognized in equity.

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

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Corporation loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Corporation accounts for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Corporation had directly disposed of the related assets or liabilities.

Unrealized profits or losses on downstream transactions with subsidiaries are eliminated in the standalone financial statements. Profits and losses on transactions with subsidiaries other than downstream are recognized in standalone financial statements only to the extent of interests in the subsidiary that are not related to the Corporation.

g. Investment in associates

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

Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate. The Corporation also recognizes the changes in the share of equity of associates.

When the Corporation subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Corporation's proportionate interest in the associate. The Corporation records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus.

If the Corporation's ownership interest is reduced due to non-subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using equity method is insufficient, the shortage is debited to retained earnings.

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

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

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

When the Corporation transacts with its associates, profits or losses on these transactions are recognized in the standalone financial statements only to the extent of interests in the associate that are not related to the Corporation.

h. Property, Plant, and Equipment

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

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

Except that depreciation of the rollers (spare parts) is calculated based on their level of wear, other depreciation is recognized using the straight-line method. Each significant component is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

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

i. Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

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

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

j. Impairment of Tangible and Intangible Assets

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets held by the Corporation include available-for-sale financial assets and loans and receivables.

i Available-for-sale financial assets

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

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

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

ii Loans and receivables

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

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

b) Impairment of financial assets

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

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

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

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

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

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

c) Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

Financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Corporation enters the derivative financial instruments and foreign exchange forward contracts, to manage its exposure to foreign exchange rate risks.

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

l. Hedge Accounting

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

1) Fair value hedges

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

Hedge accounting is discontinued prospectively when the Corporation revokes the designated hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when the hedging instrument no longer meets the criteria for hedge accounting. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date the hedge accounting is discontinued. The adjustment which is based on a recalculated effective interest rate at the date amortization begins is amortized fully by maturity of the financial instrument.

2) Cash flow hedges

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

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the line item relating to the hedged item in the same period when the hedged item affects profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and are included in the initial cost of the non-financial asset or non-financial liability.

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

3) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

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

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

n. Treasury Shares

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

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

o. Revenue Recognition

1) Sale of goods

Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods are transferred to the customers as follows: domestic sales - when products are move out of the Corporation's premises for delivery to customers; exports - when products are loaded onto vessels. Revenues are recognized because the earning process is accomplished and revenue is realized or realizable.

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

2) Rendering of services

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

p. Borrowing Costs

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

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

Other than those stated above, all borrowing costs are recognized in profit or loss in the year in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

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

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 are recognized as employee benefits expense in the period they occur. 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 other equity and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Corporation's 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.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Corporation can no longer withdraw the offer of the termination benefit and when the Corporation recognizes any related restructuring costs.

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

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

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

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

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

4) According to Income Tax Law and related regulations, the Corporation files a consolidated tax return with its 100% owned subsidiary. The appropriation of the income tax relating to the subsidiary is recognized as other receivables or other payables.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Valuation of inventory

Inventories are stated at the lower of cost or net realizable value, and the Corporation uses judgment and estimate to determine the net realizable value of inventory at the end of the reporting period. Since the net realizable value of inventory is mainly determined on the basis of future selling price, it might be adjusted significantly.

b. Fair value of emerging market shares and unlisted equity securities and assets impairment

As described in Note 27, the Corporation applied valuation techniques commonly used by market practitioners to evaluate fair value of the financial instruments that do not have listed market price in an active market. The measurement for the fair value of emerging market shares and equity securities includes assumptions not based on observable market prices or interest rates; therefore, unlisted fair value may change significantly.

When there is objective evidence of impairment loss on available-for-sale financial assets and the carrying amount may not be recoverable, the Corporation takes into consideration the estimation of future cash flows, the market conditions and industry development to evaluate the impairment loss.

c. Realizability of deferred tax assets

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

d. Estimate of provisions

Provisions are measured using the cash flows estimated to settle the present obligation. If the future cash flows are more than the expectation, the amount of the provisions may be adjusted significantly.

e. Recognition and measurement of defined benefit plan

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

6. CASH AND CASH EQUIVALENTS

	December 31 2015	December 31 2014
Cash on hand	$ 20,758	$ 20,705
Checking accounts and demand deposits	6,301,057	1,745,959
Cash equivalents		
Time deposits with original maturities less than three months	1,196,872	-
Commercial papers with repurchase agreements	-	511,957
Bonds with repurchase agreements	-	325,000
	$ 7,518,687	$ 2,603,621

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31 2015	December 31 2014
Current		
Domestic investments		
Listed shares	$ 1,341,235	$ 3,920,578
Noncurrent		
Domestic investments		
Listed shares	$ 2,171,995	$ 2,339,506
Emerging market shares and unlisted shares	3,256,259	3,443,191
	5,428,254	5,782,697
Foreign investments		
Listed shares	2,223,814	1,598,713
Unlisted shares	4,737,793	5,224,665
Certificate of entitlement (Note 12)	-	5,488,798
	6,961,607	12,312,176
	$ 12,389,861	$ 18,094,873

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 unchanged. In June 2015, the Corporation transferred the aforementioned shares to its subsidiary China Steel Asia Pacific Holdings Pte. Ltd.. Please refer to Note 12 for details.

In November 2015, due to the merge of Nacional Minerios S.A. into Congonhas Minerios S.A., a newly incorporated company, the Corporation transferred its certificate of entitlement of Nacional Minerios S.A. to the shares of Congonhas Minerios S.A. and acguired 0.41% shareholding.

8. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31	
	2015	**2014**
Derivative financial assets for hedging - current		
Foreign exchange forward contracts	$ 79,125	$ 46,345
Derivative financial assets for hedging - noncurrent		
Foreign exchange forward contracts	$ 36,205	$ 61,858
Derivative financial liabilities for hedging - current		
Foreign exchange forward contracts	$ 26,497	$ 11,497
Derivative financial liabilities for hedging - noncurrent		
Foreign exchange forward contracts	$ 17	$ 748

The Corporation entered into foreign exchange forward contracts to manage cash flow risk arising from exchange rate fluctuations on foreign-currency capital expenditures and sales contracts. The outstanding foreign exchange forward contracts of the Corporation at the balance sheet date were as follows:

	Currency	**Period for Generating Cash Flows and Maturity Date**	**Contract Amount (In Thousands)**
December 31, 2015			
Buy	NTD/USD	2016.02-2018.12	NTD1,112,384/USD37,116
Buy	NTD/EUR	2016.02-2017.10	NTD961,837/EUR26,300
Sell	JPY/NTD	2016.03	JPY300,000/NTD81,675
December 31, 2014			
Buy	NTD/USD	2015.02-2018.05	NTD1,429,400/USD48,814
Buy	NTD/EUR	2015.03-2016.10	NTD908,923/EUR23,396
Buy	NTD/JPY	2015.04	NTD3,681/JPY12,150

Movements of derivative financial instruments for hedging were as follows:

	For the Year Ended December 31	
	2015	**2014**
Balance, beginning of year	$ 95,958	$ 6,971
Recognized in other comprehensive income	(13,242)	102,222
Transferred to construction in progress and equipment to be inspected	9,428	(11,860)
Transferred to operating revenues	(6,103)	(1,375)
Transferred to construction contract	2,775	-
Balance, end of year	$ 88,816	$ 95,958

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

	December 31 2015	December 31 2014
Notes receivable - operating	$ 641,775	$ 744,671
Notes receivable - non-operating	-	1,085
	641,775	745,756
Less: Allowance for doubtful accounts	-	-
	$ 641,775	$ 745,756
Accounts receivable	$ 1,589,872	$ 2,785,944
Less: Allowance for doubtful accounts	-	-
	$ 1,589,872	$ 2,785,944

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 notes and accounts receivable, the corporation considered any change in the credit quality of the notes and accounts receivable since the date credit was initially granted to the end of the reporting period. If not collected after demanding, the past due notes and accounts receivable would be fully recognized with allowance for doubtful accounts.

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

The aging analysis of notes and accounts receivable was as follows (the past due notes and accounts receivable were unimpaired):

	December 31 2015	December 31 2014
Not past due	$ 2,115,323	$ 3,514,624
1-30 days	90,538	17,076
31-60 days	2,969	-
61-180 days	22,817	-
	$ 2,231,647	$ 3,531,700

Above analysis was based on the past due date.

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

The related information for the Corporation's sale of accounts receivable was as follows. Advances received at year-end denominated in US Dollars were converted to NT Dollars at the closing rate.

Counterparty	Advances Received at Year - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Year - End	Interest Rate on Advances Received (%)	Credit Line
For the Year Ended December 31, 2015						
Mega Bank	$ 3,674,474	$ 8,669,361	$ 9,601,721	$ 2,742,114	1.14-1.51	NT$ 9 billion
Bank of Taiwan	1,736,174	3,855,241	4,334,619	1,256,796	1.15-1.51	NT$ 3 billion
Bank of Taiwan	357,521	3,044,488	2,616,614	785,395	1.46-1.56	USD 0.1 billion
Taishin Bank	-	2,008,681	830,597	1,178,084	1.28-1.35	USD 60 million
CTBC Bank	-	118,633	-	118,633	1.34	USD 30 million
	$ 5,768,169	$ 17,696,404	$ 17,383,551	$ 6,081,022		
For the Year Ended December 31, 2014						
Mega Bank	$ 3,412,342	$ 10,045,791	$ 9,783,659	$ 3,674,474	1.26-1.51	NT$ 9 billion
Bank of Taiwan	1,432,364	4,152,520	3,848,710	1,736,174	1.26-1.51	NT$ 3 billion
Bank of Taiwan	-	690,151	332,630	357,521	1.49-1.93	USD 0.1 billion
	$ 4,844,706	$ 14,888,462	$ 13,964,999	$ 5,768,169		

10. INVENTORIES

	December 31	
	2015	2014
Finished goods	$ 7,469,599	$ 9,668,199
Work in progress	11,277,168	14,030,578
Raw materials	11,511,625	9,648,505
Supplies	4,259,504	3,861,327
Raw materials and supplies in transit	3,029,857	3,781,460
By-products	92,786	189,741
	$ 37,640,539	$ 41,179,810

The cost of inventories recognized as operating costs for the years ended December 31, 2015 and 2014 was NT$145,200,189 thousand and NT$179,744,905 thousand, respectively.

Movements of provision for loss on inventories were as follows:

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 4,372,965	$ 3,069,953
Add: Recognized	10,080,202	6,930,407
Less: Sold	7,196,557	5,627,395
Balance, end of year	$ 7,256,610	$ 4,372,965

11. DEBT INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	December 31	
	2015	2014
Unlisted preference shares - overseas		
East Asia United Steel Corporation (EAUS) - Preference A	$ 1,818,091	$ 2,646,000

In May 2003, the Corporation signed a slab production joint-venture contract with Sumitomo Metal Industries, Ltd. (renamed as Nippon Steel & Sumitomo Metal Corp. in October 2012) and Sumitomo Corporation. In July 2003, the joint venture company EAUS was established. The Corporation invested JPY10 billion in EAUS to acquired 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 Chung Hung Steel Corporation Ltd. (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. The amount of royalty income for the years ended December 31, 2015 and 2014 was NT$115,658 thousand and NT$152,833 thousand, respectively (recognized as other income). As of December 31, 2015 and 2014, the amount of royalty receivables was NT$31,527 thousand and NT$40,520 thousand (recognized as other receivables).

In April 2015, the Corporation sold 3,333 shares of preference A of EAUS to Nippon Steel & Sumitomo Metal Corp. amounted to JPY 3.333 billion. Loss on disposal of the above transaction is considered immaterial.

12. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2015	2014
Investments in subsidiaries	$ 196,956,155	$ 179,262,416
Investments in associates	3,425,244	2,258,308
	$ 200,381,399	$ 181,520,724

a. Investments in subsidiaries

	December 31			
	2015		2014	
	Amount	% of Owner - ship	Amount	% of Owner - ship
Listed companies				
Chung Hung Steel Corporation Ltd. (CHSC)	$ 3,185,392	41	$ 3,607,149	41
China Steel Chemical Corporation (CSCC)	2,003,375	29	2,228,791	29
China Steel Structure Co., Ltd. (CSSC)	1,410,151	33	1,338,289	33
China Ecotek Corporation (CEC)	1,267,207	45	1,402,241	45
CHC Resources Corporation (CHC)	804,861	20	823,204	20
	8,670,986		9,399,674	
Less: Shares held by subsidiaries accounted for as treasury shares	2,044,682		2,048,252	
	6,626,304		7,351,422	
Unlisted companies				
Dragon Steel Corporation (DSC)	97,585,417	100	102,297,301	100
China Steel Asia Pacific Holdings Pte. Ltd. (CSAPH)	30,191,571	100	4,615,574	100
CSC Steel Australia Holdings Pty. Ltd. (CSCAU)	16,772,503	100	17,588,830	100
China Steel Express Corporation (CSE)	10,872,594	100	11,676,384	100
C. S. Aluminum Corporation (CSAC)	9,218,405	100	9,805,560	100
China Steel Sumikin Vietnam Joint Stock Company (CSVC)	7,551,639	56	7,984,717	51
Gains Investment Corporation (GIC)	7,241,995	100	7,617,707	100

(Continued)

	December 31			
	2015		2014	
	Amount	% of Owner - ship	Amount	% of Owner - ship
China Prosperity Development Corporation (CPDC)	$ 4,155,720	100	$ 4,126,853	100
China Steel Global Trading Corporation (CSGT)	2,962,214	100	3,109,922	100
China Steel Corporation India Pvt. Ltd. (CSCI)	2,848,099	100	3,518,570	100
China Steel Machinery Corporation (CSMC)	1,638,156	74	1,468,863	74
Kaohsiung Rapid Transit Corporation (KRTC)	1,260,321	43	1,227,413	43
China Steel Resources Corporation (CSRC)	986,382	100	977,632	100
Info-Champ Systems Corporation (ICSC)	940,267	100	855,879	100
CSC Precision Metal Industrial Corporation (CSCPM)	871,991	100	874,763	100
White Biotech Corporation (WBC)	808,390	87	-	-
China Steel Security Corporation (CSS)	541,985	100	543,993	100
Himag Magnetic Corporation (HMC)	390,199	70	134,903	50
China Steel Management Consulting Corporation (CSMCC)	24,965	100	25,339	100
	196,862,813		178,450,203	
Less: Shares held by subsidiaries accounted for as treasury shares	6,532,962		6,539,209	
	190,329,851		171,910,994	
	$ 196,956,155		$ 179,262,416	

(Concluded)

In June 2015, the Corporation transferred its shares of Formosa Ha Tinh (Cayman) Limited (originally recognized as available-for-sale financial assets, with 5% shareholding) with cash payment to CSAPH, which increased its investment in CSAPH by NT$5,240,353 thousand (USD174,284 thousand). In 2014, the Corporation invested NT$234,710 thousand (USD7,850 thousand) in CSAPH, with the percentage of ownership unchanged.

In February 2015, the Corporation's board of directors approved investing USD939,135 thousand to acquire 20% shareholding of Formosa Ha Tinh (Cayman) Limited, which will increase the total shareholding from 5% to 25%, through its subsidiary CSAPH. In 2015, the Corporation continually invested additional NT$19,919,652 thousand (USD614,900 thousand) in CSAPH. In August 2015, the subsidiary CSAPH then invested USD610,000 thousand in Formosa Ha Tinh (Cayman) Limited and increased the total shareholding from 5% to 19%.

In 2014, the Corporation continually invested additional NT$3,452,185 thousand (AUD126,599 thousand) in CSCAU with the ownership remained unchanged. The purpose of the investment was for investment in Roy Hill Holdings Pty. Ltd. and ArcelorMittal Mines Canada Inc.

In 2014, the Corporation continually invested additional NT$1,838,309 thousand (USD60,060 thousand) in CSCI with the ownership remained unchanged.

In 2014, the Corporation continually invested NT$981,120 thousand in CSRC and acquired 100% shareholding. The main business of the company is waste and disposal handling.

In 2014, the Corporation invested NT$872,500 thousand in CSCPM and acquired 100% shareholding. The main business of the company is secondary steel processing.

In July 2015, the Corporation invested additional NT$783,749 thousand (USD25,526 thousand) to acquire 45,920 thousand common shares of CSVC, which increased the total shareholding from 51% to 56%.

In July 2015, the Corporation invested additional NT$229,216 thousand to acquire 9,966 thousand common share of Himag Magnetic Corp., which increased the total shareholding from 50% to 70%.

In July 2015, the Corporation increased investment in WBC by NT$800,000 thousand and acquired 80,000 thousand common shares, which increased the total shareholding from 18% to 87%. As the result, the investment in WBC was reclassified from investments in associates to investments in subsidiary. Refer to Note 30 of the consolidated financial statements for the year ended December 31, 2015 for detail.

Fair values (Level 1) of the listed companies accounted for using equity method with available published price quotation are summarized as follows:

	December 31	
	2015	**2014**
CSCC	$ 7,325,835	$ 10,662,013
CEC	$ 3,290,352	$ 3,777,812
CHSC	$ 2,767,697	$ 4,317,608
CHC	$ 2,679,562	$ 3,159,015
CSSC	$ 1,286,540	$ 1,835,064

The above market prices are calculated on the basis of the closing price at the end of the reporting period.

b. Investments in associates

	December 31			
	2015		**2014**	
	Amount	**% of Owner - ship**	**Amount**	**% of Owner - ship**
Eminent II Venture Capital Corporation (EVCC Ⅱ)	$ 823,683	46	$ 704,647	46
Honley Auto. Parts Co., Ltd. (HAPC)	778,319	49	284,726	30
Taiwan Rolling Stock Co., Ltd. (TRSCL)	609,393	36	-	-
Kaohsiung Arena Development Corporation (KADC)	485,389	18	482,234	18
Hsin Hsin Cement Enterprise Corp. (HHCEC)	363,181	31	375,923	31
Dyna Rechi Co., Ltd. (DRC)	350,588	25	378,885	28
TaiAn Technologies Corporation (TTC)	14,691	17	13,547	17
White Biotech Corporation (WBC)	-	-	18,346	18
	$ 3,425,244		$ 2,258,308	

In June 2015, the Corporation increased NT$260,866 thousand investment in TRSCL and acquired 24,610 thousand common shares, which increased the total shareholding from 19% to 36%. As the result, the investment in TRSCL was reclassified from available-for-sale financial assets to investments in associates.

The Corporation continually invested NT$285,000 thousand in 2014 to acquire 30% shareholding in HAPC and invested additional NT$540,000 thousand in 2015, which increased the total shareholding from 30% to 49%. HAPC mainly engages in the manufacture and sale of auto parts.

The above associates are not individually material. The related summarized information was as follows:

	For the Year Ended December 31	
	2015	2014
The Corporation's share of		
Net profit for the year	$ 32,703	$ 13,543
Other comprehensive income	118,325	154,127
Total comprehensive income	$ 151,028	$ 167,670

The Corporation's total equity in KADC is 29%, including 18% directly owned and 11% indirectly owned through United Steel Construction Corporation and CPDC. The Corporation's total equity in TTC is 22%, including 17% directly owned and 5% indirectly owned through CSCC.

The above investments accounted for using equity method and the Corporation's share of profit and other comprehensive income were based on the audited financial statements of the subsidiaries and associates for the same reporting period.

13. OTHER FINANCIAL ASSETS

	December 31	
	2015	2014
Current		
Pledged time deposits (Note 29)	$ 5,650,000	$ 5,650,000
Hedging foreign-currency deposits	854,939	612,957
Time deposits with original maturities more than three months	100,000	100,000
	$ 6,604,939	$ 6,362,957
Noncurrent		
Deposits for projects	$ 148,307	$ 65,580

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation purchased foreign-currency deposits and entered into foreign exchange forward contracts (Note 8). As of December 31, 2015 and 2014, the balance of the foreign-currency deposits, which were designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT$854,939 thousand (USD18,625 thousand and EUR6,789 thousand) and NT$612,957 thousand (USD19,234 thousand and EUR110 thousand). As of December 31, 2015 and 2014, cash outflows would be expected from aforementioned contracts for the period from 2016 to 2019 and 2015, respectively.

Movements of hedging foreign-currency deposits were as follows:

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 612,957	$ 857,381
Increase (Decrease)	236,200	(291,200)
Recognized in other comprehensive income	9,789	46,791
Transferred to construction in progress and equipment to be inspected	(4,007)	(15)
Balance, end of year	$ 854,939	$ 612,957

14. PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2015

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost									
Balance at January 1, 2015	$ 48,187,066	$ 4,716,932	$ 64,616,352	$ 348,041,441	$ 1,963,248	$ 5,647,564	$ 6,922,694	$ 7,702,062	$ 487,797,359
Additions	998,366	-	225,308	2,388,855	125,908	412,614	731,170	4,065,858	8,948,079
Disposals	-	-	(2,326)	(1,479,202)	(42,230)	(206,606)	(706,379)	(125,537)	(2,562,280)
Reclassification	(74,073)	-	(16,199)	(255,297)	60	255,975	-	-	(89,534)
Balance at December 31, 2015	$ 49,111,359	$ 4,716,932	$ 64,823,135	$ 348,695,797	$ 2,046,986	$ 6,109,547	$ 6,947,485	$ 11,642,383	$ 494,093,624
Accumulated depreciation									
Balance at January 1, 2015	$ -	$ 4,334,698	$ 29,576,411	$ 259,651,550	$ 1,485,919	$ 4,704,612	$ 2,758,308	$ -	$ 302,511,498
Depreciation expense	-	57,994	2,029,282	15,080,697	128,257	412,640	866,937	-	18,575,807
Disposals	-	-	(1,349)	(1,460,926)	(41,840)	(203,334)	(706,379)	-	(2,413,828)
Reclassification	-	-	(614)	-	-	-	-	-	(614)
Balance at December 31, 2015	$ -	$ 4,392,692	$ 31,603,730	$ 273,271,321	$ 1,572,336	$ 4,913,918	$ 2,918,866	$ -	$ 318,672,863
Carrying amount at December 31, 2015	$ 49,111,359	$ 324,240	$ 33,219,405	$ 75,424,476	$ 474,650	$ 1,195,629	$ 4,028,619	$ 11,642,383	$ 175,420,761

For the Year Ended December 31, 2014

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Construction in Progress and Equipment to be Inspected	Total
Cost									
Balance at January 1, 2014	$ 49,035,948	$ 4,716,200	$ 60,654,671	$ 328,691,258	$ 1,950,341	$ 5,453,126	$ 7,151,303	$ 23,139,145	$ 480,791,992
Additions	-	732	4,084,022	23,774,867	177,645	408,503	731,411	(15,426,237)	13,750,943
Disposals	-	-	(21,602)	(4,528,060)	(164,738)	(214,065)	(867,490)	-	(5,795,955)
Reclassification	(848,882)	-	(100,739)	103,376	-	-	(92,530)	(10,846)	(949,621)
Balance at December 31, 2014	$ 48,187,066	$ 4,716,932	$ 64,616,352	$ 348,041,441	$ 1,963,248	$ 5,647,564	$ 6,922,694	$ 7,702,062	$ 487,797,359
Accumulated depreciation									
Balance at January 1, 2014	$ -	$ 4,275,237	$ 27,576,688	$ 248,246,726	$ 1,526,876	$ 4,539,265	$ 2,604,546	$ -	$ 288,769,338
Depreciation expense	-	59,461	2,021,436	15,820,915	123,558	374,439	1,021,252	-	19,421,061
Disposals	-	-	(19,553)	(4,416,091)	(164,515)	(209,092)	(867,490)	-	(5,676,741)
Reclassification	-	-	(2,160)	-	-	-	-	-	(2,160)
Balance at December 31, 2014	$ -	$ 4,334,698	$ 29,576,411	$ 259,651,550	$ 1,485,919	$ 4,704,612	$ 2,758,308	$ -	$ 302,511,498
Carrying amount at December 31, 2014	$ 48,187,066	$ 382,234	$ 35,039,941	$ 88,389,891	$ 477,329	$ 942,952	$ 4,164,386	$ 7,702,062	$ 185,285,861

The following 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
Wall	20-40 years
Disposal site	7 years
Buildings	
Main structure	15-60 years
Facility	8-40 years
Mechanical and electrical facilities	7-20 years
Trellis and corrugated iron building	7-10 years
Road	7-8 years
Machinery and equipment	
Power equipment	15-25 years
Process equipment	8-15 years
Lifting equipment	8-10 years
Electrical equipment	5-15 years
High-temperature equipment	5-16 years
Examination equipment	3-10 years

(Continued)

Transportation	
Railway equipment	8-20 years
Telecommunication equipment	5-12 years
Transportation equipment	4-10 years
Other equipment	
Office, air condition and extinguishment equipment	4-10 years
Computer equipment	3-10 years

(Concluded)

Refer to Note 29 for the carrying amount of property, plant and equipment that had been pledged by the Corporation to secure borrowings.

15. INVESTMENT PROPERTIES

For the Year Ended December 31, 2015

	Land	Buildings	Total
Cost			
Balance at January 1, 2015	$ 5,461,545	$ 1,213,528	$ 6,675,073
Additions	594,606	-	594,606
Transferred from property, plant and equipment	74,073	15,461	89,534
Balance at December 31, 2015	$ 6,130,224	$ 1,228,989	$ 7,359,213
Accumulated depreciation			
Balance at January 1, 2015	$ -	$ 172,745	$ 172,745
Depreciation expense	-	22,817	22,817
Transferred from property, plant and equipment	-	614	614
Balance at December 31, 2015	$ -	$ 196,176	$ 196,176
Carrying amount at December 31, 2015	$ 6,130,224	$ 1,032,813	$ 7,163,037

For the Year Ended December 31, 2014

	Land	Buildings	Total
Cost			
Balance at January 1, 2014	$ 4,612,663	$ 1,112,789	$ 5,725,452
Transferred from property, plant and equipment	849,205	182,603	1,031,808
Transferred to property, plant and equipment	(323)	(81,864)	(82,187)
Balance at December 31, 2014	$ 5,461,545	$ 1,213,528	$ 6,675,073
Accumulated depreciation			
Balance at January 1, 2014	$ -	$ 147,767	$ 147,767
Depreciation expense	-	22,818	22,818
Transferred from property, plant and equipment	-	20,966	20,966

(Continued)

	Land	Buildings	Total
Transferred to property, plant and equipment	$ -	$ (18,806)	$ (18,806)
Balance at December 31, 2014	$ -	$ 172,745	$ 172,745
Carrying amount at December 31, 2014	$ 5,461,545	$ 1,040,783	$ 6,502,328

(Concluded)

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

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

The Corporation participated in "Qianzhen Residential Building Project" conducted by the subsidiary CPDC and signed the land sales agreements with its employees. According to the agreements, payment for the land received from employees were deposited in the Bank of Taiwan and recognized as other financial assets - noncurrent while other noncurrent liabilities were recognized, simultaneously.

The fair value of the investment properties was arrived at on the basis of valuation carried out on January 2013, September 2013, December 2014, April 2015 and December 2015 by independent appraisers, who are not related parties. Lands were valued under market approach, income approach and land developing analysis approach. Buildings were evaluated using Level 3 inputs under market approach, cost approach and income approach. The important assumptions and fair value were as follows:

	December 31	
	2015	2014
Fair value	$ 16,926,954	$ 15,689,058
Depreciation rate (%)	1.90-3.60	1.90-3.60
Discount rate (%)	0.99-2.56	0.99-2.18

All of the Corporation's investment properties were held under freehold interests.

16. BORROWINGS

a. Short-term borrowings and bank overdraft

	December 31	
	2015	2014
Unsecured loans - interest at 0.42%-0.44% p.a. and 0.64%-0.65% p.a. as of December 31, 2015 and 2014, respectively	$ 7,400,000	$ 4,000,000
Bank overdraft (Note 29) - interest at 0.35%-0.85% p.a. and 0.43%-0.88% p.a. as of December 31, 2015 and 2014, respectively	2,995,300	2,389,683
Loans from related parties (Note 28) - interest at 0.48%-0.50% p.a. and 0.68% p.a. as of December 31, 2015 and 2014, respectively	830,000	500,000
Letters of credit - interest at 0.45% p.a. and 0.41%-0.61% p.a. as of December 31, 2015 and 2014, respectively	241,579	404,032
	$ 11,466,879	$ 7,293,715

b. Short-term bills payable

	December 31	
	2015	2014
Commercial paper - interest at 0.29%-0.43% p.a. and 0.59%-0.60% p.a. as of December 31, 2015 and 2014, respectively	$ 12,850,000	$ 1,900,000
Less: Unamortized discounts	2,986	370
	$ 12,847,014	$ 1,899,630

The above commercial paper was unsecured.

c. Long-term borrowings

	December 31	
	2015	2014
Bank loans		
Due on various dates through December 2018, interest at 0.40%-3.59% p.a. and 0.38%-3.98% p.a. as of December 31, 2015 and 2014, respectively	$ 22,555,348	$ 20,273,667
Mortgage loans (Note 29)		
Bank of Taiwan		
Repayable in 6 equal semiannual installments from July 2012 (NT$16 billion), interest at 1.36% p.a. as of December 31, 2014	-	2,666,667
Syndicated bank loans		
Banks of Taiwan and other banks		
Repayable in several installments from February 2020 (USD 180,000 thousand), interest at 1.72% p.a. as of December 31, 2015	5,908,500	-
Mizuho Bank and other banks		
Repayable in August 2018 (USD 150,000 thousand), interest at 1.38%-1.42% p.a. as of December 31, 2015	4,923,750	-
	33,387,598	22,940,334
Less: Syndicated loan fee	23,742	-
Current portion	9,087,829	7,827,211
	$ 24,276,027	$ 15,113,123

In July and August 2015, the Corporation entered into syndicated credit facility agreements with Bank of Taiwan along with 11 other banks and Mizuho Bank along with 6 other banks for USD500,000 thousand and USD150,000 thousand unsecured non-revolving credit lines, respectively. Under the agreements, 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 above syndicated bank loans were obtained by the Corporation to hedge the exchange rate fluctuations on equity investments in CSAPH.

The amount of USD722,740 thousand, JPY10.38 billion and AUD284,876 thousand (NT$33,387,598 thousand), which is included in the above bank loans and syndicated bank loans as of December 31, 2015 and the amount of USD292,740 thousand, JPY13.714 billion and AUD284,876 thousand

(NT$20,273,667 thousand), which is included in the above bank loans as of December 31, 2014 were used to hedge the exchange rate fluctuations on equity investments in EAUS, CSCAU, CSVC, CSAPH and on the available-for-sale financial assets in Maruichi Steel Tube Ltd. and Yodogawa Steel Works, Ltd.

17. BONDS PAYABLE

	December 31	
	2015	2014
5-year unsecured bonds - issued at par in:		
October 2011; repayable in October 2015 and October 2016; interest at 1.36% p.a., payable annually	$ 4,650,000	$ 9,300,000
7-year unsecured bonds - issued at par in:		
December 2008; repayable in December 2014 and December 2015; interest at 2.30% p.a., payable annually	-	3,500,000
October 2011; repayable in October 2017 and October 2018; interest at 1.57% p.a., payable annually	10,400,000	10,400,000
August 2012; repayable in August 2018 and August 2019; interest at 1.37% p.a., payable annually	5,000,000	5,000,000
July 2013; repayable in July 2019 and July 2020; interest at 1.44% p.a., payable annually	6,300,000	6,300,000
January 2014; repayable in January 2020 and January 2021; interest at 1.75% p.a., payable annually	6,900,000	6,900,000
10-year unsecured bonds - issued at par in:		
August 2012; repayable in August 2021 and August 2022; interest at 1.50% p.a., payable annually	15,000,000	15,000,000
July 2013; repayable in July 2022 and July 2023; interest at 1.60% p.a., payable annually	9,700,000	9,700,000
January 2014; repayable in January 2023 and January 2024; interest at 1.95% p.a., payable annually	7,000,000	7,000,000
15-year unsecured bonds - issued at par in:		
July 2013; repayable 30% in July 2026 and July 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	3,600,000	3,600,000
January 2014; repayable 30% in January 2027 and January 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	9,000,000	9,000,000
	77,550,000	85,700,000
Less: Issuance cost of bonds payable	53,864	66,214
Current portion	4,649,075	8,148,376
	$ 72,847,061	$ 77,485,410

18. OTHER PAYABLES

	December 31	
	2015	2014
Salaries and incentive bonus	$ 3,369,980	$ 2,628,863
Purchase of equipment	2,724,080	4,534,200
Sales returns and discounts	1,821,580	883,761
Interest payable	832,528	832,254

(Continued)

	December 31	
	2015	2014
Outsourced repair and construction	$ 538,778	$ 1,238,336
Employee remuneration (Bonus to employees) and remuneration to directors and supervisors	335,479	1,615,235
Others	2,334,187	3,343,813
	$ 11,956,612	$ 15,076,462

(Concluded)

19. PROVISIONS - CURRENT

	December 31	
	2015	2014
Onerous contracts (a)	$ 1,699,678	$ 1,459,275
Sales discounts (b)	-	-
	$ 1,699,678	$ 1,459,275

	Onerous Contracts	Sales Discounts	Total
Balance at January 1, 2015	$ 1,459,275	$ -	$ 1,459,275
Recognized	3,424,768	525,000	3,949,768
Paid	(3,184,365)	(525,000)	(3,709,365)
Balance at December 31, 2015	$ 1,699,678	$ -	$ 1,699,678
Balance at January 1, 2014	$ 1,466,265	$ -	$ 1,466,265
Recognized	2,742,412	732,272	3,474,684
Paid	(2,749,402)	(732,272)	(3,481,674)
Balance at December 31, 2014	$ 1,459,275	$ -	$ 1,459,275

a. The provision for onerous contracts represents the present value of the future payments that the Corporation was 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 sales discounts, recognized as a reduction of operating revenues, represents the annual rewards estimated on the basis of historical experience, management's judgments and other known reasons.

20. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation 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 makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The Corporation 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 makes 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. Before the end of each year, the Corporation assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Corporation is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Corporation has no right to influence the investment policy and strategy. Starting from August 1999, the Corporation has also made contributions, equal to a certain percentage of salaries of management personnel (vice president above), to another pension fund, which are deposited and administered by the officers' pension fund management committee. The Corporation has also set up rules of consolation payment and holiday benefits, which are defined benefit plans.

The amount of defined benefit plans included in the standalone balance sheets was as follows:

	December 31	
	2015	**2014**
Present value of defined benefit obligation	$ 23,883,562	$ 23,770,963
Fair value of plan assets	(19,750,838)	(19,871,893)
Deficit	4,132,724	3,899,070
Net defined benefit liabilities - recognized in other payables	(75,422)	(107,515)
Net defined benefit liabilities	$ 4,057,302	$ 3,791,555

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**
Balance at January 1, 2015	$ 23,770,963	$ (19,871,893)	$ 3,899,070
Service cost			
Current service cost	659,370	-	659,370
Interest expense (income)	377,052	(321,344)	55,708
Recognized in profit or loss	1,036,422	(321,344)	715,078
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(210,518)	(210,518)
Actuarial loss - changes in demographic assumptions	148	-	148
Actuarial loss - changes in financial assumptions	13,729	-	13,729
Actuarial loss - experience adjustments	360,327	-	360,327
Recognized in other comprehensive income	374,204	(210,518)	163,686

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Contributions from the employer	$ -	$ (591,929)	$ (591,929)
Benefits paid	(1,317,819)	1,263,609	(54,210)
Contributions of employee returning to the corporation	19,792	(18,763)	1,029
	(1,298,027)	652,917	(645,110)
Balance at December 31, 2015	$ 23,883,562	$ (19,750,838)	$ 4,132,724
Balance at January 1, 2014	$ 25,162,766	$ (19,600,874)	$ 5,561,892
Service cost			
Current service cost	746,027	-	746,027
Interest expense (income)	366,003	(287,972)	78,031
Recognized in profit or loss	1,112,030	(287,972)	824,058
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(177,925)	(177,925)
Actuarial loss - changes in demographic assumptions	8,568	-	8,568
Actuarial loss - changes in financial assumptions	192,576	-	192,576
Actuarial gain - experience adjustments	(1,684,309)	-	(1,684,309)
Recognized in other comprehensive income	(1,483,165)	(177,925)	(1,661,090)
Contributions from the employer	-	(757,378)	(757,378)
Benefits paid	(1,032,967)	964,555	(68,412)
Contributions of employee returning to the corporation	12,299	(12,299)	-
	(1,020,668)	194,878	(825,790)
Balance at December 31, 2014	$ 23,770,963	$ (19,871,893)	$ 3,899,070

(Concluded)

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

	For the Year Ended December 31 2015	For the Year Ended December 31 2014
Operating costs	$ 510,405	$ 540,835
Operating expenses	204,234	282,013
Others	439	1,210
	$ 715,078	$ 824,058

Through the defined benefit plans under the Labor Standards Law, the Corporation is 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 obligations were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	**2014**
Discount rate (%)	1.250	1.625
Expected rate of salary increase (%)	1.875	2.250
Turnover rate (%)	0.100-0.200	0.100-0.300

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2015
Discount rates	
0.25% increase	$ (379,383)
0.25% decrease	$ 390,518
Expected rates of salary increase	
0.25% increase	$ 380,192
0.25% decrease	$ (371,234)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	**2014**
The expected contributions to the plan for the next year	$ 529,410	$ 715,078
The average duration of the defined benefit obligation	6.8 years	7.4 years

21. EQUITY

a. Share capital

	December 31	
	2015	2014
Numbers of shares authorized (in thousands)	17,000,000	17,000,000
Shares authorized	$ 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
Preference shares (in thousands)	38,268	38,268
	15,773,129	15,773,129
Shares issued		
Ordinary shares	$ 157,348,610	$ 157,348,610
Preference shares	382,680	382,680
	$ 157,731,290	$ 157,731,290

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 December 31, 2015 and 2014, the outstanding depositary receipts were 1,323,346 units and 1,841,908 units, equivalent to 26,467,230 ordinary shares (including 310 fractional shares) and 36,838,470 ordinary shares (including 310 fractional shares), which represented 0.17% and 0.23 % of the outstanding ordinary shares, respectively.

b. Capital surplus

	December 31	
	2015	**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
Treasury share transactions	6,022,977	5,705,663
Others	8,099	8,099
	37,185,842	36,868,528
May be used to offset deficits only (see 2 below)		
Share of change in equity of subsidiaries	418,043	345,624
Share of change in equity of associates	8,142	3,724
	$ 37,612,027	$ 37,217,876

1) The capital surplus could be used to offset a deficit and distribute as cash dividends or transfer 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 share dividends, propose to appropriate a special reserve or to retain certain earnings. These proposals should be submitted to the shareholders' meeting for approval.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Corporation's board of directors in December 2015 and are subject to the resolution of the shareholders in their meeting to be held in 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to f. Employee benefits in Note 23.

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", the Corporation should appropriate or reverse a special reserve. 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 to 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 in June 2015 and 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
			$ 1.0	$ 0.9

The appropriations of earnings for 2015 had been proposed by the Corporation's board of directors on March 25, 2016. The appropriations and dividends per share were as follows:

	Appropriations of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 760,472	
Special reserve	2,654,116	
Preference shares		
Cash dividends	53,575	$ 1.4
Ordinary shares		
Cash dividends	7,867,430	$ 0.5

The appropriations of earnings for 2015 are subject to the resolution of the shareholders' meeting to be held in June 2016.

Information on the bonus to employees (employees remuneration) and remuneration to directors and supervisors resolved by the shareholders, is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 27,086,283	$ 26,920,871
Appropriation in respect of		
The difference between market value and carrying amount of the Corporation's shares held by subsidiaries	47,049	166,266
Reversal of special reserve		
Disposal of property, plant and equipment	(349)	(854)
Balance, end of year	$ 27,132,983	$ 27,086,283

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 732,469	$ (659,689)
Exchange differences arising on translating the net assets of foreign operations	165,080	1,077,665
Gain or loss on hedging instruments designated in hedges of the net assets of foreign operations	228,208	(59,431)
Share of exchange difference of subsidiaries and associates accounted for using the equity method	73,039	373,924
Balance, end of year	$ 1,198,796	$ 732,469

2) Unrealized gains and losses on available-for-sale financial assets

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 9,283,354	$ 8,603,167
Unrealized loss on available-for-sale financial assets	(903,166)	(424,917)
Reclassified to profit or loss on disposal of available-for-sale financial assets	(1,857,244)	(116,661)
Impairment loss on available-for-sale financial assets	416,000	641,600
Share of unrealized gains and losses on available-for-sale financial assets of subsidiaries and associates accounted for using the equity method	(365,596)	580,165
Balance, end of year	$ 6,573,348	$ 9,283,354

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

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 146,192	$ 12,375
Fair value changes of hedging instruments	(3,453)	149,013
Income tax relating to fair value changes	587	(25,332)
Fair value changes of hedging instruments transferred to profit or loss	(6,103)	(1,375)
Income tax relating to amounts transferred to profit or loss	1,038	234
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	8,196	(11,875)
Income tax relating to amounts transferred to adjust carrying amount of hedged items	(1,394)	2,018
Share of cash flow hedge of subsidiaries and associates accounted for using the equity method	7,201	21,134
Balance, end of year	$ 152,264	$ 146,192

f. Treasury shares

	Thousand Shares			December 31	
Purpose of Treasury Shares	**Beginning of Year**	**Addition**	**Reduction**	**Thousand Shares**	**Book Value**
For the year ended December 31, 2015					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	318,369	47	380	318,036	$ 8,577,644
For the year ended December 31, 2014					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	308,545	9,824	-	318,369	$ 8,587,461

The Corporation's shares acquired and held by subsidiaries for the purpose of investment are accounted for as treasury shares (subsidiaries recorded those shares as available-for-sale financial assets - current and available-for-sale financial assets - noncurrent). The Corporation's shares held by more than 50%-owned subsidiaries are not allowed to participate in the Corporation's capital increase in cash and have no voting rights; other rights are the same as other 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 year ended December 31, 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 December 31, 2015 and 2014, the market values of the treasury shares calculated by combined holding percentage were NT$5,710,213 thousand and NT$8,374,146 thousand, respectively.

22. OPERATING REVENUES

	For the Year Ended December 31	
	2015	2014
Revenue from the sale of goods	$ 156,105,004	$ 199,607,615
Revenue from the rendering of services	1,810,123	1,959,416
Other revenues	2,994,337	3,592,571
	$ 160,909,464	$ 205,159,602

23. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

a. Other income

	For the Year Ended December 31	
	2015	2014
Rental income	$ 307,160	$ 266,824
Dividend income	222,530	206,682
Interest income	166,372	183,073
Royalty income	116,158	152,935
Remuneration to directors and supervisors assigned to the subsidiaries	11,781	127,776
Others	244,480	278,675
	$ 1,068,481	$ 1,215,965

b. Other gains and losses

	For the Year Ended December 31	
	2015	2014
Net foreign exchange gain	$ 503,659	$ 402,207
Gain on disposal of investments	1,857,244	116,661
Impairment loss on financial assets	(416,000)	(641,600)
Loss on disposal of property, plant and equipment	(22,915)	(119,214)
Other losses	(278,020)	(322,839)
	$ 1,643,968	$ (564,785)

The components of net foreign exchange gain were as follows:

	For the Year Ended December 31	
	2015	2014
Foreign exchange gain	$ 1,503,934	$ 1,564,496
Foreign exchange loss	(1,000,275)	(1,162,289)
Net exchange gain	$ 503,659	$ 402,207

c. Finance costs

	For the Year Ended December 31	
	2015	**2014**
Interest of bonds payable	$ 1,427,072	$ 1,493,168
Interest of short-term borrowings and bank overdraft	485,165	669,923
Interest of bills payable	56,778	66,960
Total interest expense for financial liabilities measured at amortized cost	1,969,015	2,230,051
Other interest expense	13,623	-
Less: Amounts included in the cost of qualifying assets	96,505	245,339
	$ 1,886,133	$ 1,984,712

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2015	**2014**
Capitalized amounts	$ 96,505	$ 245,339
Capitalized annual rates (%)	1.30-1.62	1.39-1.70

d. Depreciation and amortization

	For the Year Ended December 31	
	2015	**2014**
Property, plant and equipment	$ 18,575,807	$ 19,421,061
Investment properties	22,817	22,818
Intangible assets	11,071	22,750
	$ 18,609,695	$ 19,466,629
Analysis of depreciation by function		
Operating costs	$ 17,703,229	$ 18,543,632
Operating expenses	872,218	876,709
Others	23,177	23,538
	$ 18,598,624	$ 19,443,879
Analysis of amortization by function		
Operating costs	$ 11,012	$ 22,627
Operating expenses	59	123
	$ 11,071	$ 22,750

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2015	**2014**
Direct operating expenses of investment properties that generated rental income	$ 49,877	$ 48,050

f. Employee benefits

	For the Year Ended December 31	
	2015	2014
Short-term employee benefits		
Salaries	$ 14,819,975	$ 17,258,409
Labor and health insurance	960,389	935,694
Others	450,019	544,002
	16,230,383	18,738,105
Post-employment benefits (Note 20)		
Defined contribution plans	180,150	158,199
Defined benefit plans	715,078	824,058
	895,228	982,257
Termination benefits	68,817	54,252
	$ 17,194,428	$ 19,774,614
Analysis by function		
Operating costs	$ 14,208,736	$ 16,072,740
Operating expenses	2,826,380	3,521,274
Others	159,312	180,600
	$ 17,194,428	$ 19,774,614

The existing Articles of Incorporation of the Corporation stipulate to distribute bonus to employees and remuneration to directors and supervisors at the certain rate after offsetting the deficit, if any. For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were NT$1,587,490 thousand and NT$29,765 thousand, respectively. To be in compliance with the Company Act as amended in May 2015, the amended Articles of Incorporation of the Corporation proposed in December 2015 stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 0.1% and no higher than 0.15%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were NT$330,925 thousand and NT$6,205 thousand, respectively, representing 3.82% and 0.07%, respectively, of the base net profit. The employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2015 have been proposed by the Corporation's board of directors on March 25, 2016 and will be reported to the shareholders after the amended Articles of Incorporation are resolved in shareholders' meeting to be held in June 2016.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual standalone 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 standalone financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors (distributed all in cash) for 2014 and 2013 which have been approved in the shareholders' meetings on June 2015 and 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	$ -	$ -	$ -	$ -

As of December 31, 2015 and 2014, the Corporation's number of employees were 10,251 and 10,107, respectively.

24. INCOME TAX

a. Income tax recognized in profit or loss

The major components of income tax were as follows:

	For the Year Ended December 31	
	2015	**2014**
Current tax		
In respect of the current year	$ 305,780	$ 2,458,974
Income tax on unappropriated earnings	542,755	28,052
In respect of prior years	(748,584)	(686,789)
Deferred tax		
In respect of the current year	(59,337)	(574,687)
In respect of prior years	663,516	285,849
Write-down in the current year	7,463	12,550
	$ 711,593	$ 1,523,949

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

	For the Year Ended December 31	
	2015	**2014**
Profit before income tax	$ 8,316,314	$ 23,656,083
Income tax expense calculated at the statutory rate	$ 1,413,773	$ 4,021,534
Non-deductible expenses in determining taxable income	19,805	33,934
Other permanent differences	40,347	(1,371)
Tax-exempt income	(1,064,788)	(2,167,287)
Income tax on unappropriated earnings	542,755	28,052
Investment credits in respect of the current year	(162,694)	(2,523)

(Continued)

	For the Year Ended December 31	
	2015	2014
Adjustments for prior years' tax in respect of the current year	$ (85,068)	$ (400,940)
Write-down of deferred tax assets	7,463	12,550
Income tax expense recognized in profit or loss	$ 711,593	$ 1,523,949

(Concluded)

The applicable tax rate used above is the corporate tax rate of 17% payable by the Corporation.

As the status of appropriations of earnings for 2015 is uncertain, the potential income tax consequences of 2015 unappropriated earnings are not reliably determinable.

b. Income tax recognized directly in equity

	For the Year Ended December 31	
	2015	2014
Current tax		
Reversal of special reserve due to disposal of property, plant and equipment	$ 89	$ 216
Deferred tax		
Reversal of special reserve due to disposal of property, plant and equipment	(89)	(216)
	$ -	$ -

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

	For the Year Ended December 31	
	2015	2014
Fair value changes of cash flow hedges	$ (587)	$ 25,332
Fair value changes of hedging instruments in cash flow hedges transferred to profit or loss	(1,038)	(234)
Remeasurement on defined benefit plan	(27,827)	282,385
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	1,394	(2,018)
	$ (28,058)	$ 305,465

d. Current tax

	December 31	
	2015	2014
Current tax liabilities		
Income tax payable	$ 822,723	$ 2,886,183

e. Deferred tax assets and liabilities

Movements of deferred tax assets and liabilities were as follows:

For the Year Ended December 31, 2015

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Balance, end of year
Deferred tax assets					
Temporary differences					
Unrealized loss on inventories	$ 743,404	$ 490,220	$ -	$ -	$ 1,233,624
Defined benefit pension plan	662,842	11,894	27,827	-	702,563
Impairment loss on financial assets	511,881	(468,531)	-	-	43,350
Provision	248,076	40,869	-	-	288,945
Unrealized gain on the transactions with subsidiaries and associates	163,508	(38,365)	-	-	125,143
Unrealized settlement loss on foreign exchange forward for hedging	101,686	(7,881)	-	-	93,805
Estimated preferential severance pay	42,910	(13,921)	-	-	28,989
Foreign investment loss	-	264,405	-	-	264,405
Others	70,595	(11,460)	-	-	59,135
	2,544,902	267,230	27,827	-	2,839,959
Investment credits	1,439,649	(1,138,629)	-	-	301,020
	$ 3,984,551	$ (871,399)	$ 27,827	$ -	$ 3,140,979
Deferred tax liabilities					
Temporary differences					
Land value increment tax	$ 10,011,916	$ -	$ -	$ -	$ 10,011,916
Difference between tax reporting and financial reporting - depreciation methods	888,050	(105,667)	-	-	782,383
Foreign investment income	162,814	(162,814)	-	-	-
Unrealized exchange gains, net	49,880	2,111	-	-	51,991
Unrealized gain on revaluation increment	33,021	-	-	(89)	32,932
Unrealized gain on cash flow hedge	25,078	-	(231)	-	24,847
Others	14,956	6,613	-	-	21,569
	$ 11,185,715	($259,757)	$ (231)	$ (89)	$ 10,925,638

For the Year Ended December 31, 2014

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Balance, end of year
Deferred tax assets					
Temporary differences					
Defined benefit pension plan	$ 945,521	$ (294)	$ (282,385)	$ -	$ 662,842
Impairment loss on financial assets	402,809	109,072	-	-	511,881
Unrealized loss on inventories	521,892	221,512	-	-	743,404
Provision	249,265	(1,189)	-	-	248,076
Unrealized gain on the transactions with subsidiaries and associates	113,552	49,956	-	-	163,508
Unrealized settlement loss on foreign exchange forward for hedging	105,013	(3,327)	-	-	101,686
Estimated preferential severance pay	66,400	(23,490)	-	-	42,910
Others	81,068	(10,473)	-	-	70,595
	2,485,520	341,767	(282,385)	-	2,544,902
Investment credits	1,728,042	(288,393)	-	-	1,439,649
	$ 4,213,562	$ 53,374	$ (282,385)	$ -	$ 3,984,551
Deferred tax liabilities					
Temporary differences					
Land value increment tax	$ 10,011,916	$ -	$ -	$ -	$ 10,011,916
Difference between tax reporting and financial reporting - depreciation methods	993,717	(105,667)	-	-	888,050

(Continued)

	Balance, beginning of year	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Balance, end of year
Foreign investment income	$ 283,924	$ (121,110)	$ -	$ -	$ 162,814
Unrealized exchange gains, net	45,522	4,358	-	-	49,880
Unrealized gain on revaluation increment	33,237	-	-	(216)	33,021
Unrealized gain on cash flow hedge	1,998	-	23,080	-	25,078
Others	15,451	(495)	-	-	14,956
	$ 11,385,765	$ (222,914)	$ 23,080	$ (216)	$ 11,185,715

(Concluded)

f. Information about unused investment credits

As of December 31, 2015, investment credits were comprised of:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	$ 139,933	2016
Statute for Encouragement of Private Participation in Transportation Infrastructure Projects	Transportation Infrastructure	$ 161,087	2019

g. Integrated income tax

	December 31	
	2015	2014
Unappropriated earnings		
Generated before January 1, 1998	$ 15,954	$ 15,954
Generated on and after January 1, 1998	13,307,894	24,090,761
	$ 13,323,848	$ 24,106,715
Imputation credit accounts (“ICA”)	$ 1,247,908	$ 515,798

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 2015 and 2014 earnings was 15.75% (estimated) and 20.03%, 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 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

h. Income tax assessments

The Corporation’s income tax returns through 2010 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. In February 2016, the Corporation’s administrative appeal was dismissed by Kaohsiung High Administrative Court and the Corporation filed an appeal to Supreme Administrative

Court against the judgment. However, the Corporation has recognized the related additional tax payable in prior year.

25. EARNINGS PER SHARE

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

Net profit for the year

	For the Year Ended December 31	
	2015	2014
Net profit for the year	$ 7,604,721	$ 22,132,134
Less: Dividends on preference shares	53,575	53,575
Net profit used in computation of basic earnings per share	7,551,146	22,078,559
Add: Dividends on preference shares	-	53,575
Earnings used in computation of diluted earnings per share	$ 7,551,146	$ 22,132,134

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

	For the Year Ended December 31	
	2015	2014
Weighted average number of ordinary shares in computation of basic earnings per share	15,416,780	15,418,145
Effect of dilutive potential ordinary shares:		
Bonus to employees (Employees remuneration)	49,883	85,274
Convertible preference shares	-	38,268
Weighted average number of ordinary shares used in computation of diluted earnings per share	15,466,663	15,541,687

Preference shares were not included in the calculation of diluted earnings per share for the year ended December 31, 2015 because of their anti-dilutive effect.

Since the Corporation is allowed to settle the bonus (remuneration) paid to employees by cash or shares, the Corporation presumes that the entire amount of the bonus (remuneration) 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, as 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.

26. CAPITAL MANAGEMENT

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

Except for Note 16, the Corporation is not subject to any externally imposed capital requirements.

27. FINANCIAL INSTRUMENTS

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

The management believes the carrying amounts of financial instruments that are not measured at fair value, such as cash and cash equivalent, receivables and payables approximate their fair values.

b. Fair value of financial instruments that are measured at fair value

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
December 31, 2015				
Available-for-sale financial assets				
Domestic listed shares	$ 3,513,230	$ -	$ -	$ 3,513,230
Foreign listed shares	2,223,814	-	-	2,223,814
Domestic emerging market shares and unlisted shares	-	-	3,256,259	3,256,259
Foreign unlisted shares	-	-	4,737,793	4,737,793
	$ 5,737,044	$ -	$ 7,994,052	$ 13,731,096
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 115,330	$ -	$ 115,330
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 26,514	$ -	$ 26,514
December 31, 2014				
Available-for-sale financial assets				
Domestic listed shares	$ 6,260,084	$ -	$ -	$ 6,260,084
Foreign listed shares	1,598,713	-	-	1,598,713
Domestic emerging market shares and unlisted shares	-	-	3,443,191	3,443,191
Foreign unlisted shares	-	-	5,224,665	5,224,665
Certificate of entitlement	-	-	5,488,798	5,488,798
	$ 7,858,797	$ -	$ 14,156,654	$ 22,015,451
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 108,203	$ -	$ 108,203
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 12,245	$ -	$ 12,245

There was no transfer between Level 1 and Level 2 for the years ended December 31, 2015 and 2014.

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

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 14,156,654	$ 15,345,100
Recognized in profit or loss - other gains and losses		
Realized	(404,683)	(641,600)
Recognized in other comprehensive income - unrealized loss on available-for-sale financial assets	(225,462)	(291,499)
Purchases	462,930	1,028,330
Disposal	(275,261)	-
Capital reduction	(541,925)	-
Reclassification	(5,178,201)	-
Transfer out of Level 3	-	(1,283,677)
Balance, end of year	$ 7,994,052	$ 14,156,654

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

Derivative instruments - A discounted cash flow analysis was performed using the applicable yield curve for the duration of the derivative instruments for foreign exchange forward contracts. The estimates and assumptions used by the Corporation were consistent with those that market participants would use in setting a price for the financial instrument.

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.

	December 31, 2015
Long-term revenue growth rate (%)	-
Long-term pre-tax operating income rate (%)	22.60
Discount rate (%)	8.00

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:

	December 31, 2015
Discount rate	
Increase 1%	$ (186,562)
Decrease 1%	$ 238,551

c. Categories of financial instruments

	December 31	
	2015	2014
Financial assets		
Derivative instruments in designated hedge accounting relationships	$ 115,330	$ 108,203
Loans and receivables (see 1 below)	25,752,733	22,502,438
Available-for-sale financial assets	13,731,096	22,015,451
Financial liabilities		
Derivative instruments in designated hedge accounting relationships	26,514	12,245
Measured at amortized cost (see 2 below)	150,911,682	138,770,795

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 (including loans to related parties), debts 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 bank borrowings and deposits received.

d. Financial risk management objectives and policies

The Corporation places great emphasis on financial risk management. By tracking and managing the market risk, credit risk, and liquidity risk efficiently, the management ensured that the Corporation was 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 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 did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

The Corporation was exposed to foreign currency risk due to sales, purchases, construction undertaking, 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 at the end of the reporting period were referred to Note 32.

The Corporation was mainly exposed to the currencies USD and AUD. The following table details the sensitivity to a 1% increase in NTD against the relevant foreign currencies.

	USD Impact			AUD Impact		
	For the Year Ended December 31			For the Year Ended December 31		
	2015	2014		2015	2014	
Pre-tax profit or loss	$ (48,903)	$ 13,397	i	$ (125)	$ (40)	i
Pre-tax equity	231,126	86,565	ii	76,722	73,797	ii

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

ii. 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 was exposed to interest rate risk because the Corporation borrowed funds at both fixed and floating interest rates. The risk is managed by the Corporation by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	December 31	
	2015	2014
Fair value interest rate risk		
Financial liabilities	$ 90,343,150	$ 87,533,416
Cash flow interest rate risk		
Financial liabilities	44,830,735	30,234,049

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation's pre-tax profit for the years ended December 31, 2015 and 2014 would have been lower/higher by NT$448,307 thousand and NT$302,340 thousand, respectively.

c) Other price risk

The Corporation was exposed to equity price risk through its investments in domestic and foreign listed shares.

If equity prices had been 1% higher/lower, the pre-tax other comprehensive income for the years ended December 31, 2015 and 2014 would have been higher/lower by NT$57,370 thousand and NT$78,588 thousand, respectively, as a result of the fair value changes of available-for-sale financial assets.

2) Credit risk

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

The Corporation does not expect significant credit risk because the counterparties are creditworthy financial institutions and companies. The Corporation did transactions with a large number of unrelated customers and no concentration of credit risk was observed.

As of December 31, 2015, the maximum credit risk of off-balance-sheet guarantees provided to subsidiaries and investees of co-investment for procurement and investment compliance was NT$10,317,501 thousand.

3) Liquidity risk

The management of the Corporation 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's 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.

December 31, 2015	**Less Than 1 Year**	**1-5 Years**	**Over 5 Years**	**Total**
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 13,538,731	$ -	$ -	$ 13,538,731
Variable interest rate liabilities	21,174,863	24,951,943	-	46,126,806
Fixed interest rate liabilities	19,509,114	29,319,520	50,501,531	99,330,165
Financial guarantee liabilities	6,214,376	4,103,125	-	10,317,501
	$ 60,437,084	$ 58,374,588	$ 50,501,531	$ 169,313,203
December 31, 2014				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 18,604,665	$ -	$ -	$ 18,604,665
Variable interest rate liabilities	15,593,454	15,529,085	-	31,122,539
Fixed interest rate liabilities	12,214,763	27,775,074	57,967,700	97,957,537
Financial guarantee liabilities	5,651,586	7,190,395	-	12,841,981
	$ 52,064,468	$ 50,494,554	$ 57,967,700	$ 160,526,722

The amounts included above for financial guarantee contracts were the maximum amounts the Corporation 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 end of the reporting period, the Corporation considers that it is more likely than not that none of the amount will be payable under the arrangement.

28. TRANSACTIONS WITH RELATED PARTIES

a. Operating revenues

Account Items	Related Parties Types	For the Year Ended December 31 2015	2014
Revenue from sales of goods	Subsidiaries	$ 21,182,392	$ 16,998,594
	The Corporation as key management personnel of other related parties	2,490,444	3,007,860
	Supervisors of the Corporation	1,472,772	1,757,099
	Associates of the Corporation	540,277	619,163
		$ 25,685,885	$ 22,382,716

Sales to related parties were made under normal terms applied to similar transactions in the market except for terms of sales to CSCI and CSVC which were telegraphic transfer within about 90 days after shipment date, for terms of sales to Qingdao China Steel Precision Metals Co., Ltd. which was telegraphic transfer within about 60 days after shipment date and term of sales to some subsidiaries without similar transactions with other unrelated parties.

b. Purchase of goods

Related Parties Types	For the Year Ended December 31 2015	2014
Subsidiaries	$ 22,095,079	$ 37,869,306
Associates of the Corporation	146,385	153,546
Others	-	314,126
	$ 22,241,464	$ 38,336,978

Purchased from related parties were made under normal terms applied to similar transactions in the market except for terms of purchases from some subsidiaries without similar transactions with other unrelated parties.

c. Receivables from related parties (not including loans to related parties)

Account Items	Related Parties Types	December 31 2015	2014
Notes and accounts receivable	Subsidiaries	$ 670,196	$ 923,856
	The Corporation key management personnel of other related parties	198,399	198,076

(Continued)

Account Items	Related Parties Types	December 31 2015	2014
	Supervisors of the Corporation	$ 16,550	$ -
		$ 885,145	$ 1,121,932

(Concluded)

No guarantee had been received for receivables from related parties. For the years ended December 31, 2015 and 2014, no impairment loss was recognized for receivables from related parties.

d. Payables to related parties (not including loans from related parties)

Account Items	Related Parties Types	December 31 2015	2014
Accounts payable	Subsidiaries	$ 340,304	$ 866,839
	Associates of the Corporation	17,149	24,103
		$ 357,453	$ 890,942

The outstanding accounts payable to related parties are unsecured.

e. Loans to related parties (recognized as other receivables - loans to related parties)

Related Parties Types	December 31 2015	2014
Subsidiaries	$ 5,890,000	$ 5,230,000

The Corporation provided short-term loans to its subsidiaries, with the interest rate calculated at the latest 30-day average rate of the Corporation’s short-term loans in the same currencies from ordinary financial institutions. As of December 31, 2015 and 2014, the interest rate was 0.47%-0.48% p.a. and 0.68% p.a., respectively.

Loans to the Corporation’s subsidiaries were unsecured loans with interest income of NT$63,627 thousand and NT$61,207 thousand for the years ended December 31, 2015 and 2014, respectively.

f. Loans from related parties (recognized as short-term borrowings and bank overdraft)

Related Parties Types	December 31 2015	2014
Subsidiaries	$ 830,000	$ 500,000

The rate of loans from subsidiaries is calculated at the latest 30-day average rate of the Corporation’s short-term loans in the same currencies from ordinary financial institutions and adjusted based on the circumstances. As of December 31, 2015 and 2014, the interest rate was 0.48%-0.50% p.a. and 0.68% p.a., respectively.

Loans from the Corporation’s subsidiaries were unsecured loans and with interest expense of NT$5,433 thousand and NT$3,413 thousand for the years ended December 31, 2015 and 2014, respectively.

g. Disposal of property, plant and equipment

The Corporation sold property, plant and equipment to its subsidiary, with the disposal price of NT$125,537 thousand. The price was agreed by the Corporation and its subsidiary with no disposal gains or losses recognized.

h. Acquisition of financial assets - for the year ended December 31, 2015

Related Parties Types	**Account Item**	**Number of Shares (In Thousands)**	**Investee**	**Price**
The Corporation as key management personnel of other related parties	Investments accounted for using equity method	24,610	TRSCL	$ 260,866

The acquisition price is based on the net value of TRSCL.

i. Other related parties transactions

1) The Corporation signed brokerage contract with its subsidiaries. For the years ended December 31, 2015 and 2014, the commission revenue was NT$402,563 thousand and NT$458,858 thousand, respectively.

   The balances of consignment payable from related parties, which are recognized as other payables, were as follows:

Related Parties Types	**December 31**	
	2015	**2014**
Subsidiaries	$ 21,639	$ 662,266

2) Other revenues which pertained to services, processing of products, utilities, construction, royalties and other services to related parties were recognized as operating revenues and non-operating income and expenses as follows:

Related Parties Types	**For the Year Ended December 31**	
	2015	**2014**
Subsidiaries	$ 1,114,021	$ 2,124,053
The Corporation as key management personnel of other related parties	590,326	862,460
Others	3,685	29,314
	$ 1,708,032	$ 3,015,827

3) Other expenditures paid to related parties which pertained to commissions for processing services, maintenance and repairs, commissions for export and import services, etc. were recognized as operating costs, manufacturing expenses, operating expenses and non-operating income and expenses.

Related Parties Types	For the Year Ended December 31 2015	2014
Subsidiaries	$ 6,195,287	$ 6,512,877
Others	28,523	29,629
	$ 6,223,810	$ 6,542,506

4) Capital expenditures

Related Parties Types	For the Year Ended December 31 2015	2014
Subsidiaries	$ 3,638,832	$ 6,424,290

The balances of outsourced repair and construction payable (recognized as other payables) were as follows:

	December 31 2015	2014
Subsidiaries	$ 1,067,877	$ 789,463

5) The Corporation participated "Qianzhen residential building project" conducted by the subsidiary CPDC, who provided and sold the lands for the above project. In June 2015, referring to the appraisal report provided by a real estate appraiser, the Corporation bought the lands from the subsidiary CPDC with NT$594,105 thousand and recognized as investment properties.

6) As of December 31, 2015 and 2014, guarantees provided to the related parties for procurement and investment compliance were NT$10,317,501 thousand and NT$10,406,558 thousand, respectively.

j. Compensation of key management personnel

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

	For the Year Ended December 31 2015	2014
Short-term employee benefits	$ 64,451	$ 92,742
Post-employment benefits	1,337	2,286
	$ 65,788	$ 95,028

29. ASSETS PLEDGED AS COLLATERAL OR SECURITY

As of December 31, 2015 and 2014, time deposits pledged as collateral for bank overdraft and performance guarantees, etc. were both NT$5,650,000 thousand. As of December 31, 2014, land pledged as collateral for long-term bank borrowings was NT$18,875,450 thousand.

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Corporation as of December 31, 2015 were as follows:

a. The Corporation provided letters of credits for NT$3,207,824 thousand guaranteed by Mega International Commercial Bank, the Shanghai Commercial and Saving Bank, the United Overseas Bank of Singapore and the Land Bank of Taiwan for several construction and lease contracts.

b. Unused letters of credit for importation of materials and machinery amounted to NT$4.5 billion.

c. Property purchase and construction contracts for NT$3.3 billion were signed but not yet recorded.

d. The Corporation entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, Mozambique, Russia, Japan, Philippines, Vietnam, Indonesia and domestic companies with contract terms of 1 to 10 years. Contracted annual purchases of 7,060,000 metric tons of coal, 14,940,000 metric tons of iron ore, and 2,220,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of December 31, 2015 were USD 2.172 billion (including 8,730,000 metric tons of coal, 33,200,000 metric tons of iron ore, and 680,000 metric tons of limestone).

e. In December 2011, the subsidiary CHSC entered into a syndicated credit facility agreement with Bank of Taiwan and 11 other banks for NT$16 billion credit line. Under the agreement, the Corporation and its related parties should collectively hold at least 30% of CHSC's issued shares and control CHSC's operation. As of December 31, 2015, the Corporation held 41% equity of CHSC and held over half of the seats in the board of directors and controlled its operations.

f. 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; in February 2008, DSC entered into another syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT$51.7 billion credit line. Under the agreements, the Corporation should hold at least 80% and 40% of DSC's issued shares and hold half or more of the seats in the board of directors. As of December 31, 2015, the Corporation held 100% equity of DSC and held all of the seats in the board of directors.

g. 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. In addition, the subsidiary CSVC continually entered into short-term financing contracts with Standard Chartered Bank and other banks for totaling USD56,000 thousand credit line. Under the agreements, the Corporation should hold at least 51% of CSVC's issued shares and hold half or more of the seats in the board of directors. As of December 31, 2015, the Corporation held 56% equity of CSVC and over half of the seats in the board of directors.

h. In May 2014, March 2014 and January 2013, the subsidiary CSCI entered into short-term financing contracts with CTBC Bank for USD27,000 thousand and INR0.4 billion credit lines and with Credit Agricole Corporate and Investment Bank for USD25,000 thousand credit line, entered into a syndicated credit facility agreement with CTBC Bank and 9 other banks for a USD110,000 thousand credit line. Under the agreements, the Corporation should hold at least 75%, 60% and 75% of CSCI's issued shares and hold two-thirds, half and 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. As of December 31, 2015 the Corporation held 100% equity of CSCI and held all of the seats in the board of directors.

i. Starting from November 2014, the subsidiary Changzhou China Steel Precision Materials Corporation (CCSPMC) entered into several credit facility agreements with CTBC Bank, Taipei Fubon Bank and several banks for total amount of USD42,400 thousand. Under the agreements, the Corporation and its subsidiaries should collectively hold over 70% of the CCSPMC's equity and 75% of the seats in the board of directors and supervisors. As of December 31, 2015, the subsidiary CSAPH held 70% equity of CCSPMC and three-quarters of the seats in the board of directors and supervisors.

j. In April 2014, the subsidiary Qingdao China Steel Precision Metal Co., Ltd. entered into comprehensive credit agreements with Credit Agricole Corporate and Investment Bank and Mega International Commercial Bank for USD10,000 thousand credit lines, respectively. Under the agreements, the Corporation and its subsidiaries should collectively hold at least 70% and 50% of the QCSPMC's issued shares and 70% and 50% of the seats in the board of directors. As of December 31, 2015, the subsidiaries CSAPH and CSGT collectively held 70% equity of QCSPMC and four-fifths of the seats in the board of directors.

k. In August 2014, the associate Chang-Chun Ceck Auto. Parts Co., Ltd. (CCCA) entered into a credit facility agreement with CTBC 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 December 31, 2015, the Corporation indirectly held 38% equity of CCCA and one seat in the board of directors.

l. In November 2014, the associate HAPC entered into a credit facility agreement with Shanghai Commercial and Savings Bank for a NT$225,000 thousand factory building loan commitment and a JPY56,500 thousand import loan commitment transferred from credit. Under the agreements, 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 December 31, 2015, the Corporation held 49% equity of HAPC and two seats in the board of directors.

m. Starting from March 2015, the subsidiary United Steel Engineering and Construction Co., Ltd. entered into short-term financing contracts with CTBC Bank, HSBC Bank (Taiwan), Standard Chartered Bank (China) and ANZ Bank (China) for USD10,000 thousand, USD10,000 thousand, USD8,000 thousand and USD10,000 thousand credit lines. Under the agreements, the Corporation and its subsidiaries should collectively 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 December 31, 2015, the subsidiary CSAPH and CSGT collectively held 100% equity of United Steel Engineering and Construction Co., Ltd. and all of the seats in the board of directors.

n. Guarantees provided to related parties and investees of co-investment for procurement and investment compliances were NT$10,317,501 thousand (USD292,558 thousand and MYR94,283 thousand) (Note 28).

31. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In January 2016, the subsidiary CSAPH invested USD329,135 thousand in Formosa Ha Tinh (Cayman) Limited, with the total shareholding increased from 19% to 25%. As the result, the investment in Formosa Ha Tinh (Cayman) Limited was reclassified from available-for-sale financial assets to investments accounted for using equity method.

32. 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 the exchange rates between foreign currencies and respective functional currencies were disclosed.

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

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands of New Taiwan Dollars)
December 31, 2015			
Monetary financial assets			
USD	$ 233,671	32.8250	$ 7,669,950
JPY	6,987,924	0.2727	1,905,607
AUD	524	23.9850	12,517
Non-monetary financial assets			
Available-for-sales financial assets			
JPY	8,154,800	0.2727	2,223,814
USD	60,420	32.8250	1,983,286
MYR	236,080	7.3425	1,733,416
KRW	36,337,771	0.0281	1,021,091
Investments accounted for using equity method			
USD	1,149,832	32.8250	37,743,210
AUD	725,295	23.9850	16,772,503
INR	5,742,134	0.4960	2,848,099
Monetary financial liabilities			
USD	788,787	32.8250	25,892,268
AUD	319,876	23.9850	7,672,234
JPY	10,534,508	0.2727	2,872,760
December 31, 2014			
Monetary financial assets			
USD	96,388	31.6500	3,050,671
JPY	10,722,200	0.2646	2,837,094
AUD	162	25.9050	4,208
Non-monetary financial assets			
Available-for-sales financial assets			
USD	256,422	31.6500	8,115,748
JPY	6,042,000	0.2646	1,598,713
MYR	178,360	8.6920	1,550,304
KRW	35,870,250	0.0292	1,047,411
Investments accounted for using equity method			
AUD	678,974	25.9050	17,588,830
USD	402,136	31.6500	12,600,291
INR	7,025,898	0.5008	3,518,570
Monetary financial liabilities			
USD	412,221	31.6500	13,046,825
AUD	284,884	25.9050	7,379,921
JPY	13,982,363	0.2646	3,699,733

For the years ended December 31, 2015 and 2014, realized and unrealized net foreign exchange gains were NT$503,659 thousand and NT$402,207 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.

33. SEGMENT INFORMATION

Disclosure of the segment information in standalone financial statements is waived.