China Steel Corporation and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2016 and 2015 and Independent Auditors' Review Report

Deloitte.

勤業眾信

勤業眾信聯合會計師事務所
10596 台北市民生東路三段156號12樓

Deloitte & Touche
12th Floor, Hung Tai Financial Plaza
156 Min Sheng East Road, Sec. 3
Taipei 10596, Taiwan

Tel :+886 (2) 2545-9988
Fax:+886 (2) 4051-6888
www.deloitte.com.tw

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
China Steel Corporation

We have reviewed the accompanying consolidated balance sheets of China Steel Corporation (the "Corporation") and its subsidiaries as of September 30, 2016 and 2015, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2016 and 2015, and the consolidated statements of changes in equity and of cash flows for the nine months ended September 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews. Certain investments accounted for using the equity method, in the consolidated financial statements as of September 30, 2016 and for the three months and nine months then ended were based on financial statements reviewed by other independent accountants, and our review report, insofar as it relates to the amounts and information disclosed, is based solely on the financial statements reviewed by other independent accountants. Such investments accounted for using the equity method amounted to NT$34,322,823 thousand, representing 5% of the consolidated total assets, as of September 30, 2016, and the share of comprehensive income amounted to gain NT$277,295 thousand and loss NT$550,116 thousand, representing 4% of the consolidated total comprehensive income, for the three months and nine months ended September 30, 2016.

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

As discussed in Note 4 to the accompanying consolidated financial statements, the financial statements of certain subsidiaries (all unlisted companies) included in the consolidated financial statements were not reviewed. As of September 30, 2015, these subsidiaries' total assets amounted to NT$120,978,996 thousand or 18% of consolidated total assets, and their total liabilities amounted to NT$31,463,323 thousand or 9% of consolidated total liabilities. For the three months and nine months ended September 30, 2015, their comprehensive income amounted to loss NT$737,257 thousand and NT$3,153,012 thousand, or 269% and 56% of consolidated comprehensive income, respectively. As discussed in Note 15 to the accompanying consolidated financial statements, the investments accounted for using equity method amounted to NT$14,502,463 thousand as of September 30, 2015, the related share of the profit or loss amounted to loss NT$46,574 thousand and profit NT$154,258 thousand for the three months and nine months ended September 30, 2015, and the related share of the other comprehensive income amounted to profit NT$784,971 thousand and NT$1,263,391 thousand for the three months and nine months ended September 30, 2015. These amounts were evaluated and disclosed from the investees' unreviewed financial statements for the same reporting periods as those of the Corporation.

Based on our reviews, except for the consolidated balance sheet as of September 30, 2015 and the related consolidated statement of comprehensive income, change in equity and cash flow for the nine months ended September 30, 2015 of the subsidiaries and investees accounted for using equity method mentioned in the preceding paragraph that were unreviewed and the adjustments that might have been determined to be necessary if the financial statements were reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission ("FSC") of the Republic of China.

Deloitte & Touche

November 8, 2016

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

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

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	September 30, 2016 (Reviewed) Amount	%	December 31, 2015 (Audited) Amount	%	September 30, 2015 (Reviewed) Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 15,069,788	2	$ 20,334,823	3	$ 16,774,843	3
Financial assets at fair value through profit or loss - current (Note 7)	2,783,941	-	3,441,885	-	3,430,215	1
Available-for-sale financial assets - current (Note 8)	3,101,749	1	3,839,902	1	4,887,001	1
Derivative financial assets for hedging - current (Note 10)	27,949	-	123,828	-	141,345	-
Notes receivable (Note 11)	984,501	-	1,206,786	-	1,369,650	-
Notes receivable - related parties (Notes 11 and 33)	390,346	-	258,005	-	296,594	-
Accounts receivable, net (Note 11)	10,497,089	2	10,578,187	2	9,232,088	1
Accounts receivable - related parties (Notes 11 and 33)	553,236	-	448,197	-	513,530	-
Amounts due from customers for construction contracts (Note 12)	9,558,433	2	8,767,343	1	9,657,501	1
Other receivables (Note 33)	1,727,370	-	1,453,760	-	1,620,352	-
Current tax assets	144,548	-	95,004	-	203,588	-
Inventories (Note 13)	69,141,558	10	68,906,548	10	75,014,372	11
Other financial assets - current (Notes 16 and 34)	14,873,402	2	12,191,202	2	12,414,682	2
Other current assets	3,824,236	1	3,496,706	1	4,922,691	1
Total current assets	132,678,146	20	135,142,176	20	140,478,452	21
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent (Note 8)	26,206,123	4	50,284,593	8	48,572,229	7
Held-to-maturity financial assets - noncurrent (Note 9)	267,407	-	285,963	-	262,641	-
Derivative financial assets for hedging - noncurrent (Note 10)	13,199	-	41,713	-	52,695	-
Debt investments with no active market - noncurrent (Notes 14 and 19)	2,268,905	-	2,014,061	-	2,033,030	-
Investments accounted for using equity method (Notes 15 and 33)	48,964,360	7	15,207,682	2	14,502,463	2
Property, plant and equipment (Notes 17 and 34)	433,235,025	65	448,688,581	66	451,880,390	66
Investment properties (Notes 18 and 34)	10,787,658	2	10,108,189	2	10,134,115	2
Intangible assets (Note 30)	2,529,392	-	2,404,617	-	2,479,527	-
Deferred tax assets	5,137,240	1	5,558,156	1	4,880,385	1
Refundable deposits	565,318	-	479,287	-	487,002	-
Other financial assets - noncurrent (Notes 16 and 34)	2,519,884	-	2,663,786	-	2,512,156	-
Other noncurrent assets	5,240,777	1	5,260,212	1	5,873,012	1
Total noncurrent assets	537,735,288	80	542,996,840	80	543,669,645	79
TOTAL	$ 670,413,434	100	$ 678,139,016	100	$ 684,148,097	100

LIABILITIES AND EQUITY	September 30, 2016 (Reviewed) Amount	%	December 31, 2015 (Audited) Amount	%	September 30, 2015 (Reviewed) Amount	%
CURRENT LIABILITIES						
Short-term borrowings and bank overdraft (Notes 19 and 34)	$ 24,569,398	4	$ 34,386,947	5	$ 35,828,812	5
Short-term bills payable (Note 19)	47,386,456	7	31,641,286	5	45,240,313	7
Financial liabilities at fair value through profit or loss - current (Note 7)	497	-	1,525	-	3,431	-
Derivative financial liabilities for hedging - current (Note 10)	58,945	-	29,428	-	16,786	-
Notes payable	723,249	-	555,486	-	716,750	-
Accounts payable (Note 21)	10,618,139	2	7,898,460	1	9,426,059	1
Accounts payable - related parties (Notes 21 and 33)	853,523	-	256,131	-	405,494	-
Amounts due to customers for construction contracts (Note 12)	2,890,558	-	4,115,170	1	3,496,930	1
Other payables (Notes 22 and 33)	19,819,648	3	19,351,699	3	19,947,918	3
Current tax liabilities	1,336,854	-	1,621,208	-	2,111,544	-
Provisions - current (Note 23)	5,143,655	1	3,158,369	-	3,123,094	1
Current portion of bonds payable (Note 20)	4,664,265	1	4,696,735	1	8,149,761	1
Current portion of long-term bank borrowings (Notes 19 and 34)	16,860,292	2	23,561,520	4	21,254,624	3
Other current liabilities	3,785,705	1	3,092,890	-	2,529,094	-
Total current liabilities	138,711,184	21	134,366,854	20	152,250,610	22
NONCURRENT LIABILITIES						
Derivative financial liabilities for hedging - noncurrent (Note 10)	53,609	-	57,412	-	48,757	-
Bonds payable (Note 20)	100,232,774	15	94,842,610	14	99,535,308	15
Long-term bank borrowings (Notes 19 and 34)	65,579,989	10	83,128,236	12	73,819,188	11
Long-term bills payable (Note 19)	20,642,914	3	24,459,879	4	16,881,198	2
Provisions - noncurrent (Note 23)	808,779	-	828,923	-	826,097	-
Deferred tax liabilities	12,302,173	2	12,417,475	2	12,381,252	2
Net defined benefit liabilities	5,792,506	1	5,967,987	1	5,495,960	1
Other noncurrent liabilities	1,370,719	-	1,344,807	-	1,237,042	-
Total noncurrent liabilities	206,783,463	31	223,047,329	33	210,224,802	31
Total liabilities	345,494,647	52	357,414,183	53	362,475,412	53
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 25 and 34)						
Share capital						
Ordinary shares	157,348,610	23	157,348,610	23	157,348,610	23
Preference shares	382,680	-	382,680	-	382,680	-
Total share capital	157,731,290	23	157,731,290	23	157,731,290	23
Capital surplus	37,807,439	6	37,612,027	5	37,596,926	5
Retained earnings						
Legal reserve	59,934,379	9	59,173,907	9	59,173,907	9
Special reserve	29,786,846	4	27,132,983	4	27,133,150	4
Unappropriated earnings	14,439,409	2	13,323,848	2	15,147,851	2
Total retained earnings	104,160,634	15	99,630,738	15	101,454,908	15
Other equity	7,379,226	1	7,924,408	1	6,885,257	1
Treasury shares	(8,576,842)	(1)	(8,577,644)	(1)	(8,577,733)	(1)
Total equity attributable to owners of the Corporation	298,501,747	44	294,320,819	43	295,090,648	43
NON-CONTROLLING INTERESTS	26,417,040	4	26,404,014	4	26,582,037	4
Total equity	324,918,787	48	320,724,833	47	321,672,685	47
TOTAL	$ 670,413,434	100	$ 678,139,016	100	$ 684,148,097	100

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

(With Deloitte & Touche review report dated November 8, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 26 and 33)	$ 73,593,230	100	$ 67,693,680	100	$ 210,884,481	100	$ 222,060,055	100
OPERATING COSTS (Notes 13 and 33)	60,747,352	83	63,488,974	94	182,153,104	86	200,732,926	90
GROSS PROFIT	12,845,878	17	4,204,706	6	28,731,377	14	21,327,129	10
UNREALIZED GAIN ON TRANSACTIONS WITH ASSOCIATES	-	-	-	-	-	-	(89)	-
REALIZED GROSS PROFIT	12,845,878	17	4,204,706	6	28,731,377	14	21,327,040	10
OPERATING EXPENSES								
Selling and marketing expenses	1,267,448	2	1,128,314	2	3,584,121	2	3,521,125	2
General and administrative expenses	1,870,150	2	1,769,064	2	5,198,627	2	5,165,566	2
Research and development expenses	488,369	1	479,810	1	1,526,436	1	1,472,984	1
Total operating expenses	3,625,967	5	3,377,188	5	10,309,184	5	10,159,675	5
PROFIT FROM OPERATIONS	9,219,911	12	827,518	1	18,422,193	9	11,167,365	5
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 27 and 33)	548,211	1	341,501	-	1,147,409	-	1,325,380	-
Other gains and losses (Notes 27 and 33)	(294,490)	-	1,140,700	2	191,712	-	2,068,067	1
Finance costs (Note 27)	(940,359)	(1)	(957,457)	(1)	(2,876,246)	(1)	(2,777,227)	(1)
Share of the profit (loss) of associates	291,707	-	(57,225)	-	(211,201)	-	118,035	-
Total non-operating income and expenses	(394,931)	-	467,519	1	(1,748,326)	(1)	734,255	-
PROFIT BEFORE INCOME TAX	8,824,980	12	1,295,037	2	16,673,867	8	11,901,620	5
INCOME TAX (Note 28)	1,195,085	2	153,710	1	1,963,000	1	2,649,703	1
NET PROFIT FOR THE PERIOD	7,629,895	10	1,141,327	1	14,710,867	7	9,251,917	4
OTHER COMPREHENSIVE INCOME (Notes 25 and 28)								
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	(1,278,846)	(2)	975,177	2	(1,846,703)	(1)	(1,078,222)	-
Unrealized gains and losses on available-for-sale financial assets	1,249,205	2	(2,806,130)	(4)	1,120,907	-	(3,824,150)	(2)

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CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
The effective portion of gains and losses on hedging instruments in a cash flow hedge	$ (132,502)	-	$ 268,818	-	$ (185,771)	-	$ 55,016	-
Share of the other comprehensive income (loss) of associates	(244,932)	-	784,971	1	(512,687)	-	1,263,391	1
Income tax benefit (expense) relating to items that may be reclassified subsequently to profit or loss	33,717	-	(89,812)	-	80,040	-	(42,795)	-
Other comprehensive income (loss) for the period, net of income tax	(373,358)	-	(866,976)	(1)	(1,344,214)	(1)	(3,626,760)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 7,256,537	10	$ 274,351	-	$ 13,366,653	6	$ 5,625,157	3
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Corporation	$ 6,675,595	9	$ 743,913	1	$ 12,437,920	6	$ 9,119,579	4
Non-controlling interests	954,300	1	397,414	1	2,272,947	1	132,338	-
	$ 7,629,895	10	$ 1,141,327	2	$ 14,710,867	7	$ 9,251,917	4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Corporation	$ 6,710,860	9	$ (621,615)	(1)	$ 11,892,738	5	$ 5,842,821	3
Non-controlling interests	545,677	1	895,966	1	1,473,915	1	(217,664)	-
	$ 7,256,537	10	$ 274,351	-	$ 13,366,653	6	$ 5,625,157	3
EARNINGS PER SHARE (Note 29)								
Basic	$ 0.43		$ 0.05		$ 0.80		$ 0.59	
Diluted	$ 0.43		$ 0.05		$ 0.80		$ 0.59	

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

(With Deloitte & Touche review report dated November 8, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Corporation													
	Share Capital			Retained Earnings			Other Equity							
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedge	Total Other Equity	Treasury Shares	Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2016	$ 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	$ 26,404,014	$ 320,724,833
Appropriation of 2015 earnings (Note 25)														
Legal reserve	-	-	-	760,472	-	(760,472)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	2,654,116	(2,654,116)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$0.5 per share	-	-	-	-	-	(7,867,430)	-	-	-	-	-	(7,867,430)	-	(7,867,430)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(253)	253	-	-	-	-	-	-	-	-
Net profit for the nine months ended September 30, 2016	-	-	-	-	-	12,437,920	-	-	-	-	-	12,437,920	2,272,947	14,710,867
Other comprehensive income for the nine months ended September 30, 2016, net of income tax	-	-	-	-	-	-	(1,687,932)	1,251,261	(108,511)	(545,182)	-	(545,182)	(799,032)	(1,344,214)
Total comprehensive income for the nine months ended September 30, 2016	-	-	-	-	-	12,437,920	(1,687,932)	1,251,261	(108,511)	(545,182)	-	11,892,738	1,473,915	13,366,653
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	159,065	-	-	-	-	-	-	-	-	159,065	-	159,065
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(1,460,889)	(1,460,889)
Adjustment of other equity	-	-	36,347	-	-	12,981	-	-	-	-	802	50,130	-	50,130
BALANCE AT SEPTEMBER 30, 2016	$ 157,348,610	$ 382,680	$ 37,807,439	$ 59,934,379	$ 29,786,846	$ 14,439,409	$ (489,136)	$ 7,824,609	$ 43,753	$ 7,379,226	$ (8,576,842)	$ 298,501,747	$ 26,417,040	$ 324,918,787
BALANCE AT JANUARY 1, 2015	$ 157,348,610	$ 382,680	$ 37,217,876	$ 56,957,880	$ 27,086,283	$ 24,106,715	$ 732,469	$ 9,283,354	$ 146,192	$ 10,162,015	$ (8,587,461)	$ 304,674,598	$ 29,969,636	$ 334,644,234
Appropriation of 2014 earnings (Note 25)														
Legal reserve	-	-	-	2,216,027	-	(2,216,027)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	47,049	(47,049)	-	-	-	-	-	-	-	-
Cash dividends to ordinary shareholders - NT$1.0 per share	-	-	-	-	-	(15,734,861)	-	-	-	-	-	(15,734,861)	-	(15,734,861)
Cash dividends to preference shareholders - NT$1.4 per share	-	-	-	-	-	(53,575)	-	-	-	-	-	(53,575)	-	(53,575)
Reversal of special reserve	-	-	-	-	(182)	182	-	-	-	-	-	-	-	-
Net profit for the nine months ended September 30, 2015	-	-	-	-	-	9,119,579	-	-	-	-	-	9,119,579	132,338	9,251,917
Other comprehensive income for the nine months ended September 30, 2015, net of income tax	-	-	-	-	-	-	551,844	(3,862,917)	34,315	(3,276,758)	-	(3,276,758)	(350,002)	(3,626,760)
Total comprehensive income for the nine months ended September 30, 2015	-	-	-	-	-	9,119,579	551,844	(3,862,917)	34,315	(3,276,758)	-	5,842,821	(217,664)	5,625,157
Disposal of the Corporation's shares held by subsidiaries	-	-	(707)	-	-	-	-	-	-	-	9,263	8,556	-	8,556
Adjustment to capital surplus arising from dividends paid to subsidiaries	-	-	318,021	-	-	-	-	-	-	-	-	318,021	-	318,021
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(3,169,935)	(3,169,935)
Adjustment of other equity	-	-	61,736	-	-	(27,113)	-	-	-	-	465	35,088	-	35,088
BALANCE AT SEPTEMBER 30, 2015	$ 157,348,610	$ 382,680	$ 37,596,926	$ 59,173,907	$ 27,133,150	$ 15,147,851	$ 1,284,313	$ 5,420,437	$ 180,507	$ 6,885,257	$ (8,577,733)	$ 295,090,648	$ 26,582,037	$ 321,672,685

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

(With Deloitte & Touche review report dated November 8, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Nine Months Ended September 30 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 16,673,867	$ 11,901,620
Adjustments for:		
Depreciation expense	26,836,308	26,257,959
Amortization expense	272,919	242,195
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	(44,812)	126,154
Finance costs	2,876,246	2,777,227
Interest income	(230,517)	(313,827)
Dividend income	(549,271)	(377,676)
Share of the loss (profit) of associates	163,808	(154,258)
Loss (gain) on disposal of property, plant and equipment	(365,234)	40,022
Gain on disposal of intangible assets	(2,055)	(1,892)
Gain on disposal of investments	(957,663)	(682,429)
Increase (decrease) in provision for loss on inventories	(3,634,152)	1,931,739
Recognition of provisions	7,599,444	3,415,556
Impairment loss (reversal of impairment)	16,940	(1,539,341)
Others	50,311	2,800
Changes in operating assets and liabilities		
Financial instruments held for trading	2,597	721,342
Notes receivable	222,285	(125,883)
Notes receivable - related parties	(132,341)	(134,392)
Accounts receivable	69,419	1,559,966
Accounts receivable - related parties	(105,039)	221,461
Amounts due from customers for construction contracts	(791,090)	(2,344,019)
Other receivables	(46,652)	127,094
Inventories	3,409,217	4,264,738
Other current assets	(327,530)	839,731
Notes payable	167,763	(668,032)
Notes payable - related parties	-	(88)
Accounts payable	2,719,679	522,539
Accounts payable - related parties	597,392	(284,129)
Amounts due to customers for construction contracts	(1,224,612)	(1,906,108)
Other payables	555,422	(1,241,982)
Provisions	(5,638,432)	(4,298,407)
Other current liabilities	90,045	(750,392)
Net defined benefit liabilities	(175,481)	(7,941)
Cash generated from operations	48,098,781	40,121,347
Income taxes paid	(2,031,257)	(4,527,058)
Net cash generated from operating activities	46,067,524	35,594,289

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	$ (2,446,571)	$ (4,526,006)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	2,962,014	5,306,162
Acquisition of available-for-sale financial assets	(2,120,593)	(21,882,270)
Proceeds from disposal of available-for-sale financial assets	3,429,742	2,846,097
Proceeds from the capital reduction on available-for-sale financial assets	14,040	108,159
Purchases of debt investments with no active market	(24,392)	(45,441)
Proceeds from disposal of debt investments with no active market	20,522	848,915
Acquisition of held-to-maturity financial assets	(19,480)	(30,216)
Proceeds from disposal of held-to-maturity financial assets	25,784	-
Net cash outflow on acquisition of subsidiaries	-	(105,382)
Acquisition of investments accounted for using equity method	(11,096,350)	(641,220)
Proceeds from disposal of investments accounted for using equity method	177,058	-
Acquisition of property, plant and equipment	(13,841,476)	(18,111,567)
Proceeds from disposal of property, plant and equipment	893,303	107,553
Increase in refundable deposits	(86,031)	(50,169)
Acquisition of intangible assets	(349,172)	(116,361)
Acquisition of investment properties	(198,375)	(325,194)
Decrease (increase) in other financial assets	(2,489,409)	1,323,377
Decrease in other noncurrent assets	270,085	229,879
Interest received	247,021	322,028
Dividends received from associates	210,795	330,626
Dividends received from others	538,381	323,929
Net cash used in investing activities	(23,883,104)	(34,087,101)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	195,578,921	168,472,940
Repayments of short-term borrowings	(202,376,895)	(162,104,579)
Increase in short-term bills payable	15,745,170	25,128,217
Issuance of bonds payable	5,400,000	9,996,610
Repayments of bonds payable	(48,300)	(163,002)
Proceeds from long-term bank borrowings	42,537,175	29,836,740
Repayments of long-term bank borrowings	(64,882,992)	(42,785,781)
Proceeds from long-term bill payable	129,129,581	135,235,516
Repayments of long-term bill payable	(132,946,546)	(138,373,730)
Increase in other noncurrent liabilities	30,312	169,120

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Nine Months Ended September 30	
	2016	2015
Dividends paid to owners of the Corporation	$ (7,907,274)	$ (15,741,664)
Disposal of the Corporation's shares held by subsidiaries	-	8,556
Interest paid	(3,236,561)	(2,997,910)
Decrease in non-controlling interests	(1,460,889)	(3,169,935)
Net cash generated from (used in) financing activities	(24,438,298)	3,511,098
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(626,981)	(154,653)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,880,859)	4,863,633
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	17,054,940	10,659,657
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 14,174,081	$ 15,523,290
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of September 30, 2016 and 2015:		
Cash and cash equivalents in the consolidated balance sheets	$ 15,069,788	$ 16,774,843
Bank overdraft	(895,707)	(1,251,553)
Cash and cash equivalents in the consolidated statements of cash flows	$ 14,174,081	$ 15,523,290

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

(With Deloitte & Touche review report dated November 8, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

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

The shares of the Corporation and its subsidiaries, including China Steel Structure Co., Ltd., China Steel Chemical Corporation, CHC Resources Corporation, China Ecotech Corporation and Chung Hung Steel Corporation Ltd., have been listed on the Taiwan Stock Exchange. The shares of the subsidiary Thintech Materials Technology Co., Ltd. have been traded on the Taipei Exchange. The subsidiary Dragon Steel Corporation has issued shares to the public.

As of September 30, 2016, the Ministry of Economic Affairs ("MOEA"), Republic of China owned 20.05 % of the Corporation's issued ordinary shares.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Corporation's board of directors and approved for issue on November 8, 2016.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission ("FSC") for application from 2017

Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") for application starting January 1, 2017.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	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)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016

(Continued)

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

Note 1: Unless stated otherwise, the above New 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, the initial application of the above IFRSs in 2017 would not have any material impact on the Corporation and its subsidiaries' accounting policies:

Amendment to IAS 36 "Impairment of Assets"

The amendment "Disclosures for Non-financial Assets" clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Corporation and its subsidiaries is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively from January 1, 2017.

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

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

The FSC announced that the Corporation and its subsidiaries should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

The Corporation and its subsidiaries have not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

New IFRSs	Effective Date Announced by IASB (Note)
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 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
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

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

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

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 requirement for the classification of financial assets is stated below.

For the Corporation and its subsidiaries debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments 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 the above, all other financial assets are measured at fair value through profit or loss. However, the Corporation and its subsidiaries may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, 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 impairment loss on financial assets to be 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.

For originated credit-impaired financial assets, the Corporation and its subsidiaries takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the Corporation and its subsidiaries' risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks 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 IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

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

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

3) IFRS 15 “Revenue from Contracts with Customers” and related amendment

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

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

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when the Corporation and its subsidiaries satisfies a performance obligation.

In identifying performance obligations, IFRS 15 and related amendment require that a good or service is distinct if it is capable of being distinct (for example, the Corporation and its subsidiaries regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each of those goods or services individually rather than to transfer combined items).

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

4) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Corporation and its subsidiaries is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Corporation and its subsidiaries may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Corporation and its subsidiaries should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability and the interest portion are classified within financing activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Corporation and its subsidiaries as lessor.

When IFRS 16 becomes effective, the Corporation and its subsidiaries may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

5) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Corporation and its subsidiaries expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Corporation and its subsidiaries should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses as deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Corporation and its subsidiaries assets for more than their carrying amount if there is sufficient evidence that it is probable that the Corporation and its subsidiaries will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the consolidated financial statements shall prevail. However, the accompanying consolidated financial statements do not include English translation of the additional footnote disclosures that are not required under generally accepted accounting principles but are required by the Securities and Futures Bureau for their oversight purposes.

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" endorsed by the FSC. The consolidated financial statements do not present full disclosures required for a complete set of IFRSs annual consolidated financial statements.

b. Basis of consolidation

1) Subsidiaries included in consolidated financial statements

The consolidated entities were as follows:

			Percentage of Ownership (%)			
Investor	**Investee**	**Main Businesses**	**September 30, 2016**	**December 31, 2015**	**September 30, 2015**	**Additional Descriptions**
China Steel Corporation	China Steel Express Corporation (CSE)	Ocean freight forwarding and bulk shipping transportation	100	100	100	
	C. S. Aluminium Corporation (CSAC)	Production and sale of aluminum and other non-ferrous metal	100	100	100	
	Gains Investment Corporation (GIC)	General investment	100	100	100	
	China Prosperity Development Corporation (CPDC)	Land and commercial real estate sale, rental and development service	100	100	100	
	China Steel Asia Pacific Holdings Pte Ltd (CSAPH)	Investment holding company	100	100	100	
	China Steel Global Trading Corporation (CSGT)	Steel product agency and trading service	100	100	100	
	China Steel Machinery Corporation	Manufacture and sale of machinery and equipment for railroad, transportation and generator	74	74	74	Direct and indirect ownerships amounted to 100%

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) September 30, 2016	December 31, 2015	September 30, 2015	Additional Descriptions
	China Steel Security Corporation	Guard security and system security	100	100	100	
	Info-Champ Systems Corporation (ICSC)	Design and sale of IT hardware and software	100	100	100	
	CSC Steel Australia Holdings Pty Ltd. (CSCAU)	Investment holding company	100	100	100	
	Himag Magnetic Corporation	Manufacture and sale of magnetic material, special usage chemicals and ferric iron oxide	69	69	69	Direct and indirect ownerships amounted to 88%
	Dragon Steel Corporation (DSC)	Manufacture and sale of steel product	100	100	100	
	China Steel Management Consulting Corporation	Business management consultant	100	100	100	
	China Ecotek Corporation (CEC)	Electrical engineering and co-generation	45	45	45	Refer to 1) below
	China Steel Chemical Corporation (CSCC)	Production and sale of coal chemistry and specialty chemicals	29	29	29	Refer to 1) below
	Chung Hung Steel Corporation Ltd. (CHSC)	Manufacture and sale of steel product	41	41	41	Refer to 1) below
	CHC Resources Corporation (CHC)	Manufacture and sale of slag powder and blast furnace cement, and waste disposal	20	20	20	Direct and indirect ownerships amounted to 36%, and refer to 1) below
	China Steel Structure Co., Ltd. (CSSC)	Design, manufacture and sale of steel structure	33	33	33	Direct and indirect ownerships amounted to 37%, and refer to 1) below
	China Steel Sumikin Vietnam Joint Stock Company (CSVC)	Manufacture and sale of steel product	56	56	56	
	China Steel Corporation India Pvt. Ltd. (CSCI)	Manufacture and sale of steel product (electromagnetic steel coil)	100	100	100	
	Kaohsiung Rapid Transit Corporation (KRTC)	Operation of mass rapid transit	43	43	43	Direct and indirect ownerships amounted to 50%
	China Steel Resources Corporation	Disposal and process of waste	100	100	100	
	CSC Precision Metal Industrial Corporation	Metal processing	100	100	100	
	Eminent Venture Capital Corporation (EVCC)	General investment	-	-	-	Indirect ownership was 55%
	White Biotech Corporation (WBC)	Biology introduction and development	87	87	87	Increased investment and included in the consolidated entities in July 2015. Refer to Note 30.
	CSC Solar Corp.	Electricity generation	55	-	-	Investment in September 2016. Direct and indirect ownerships amounted to 100%
China Steel Express Corporation	CSE Transport Corporation (Panama) (CSEP)	Ocean freight forwarding	100	100	100	
	CSEI Transport Corporation (Panama) (CSEIP)	Ocean freight forwarding	100	100	100	
	Transyang Shipping Pte. Ltd. (TSP)	Ocean freight forwarding	51	51	51	
	Transglory Investment Corporation (TIC)	General investment	50	50	50	Direct and indirect ownerships amounted to 100%
	Kaohsiung Port Cargo Handling Services Corp.	Cargo Stevedoring	66	66	66	
C.S. Aluminium Corporation	ALU Investment Offshore Corporation	Industry investment	100	100	100	
ALU Investment Offshore Corporation	United Steel International Development Corp.	General investment	65	65	65	Direct and indirect ownerships amounted to 79%
United Steel International Development Corp.	Ningbo Huayang Aluminium-Tech Co., Ltd.	Manufacture and sale of aluminum alloy material	100	100	100	
Gains Investment Corporation	Eminence Investment Corporation	General investment	100	100	100	
	Gainsplus Asset Management Inc.	General investment	100	100	100	
	Winning Investment Corporation (WIC)	General investment	49	49	49	Direct and indirect ownerships amounted to 58%
	Mentor Consulting Corporation	Management and general investment consulting service	100	100	100	
	Betacera Inc. (BETA)	Manufacture and trading of electronic ceramics	48	48	48	Refer to 1) below
	Universal Exchange Inc.	Wholesale of information software and electronic information supply service	64	64	64	Direct and indirect ownerships amounted to 99%
	Thintech Materials Technology Co., Ltd. (TMTC)	Manufacture and sale of metal sputter targets	32	32	32	Direct and indirect ownerships amounted to 40%, and refer to 2) below

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) September 30, 2016	December 31, 2015	September 30, 2015	Additional Descriptions
Eminence Investment Corporation	Shin-Mau Investment Corporation	General investment	30	30	30	Direct and indirect ownerships amounted to 100%
	Gau Ruel Investment Corporation	General investment	25	25	25	Direct and indirect ownerships amounted to 100%
	Ding Da Investment Corporation	General investment	30	30	30	Direct and indirect ownerships amounted to 100%
	Chiun Yu Investment Corporation	General investment	25	25	25	Direct and indirect ownerships amounted to 100%
Shin-Mau Investment Corporation	Horng Chyuan Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
	Chii Yih Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
Gau Ruel Investment Corporation	Lih Ching Loong Investment Corporation	General investment	5	5	5	Direct and indirect ownerships amounted to 100%
	Sheng Lih Dar Investment Corporation	General investment	4	4	4	Direct and indirect ownerships amounted to 100%
Ding Da Investment Corporation	Jiing Cherng Fa Investment Corporation	General investment	4	4	4	Direct and indirect ownerships amounted to 100%
Betacera Inc.	Lefkara Ltd.	Electronic ceramics trading	100	100	100	
Lefkara Ltd.	Shang Hai Xike Ceramic Electronic Co., Ltd.	Electronic ceramics trading	100	100	100	
	Betacera (Su Zhou) Co., Ltd.	Manufacture and sale of electronic ceramics	100	100	100	
	Suzhou Betacera Technology Co., Ltd.	Manufacture and sale of life-saving equipment for aviation and shipping	100	100	100	
Thintech Materials Technology Co., Ltd.	Thintech International Limited	International trading and investment service	100	100	100	
	Thintech Global Limited	International trading and investment service	100	100	100	
	Thintech United Limited	International trading and investment service	100	100	100	
Thintech International Limited	Nantong Zhongxing Materials Technology Co., Ltd. (NZMTCL)	Manufacture and development of new compound metal material and vacuum sputtering targets	47	47	47	Refer to 1) below
Thintech Global Limited	Taicang Thintech Materials Co., Ltd.	Process and sale of targets and electro conduction slurry	100	100	100	
Thintech United Limited	Thintech United Metal Resources (Taicang) Co., Ltd.	Refining, sale and process of metal	84	84	84	
China Prosperity Development Corporation	CK Japan Co., Ltd.	Real estate sale and rental	80	80	80	Direct and indirect ownerships amounted to 100%
China Steel Asia Pacific Holdings Pte Ltd (CSAPH)	CSC Steel Holdings Berhad (CSHB)	Investment holding company	46	46	46	Refer to 1) below
	Changzhou China Steel Precision Materials Corporation (CCSPMC)	Manufacture and sale of titanium-nickel alloy and non-ferrous metal	70	70	70	
	Qingdao China Steel Precision Metals Co., Ltd.	Steel cutting and processing	60	60	60	Direct and indirect ownerships amounted to 70%
	United Steel International Co., Ltd.	General investment	80	80	80	Direct and indirect ownerships amounted to 100%
	CSC Bio-Coal Sdn. Bhd.	Manufacture bio-coal from bio-mass	100	100	100	Acquired 100% shareholdings from CSHB in August 2015.
CSC Steel Holdings Berhad	CSC Steel Sdn. Bhd. (CSCSSB)	Manufacture and sale of steel product	100	100	100	
	Group Steel Corp. (M) Sdn. Bhd.	Manufacture and sale of steel product	100	100	100	
CSC Steel Sdn. Bhd.	Constant Mode Sdn. Bhd.	General investment	100	100	100	
United Steel International Co., Ltd.	United Steel Engineering and Construction Co., Ltd.	Steel cutting and processing	100	100	100	
China Steel Global Trading Corporation	Chung Mao Trading (SAMOA) Co., Ltd.	Investment and trading service	100	100	100	
	CSGT (Singapore) Pte. Ltd.	Steel product agency and trading service	100	100	100	
	Chung Mao Trading (BVI) Co., Ltd.	Steel product agency and trading service	65	53	53	
	Wabo Global Trading Corporation	Steel product agency and trading service	44	44	44	Direct and indirect ownerships amounted to 50%
	CSGT International Corporation	Investment and trading service	100	100	100	
Chung Mao Trading (SAMOA) Co., Ltd.	CSGT (Shanghai) Co., Ltd.	Steel product agency and trading service	100	100	100	
Chung Mao Trading (BVI) Co., Ltd.	CSGT Hong Kong Limited	Steel product agency and trading service	100	100	100	
CSGT International Corporation	CSGT Metals Vietnam Joint Stock Company	Steel cutting and processing	54	54	45	Direct and indirect ownerships amounted to 60%
	CSGT Trading India Private Limited	Steel trading	99	99	99	Direct and indirect ownerships amounted to 100%

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%) September 30, 2016	December 31, 2015	September 30, 2015	Additional Descriptions
Wabo Global Trading Corporation	CSGT Japan Co., Ltd.	Steel product agency and trading service	100	100	100	
China Steel Machinery Corporation	China Steel Machinery Holding Corporation	General investment	100	100	100	
	China Steel Machinery Vietnam Co., Ltd.	Installation of machinery and equipment, and technology service	100	100	100	
	China Steel Machinery Corporation India Private Limited	Manufacture of machinery	99	99	99	Direct and indirect ownerships amounted to 100%
China Steel Machinery Holding Corporation	CSMC (Shanghai) Global Trading Co., Ltd.	International business	100	100	100	
China Steel Security Corporation	Steel Castle Technology Corporation	Firefighting equipment wholesaling	100	100	100	
	China Steel Management and Maintenance for Building Corporation	Building management	100	100	100	
Info-Champ Systems Corporation	Info-Champ System (B.V.I.)	Information service	100	100	100	
Info-Champ System (B.V.I.)	Wuham InfoChamp I.T. Co., Ltd.	Software programming	100	100	100	
CSC Steel Australia Holdings Pty Ltd.	CSC Sonoma Pty. Ltd.	Coal investment	100	100	100	
Himag Magnetic Corporation	Himag Magnetic (Belize) Corporation	Magnetic powder trading	100	100	100	
	MagnPower Corporation	Permanent magnetic ferrite	55	55	50	
China Ecotek Corporation	CEC International Corp.	General investment	100	100	100	
	CEC Development Co.	General investment	100	100	100	
	CEC Holding Co., Ltd.	General investment and holdings	100	100	100	
	China Ecotek Construction Corporation	Construction, interior design and decoration, and retail and wholesale of building materials	100	100	100	
CEC International Corp.	China Ecotek India Private Limited	Planning, maintenance and management of eco-construction and eco-equipment	100	100	100	
CEC Development Co.	China Ecotek Vietnam Company Ltd. (CEVC)	Engineering design and construction	100	100	100	
	Xiamen Ecotek PRC Co., Ltd.	Metal materials agency and trading service	100	100	100	
China Steel Chemical Corporation	Ever Glory International Co., Ltd.	International trading	100	100	100	
	Ever Wealthy International Corporation	General investment	100	100	100	
	Formosa Ha Tinh CSCC (Cayman) International Limited	International trading	50	-	-	Investment in February 2016
Ever Wealthy Investment Corporation	China Steel Carbon Materials Technology Co., Ltd.	General investment	100	100	100	
China Steel Carbon Materials Technology Co., Ltd.	Changzhou China Steel New Carbon Technology Co., Ltd.	Processing and trading of asphalt mesocarbon microbeads product sorting	100	100	100	
Chung Hung Steel Corporation Ltd.	Taiwan Steel Corporation (TSC)	Metal smelting	100	100	100	
	Hung Kao Investment Corporation	General investment	100	100	100	
	Hung Li Steel Corporation Ltd. (HLSC)	Steel product processing	100	100	100	
CHC Resources Corporation	Union Steel Development Corp.	Manufacture and trading of metal powder and ore powder, and gift trading	93	93	93	
	Pao Good Industrial Co., Ltd.	Slag powder, fly ash and cement dry mixing processing and trading	51	51	51	
	Yu Cheng Lime Corporation	Manufacture of other non-metal mineral product and land lease	90	90	90	
	Formosa Ha Tinh CHC Resources Co., Ltd.	Sale of water quenched slag	85	-	-	Investment in April 2016
China Steel Structure Co., Ltd.	United Steel Constructure Corporation (USCC)	Contract project of civil engineering and construction engineering, and steel structure installation	100	100	100	
	China Steel Structure Investment Pte Ltd.	General investment	100	100	100	
United Steel Constructure Corporation	United Steel Investment Pte. Ltd.	General investment	100	100	100	
	United Steel Construction (Vietnam) Co., Ltd.	Civil engineering construction and other business contract and management	100	100	100	
	United Steel Development Co., Ltd.	House and construction development and real estate rental business	100	100	100	
China Steel Structure Investment Pte Ltd.	China Steel Structure Holding Co., Ltd.	General investment	63	63	63	Direct and indirect ownerships amounted to 100%
China Steel Structure Holding Co., Ltd.	China Steel Structure Investment Co., Ltd.	General investment	100	100	100	
China Steel Structure Investment Co., Ltd.	Chung-Kang Steel Structure (Kunshan) Co., Ltd.	Designing and manufacturing of various type of steel and steel frame	100	100	100	
White Biotech Corporation (WBC)	Renewable Energy Biotech Corp.	Manufacture and sale of alcohol	100	-	-	Investment in June 2016

(Concluded)

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

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

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

2) The subsidiary China Steel Machinery Corporation acquired 50% of shareholding in SWPL. Under the shareholders' agreement, the subsidiary China Steel Machinery Corporation and the other shareholder of the company each hold half of the seats in the board of directors, respectively. The chairman of the board of directors and chief executive officer are served in turns and actual operations should be approved by more than half of the seats in the board of directors. Thus, the Corporation and its subsidiaries have no control over the company. The management of the Corporation and its subsidiaries, however, believe that they are able to exercise significant influence over the company and therefore classified the company as an associate of the Corporation and its subsidiaries.

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

Certain subsidiaries (all unlisted companies) included in the consolidated financial statements for the nine months ended and as of September 30, 2015 were unreviewed. As of September 30, 2015, these subsidiaries' total assets amounted to NT$120,978,996 thousand, and their total liabilities amounted to NT$31,463,323 thousand, respectively. For the three months and nine months ended September 30, 2015, their comprehensive income amounted to loss NT$737,257 thousand and NT$ 3,153,012 thousand, respectively. These amounts were evaluated and disclosed from the investees' unreviewed financial statements for the same reporting periods as those of the Corporation.

d. Other significant accounting policy

Except for the following, please refer to the summary of significant accounting policy in the consolidated financial statements for the year ended December 31, 2015.

1) Retirement benefits

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

2) Taxation

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as those applied in the preparation of the consolidated financial statements for the year ended December 31, 2015.

6. CASH AND CASH EQUIVALENTS

	September 30, 2016	December 31, 2015	September 30, 2015
Cash on hand	$ 47,927	$ 47,262	$ 50,292
Checking accounts and demand deposits	10,215,279	14,741,944	11,385,546
Cash equivalents			
Commercial papers with repurchase agreements	1,485,062	362,868	496,318
Time deposits (investments with original maturities less than three months)	3,141,520	5,162,769	4,342,671
Bonds with repurchase agreements	180,000	19,980	500,016
	$ 15,069,788	$ 20,334,823	$ 16,774,843

Cash and cash equivalents shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated balance sheets. The reconciliation information as of September 30, 2016 and 2015 was shown in the consolidated statements of cash flows; the reconciliation information as of December 31, 2015 was as follows:

	December 31, 2015
Cash and cash equivalents	$ 20,334,823
Bank overdraft	(3,279,883)
	$ 17,054,940

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2016	December 31, 2015	September 30, 2015
Financial assets at FVTPL - current			
Financial assets designated as at FVTPL			
Mutual funds	$ 1,173,164	$ 1,754,204	$ 1,794,822
Listed shares	30,705	29,575	29,347
Futures contracts (a)	1,056	-	-
Structured notes	-	66,221	72,217
	1,204,925	1,850,000	1,896,386
Financial assets held for trading			
Listed shares	570,718	531,937	535,252
Mutual funds	543,006	549,567	463,227

(Continued)

	September 30, 2016	December 31, 2015	September 30, 2015
Emerging market shares	$ 231,953	$ 245,455	$ 243,377
Convertible bonds	230,678	264,480	291,973
Foreign exchange forward contracts (b)	2,661	446	-
	1,579,016	1,591,885	1,533,829
	$ 2,783,941	$ 3,441,885	$ 3,430,215
Financial liabilities at FVTPL - current			
Financial liabilities designated as at FVTPL			
Call and put options (Note 20)	$ 360	$ 483	$ 555
Financial liabilities held for trading			
Futures contracts (a)	-	429	59
Foreign exchange forward contracts (b)	137	613	2,817
	137	1,042	2,876
	$ 497	$ 1,525	$ 3,431

(Concluded)

a. The subsidiary Thintech United Metal Resources (Taicang) Co., Ltd. entered into precious metals futures contracts to manage fair value exposures arising from price fluctuation on precious metals. However, some of those contracts did not accounted for by using hedge accounting. As of the balance sheet date, the outstanding precious metals futures contracts were as follows:

Maturity Date	Weight (Kilograms)	Amount (In thousands)
September 30, 2016		
December 15, 2016	2,595	$ 53,058 (RMB 11,306 thousand)
December 31, 2015		
June 15, 2016	780	12,405 (RMB 2,484 thousand)
September 30, 2015		
December 15, 2015	420	7,278 (RMB 1,406 thousand)

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

	Currency	Maturity Date	Contract Amount (In Thousands)
September 30, 2016			
Sell	USD/NTD	December 2016-January 2017	USD13,133/NTD413,648
Sell	JPY/NTD	October 2016	JPY4,500/NTD1,377
December 31, 2015			
Buy	NTD/USD	January 2016	NTD24,353/USD750
Sell	USD/NTD	February 2016	USD2,127/NTD69,692
September 30, 2015			
Sell	USD/NTD	October 2015	USD3,127/NTD100,769

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Current			
Domestic investments			
Listed shares	$ 2,807,774	$ 2,752,213	$ 3,825,681
Mutual funds	289,603	1,076,845	1,052,569
Unlisted shares	4,372	5,683	5,552
	3,101,749	3,834,741	4,883,802
Foreign investments			
Listed shares	-	5,161	3,199
	$ 3,101,749	$ 3,839,902	$ 4,887,001
Noncurrent			
Domestic investments			
Emerging market shares and unlisted shares	$ 6,664,703	$ 5,629,981	$ 5,658,886
Listed shares	3,163,155	2,652,081	2,681,471
Private-placement shares of listed companies	176,987	261,958	213,261
	10,004,845	8,544,020	8,553,618
Foreign investments			
Unlisted shares	12,915,802	38,475,777	37,263,862
Listed shares	2,525,871	2,246,269	1,744,522
Certificate of entitlement	759,605	1,018,527	1,010,227
	16,201,278	41,740,573	40,018,611
	$ 26,206,123	$ 50,284,593	$ 48,572,229

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

In August 2015 and January 2016, the subsidiary CSAPH invested USD610,000 thousand and USD329,135 thousand in Formosa Ha Tinh (Cayman) Limited and increased the total shareholding from 5% to 19% and 19% to 25%, respectively. As the result, the investment was reclassified from available-for-sale financial assets to investments accounted for using equity method (Note 15).

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

9. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	September 30, 2016	December 31, 2015	September 30, 2015
Structured notes	$ 139,223	$ 176,937	$ 177,136
Guarantee debt certificates	81,723	118,376	118,494
Corporate bonds	46,461	54,695	31,056
	267,407	350,008	326,686
Less: Accumulated impairment	-	64,045	64,045
	$ 267,407	$ 285,963	$ 262,641

10. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	September 30, 2016	December 31, 2015	September 30, 2015
Derivative financial assets for hedging - current			
Foreign exchange forward contracts (a)	$ 27,949	$ 123,828	$ 141,345
Derivative financial assets for hedging - noncurrent			
Foreign exchange forward contracts (a)	$ 13,199	$ 41,713	$ 52,695
Derivative financial liabilities for hedging - current			
Foreign exchange forward contracts (a)	$ 44,126	$ 29,428	$ 16,786
Interest rate swap contracts (b)	14,819	-	-
	$ 58,945	$ 29,428	$ 16,786
Derivative financial liabilities for hedging - noncurrent			
Foreign exchange forward contracts (a)	$ 27,360	$ 512	$ 260
Interest rate swap contracts (b)	26,249	56,900	48,497
	$ 53,609	$ 57,412	$ 48,757

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

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
September 30, 2016			
Buy	NTD/USD	October 2016-February 2020	NTD2,049,893/USD65,010
Buy	NTD/EUR	October 2016-March 2019	NTD666,554/EUR18,692
Buy	NTD/JPY	May 2017-December 2019	NTD96,702/JPY344,060
Buy	NTD/RMB	November 2016	NTD9,161/RMB1,875
Sell	USD/NTD	November 2016-December 2016	USD77/NTD2,401
December 31, 2015			
Buy	NTD/USD	January 2016-December 2018	NTD1,621,235/USD55,564
Buy	NTD/EUR	January 2016-December 2017	NTD1,019,751/EUR27,814
Buy	NTD/JPY	February 2016-December 2019	NTD233,456/JPY863,110
Sell	USD/NTD	April 2016	USD93/NTD3,025
Sell	JPY/NTD	March 2016	JPY300,000/NTD81,675
September 30, 2015			
Buy	NTD/USD	October 2015-December 2018	NTD1,583,771/USD53,194
Buy	NTD/EUR	October 2015-December 2017	NTD971,764/EUR26,428
Buy	NTD/JPY	November 2015-December 2019	NTD237,050/JPY876,459
Sell	USD/NTD	October 2015-November 2015	USD456/NTD14,884

b. The subsidiary DSC entered into interest rate swap contracts to manage cash flow exposures arising from interest rate fluctuations on bank loans. The outstanding interest rate swap contracts as of September 30, 2016, December 31, 2015 and September 30, 2015 were all as follows:

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid (%)	Range of Interest Rates Received
NTD9,277,000	February 2017-July 2018	0.988-1.14	90 days fixing TAIBOR rate provided by Thomson Reuters

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Balance, beginning of period	$ 1,747	$ (47,053)	$ 78,701	$ 94,574
Recognized in other comprehensive income	(38,234)	156,552	(151,842)	8,808
Recognized in other gains and losses	(17,286)	15,002	(14,035)	19,147
Transferred to construction in progress and equipment to be inspected	(17,633)	6,814	12,503	10,126

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Transferred to operating revenues	$ -	$ (4,793)	$ 3,267	$ (6,133)
Transferred to construction contract	-	1,975	-	1,975
Balance, end of period	$ (71,406)	$ 128,497	$ (71,406)	$ 128,497

(Concluded)

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

	September 30, 2016	December 31, 2015	September 30, 2015
Notes receivable			
Operating	$ 1,374,847	$ 1,464,791	$ 1,665,820
Non-operating	-	-	424
	1,374,847	1,464,791	1,666,244
Less: Allowance for doubtful accounts	-	-	-
	$ 1,374,847	$ 1,464,791	$ 1,666,244
Accounts receivable	$ 11,095,510	$ 11,060,591	$ 9,901,253
Less: Allowance for doubtful accounts	45,185	34,207	155,635
	$ 11,050,325	$ 11,026,384	$ 9,745,618

The allowance for doubtful accounts was recognized based on estimated irrecoverable amounts determined by reference to the account aging analysis, past default experience of the customers and analysis of customers' current financial position. In determining the recoverability of an account receivable, the Corporation and its subsidiaries considered any change in the credit quality of the account receivable since the credit was initially granted to the end of the reporting period. For the past due notes and accounts receivable not collected after executing legal procedures, the Corporation and its subsidiaries will recognize 100% allowance for doubtful accounts.

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

The aging of notes and accounts receivable was as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Not past due	$ 11,767,935	$ 11,731,716	$ 10,702,439
1 to 30 days	316,530	401,367	343,254
31-60 days	63,934	84,037	89,268
61-365 days	220,951	218,239	219,816
More than 365 days	55,822	55,816	57,085
	$ 12,425,172	$ 12,491,175	$ 11,411,862

Above analysis of accounts receivable after deducting the allowance for doubtful accounts was based on the past due days from end of credit term.

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

	September 30, 2016	December 31, 2015	September 30, 2015
Less than 31 days	$ 316,530	$ 401,367	$ 343,254
31-60 days	63,934	80,014	89,268
61-365 days	175,207	217,358	186,984
More than 365 days	54,331	54,467	31,542
	$ 610,002	$ 753,206	$ 651,048

Above analysis of accounts receivable after deducting the allowance for doubtful accounts was based on the past due days from end of credit term.

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

	For the Nine Months Ended September 30	
	2016	2015
Balance, beginning of period	$ 34,207	$ 139,949
Recognition	12,168	49,020
Write off	-	(9,088)
Reclassified to other receivables	-	(1,819)
Effect of foreign currency exchange difference	(1,190)	(22,427)
Balance, end of period	$ 45,185	$ 155,635

Aging analysis of individually impaired accounts receivable was as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Less than 31 days	$ -	$ -	$ -
31-60 days	-	4,023	-
61-365 days	45,744	881	32,832
More than 365 days	1,491	1,349	25,543
	$ 47,235	$ 6,253	$ 58,375

Above analysis of accounts receivable after deducting the allowance for doubtful accounts was based on the past due days from end of credit term.

Retentions receivable from construction contracts included in the accounts receivable did not bear interests; they were expected to be received upon the satisfaction of conditions specified in each contract for the payment of such amounts during retention periods, which were within normal operating cycle of the Corporation and its subsidiaries, usually more than twelve months. Refer to Note 12 for details on construction contracts.

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

For the nine months ended September 30, 2016 and 2015, the related information for the Corporation, CHSC and CSAC's sale of accounts receivable was as follows. Advances received at period-end dominated in US Dollars were converted to NT Dollars at the closing rate.

Counterparty	Advances Received at Period - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Period - End	Interest Rate on Advances Received (%)	Credit Line
For the Nine Months Ended September 30, 2016						
Mega Bank	$ 3,727,574	$ 9,134,689	$ 8,464,058	$ 4,398,205	1.02-1.46	NT$ 12 billion
Bank of Taiwan	1,256,796	2,502,335	2,429,245	1,329,886	1.02-1.46	NT$ 3 billion
Bank of Taiwan	785,395	2,531,340	2,902,256	414,479	1.64-2.14	USD 130,000 thousand
Taishin Bank	1,178,084	3,927,873	3,215,662	1,890,295	1.29-1.84	USD 100,000 thousand
CTBC Bank	118,633	820,833	545,598	393,868	1.29-1.45	USD 30,000 thousand
	$ 7,066,482	$ 18,917,070	$ 17,556,819	$ 8,426,733		
For the Nine Months Ended September 30, 2015						
Mega Bank	$ 5,095,755	$ 9,371,453	$ 10,069,895	$ 4,397,313	1.26-1.51	NT$ 12 billion
Mega Bank	25,854	16,745	42,599	-	-	USD 1,200 thousand
Bank of Taiwan	1,736,174	2,935,579	3,264,438	1,407,315	1.26-1.51	NT$ 3 billion
Bank of Taiwan	357,521	2,327,908	2,020,396	665,033	1.46-1.52	USD 0.1 billion
HSBC Bank	10,906	19,591	30,497	-	-	USD 2,000 thousand
Taipei Fubon Bank	-	24,811	24,811	-	1.3	USD 3,000 thousand
Taishin Bank	-	1,314,218	-	1,314,218	1.28-1.35	USD 60,000 thousand
	$ 7,226,210	$ 16,010,305	$ 15,452,636	$ 7,783,879		

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

	September 30, 2016	December 31, 2015	September 30, 2015
Amounts due from customers for construction contracts			
Construction costs incurred plus recognized profits less recognized losses to date	$ 60,986,980	$ 50,028,682	$ 59,501,066
Less: Progress billings	51,428,547	41,261,339	49,843,565
Amounts due from customers for construction contracts	$ 9,558,433	$ 8,767,343	$ 9,657,501
Amounts due to customers for construction contracts			
Progress billings	$ 21,689,780	$ 27,035,621	$ 23,012,454

(Continued)

	September 30, 2016	December 31, 2015	September 30, 2015
Less: Construction costs incurred plus recognized profits less recognized losses to date	$ 18,799,222	$ 22,920,451	$ 19,515,524
Amounts due to customers for construction contracts	$ 2,890,558	$ 4,115,170	$ 3,496,930
Retentions receivable	$ 1,143,803	$ 1,109,694	$ 1,083,318
Retentions payable	$ 2,593,367	$ 2,452,654	$ 2,339,587

(Concluded)

13. INVENTORIES

	September 30, 2016	December 31, 2015	September 30, 2015
Work in progress	$ 20,322,545	$ 17,927,894	$ 20,397,250
Finished goods	17,545,921	16,266,596	19,134,237
Raw materials	14,559,614	18,721,826	20,112,643
Supplies	10,287,578	11,007,947	9,521,981
Raw materials and supplies in transit	4,887,231	3,787,021	4,911,117
Buildings and lands under construction	1,276,339	891,662	618,369
Lands held for construction	142,688	142,688	142,688
Others	119,642	160,914	176,087
	$ 69,141,558	$ 68,906,548	$ 75,014,372

The subsidiary CPDC planned a housing development project on a portion of land located in Shijia Section of the Qianzhen District in Kaohsiung City which was initially for the purpose of rental. The project has been approved by the Urban Development Bureau, Kaohsiung City government and is in the process of designing; therefore, the related balances are recorded as lands under construction.

The cost of inventories recognized as operating costs for the three months and nine months ended September 30, 2016 and 2015 was NT$49,253,009 thousand, NT$53,213,095 thousand, NT$149,570,204 thousand and NT$168,508,812 thousand, respectively.

Movements of provision for loss on inventories were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Balance, beginning of period	$ 7,768,168	$ 8,077,816	$ 10,469,050	$ 5,923,626
Recognized	1,606,856	1,729,690	6,248,021	10,196,518
Sold	(2,541,518)	(1,970,302)	(9,882,173)	(8,264,779)
Effect of foreign currency exchange difference	(8,683)	10,480	(10,075)	(7,681)
Balance, end of period	$ 6,824,823	$ 7,847,684	$ 6,824,823	$ 7,847,684

14. DEBT INVESTMENTS WITH NO ACTIVE MARKET

Noncurrent	September 30, 2016	December 31, 2015	September 30, 2015
Unlisted preference shares - overseas			
East Asia United Steel Corporation (EAUS) - Preference A	$ 2,072,770	$ 1,818,091	$ 1,826,091
Subordinated financial bonds	124,230	124,428	124,434
Bonds	71,905	71,542	82,505
	$ 2,268,905	$ 2,014,061	$ 2,033,030

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

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

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	September 30, 2016	December 31, 2015	September 30, 2015
Material associates			
Formosa Ha Tinh (Cayman) Limited	$ 34,322,823	$ -	$ -
7623704 Canada Inc.	8,512,183	8,823,606	8,838,585
Associates that are not individually material	6,129,354	6,384,076	5,663,878
	$ 48,964,360	$ 15,207,682	$ 14,502,463

a. Material associates

Name of Associate	Nature of Activities	Principal Place of Business	Percentage of Ownership and Voting Rights (%) September 30, 2016	December 31, 2015	September 30, 2015
Formosa Ha Tinh (Cayman) Limited	General investment	Cayman	25	-	-
7623704 Canada Inc.	Investment in steel factory	Canada	25	25	25

The summarized financial information below represent amounts shown in the financial statements of Formosa Ha Tinh (Cayman) Limited prepared in accordance with IFRSs, which were converted to the functional currency and adjusted for the purposes of applying equity method. As of September 30, 2016, the Corporation has not completed the calculation of the difference between the cost of the investment and the Corporation’s share of the net fair value of Formosa Ha Tinh (Cayman) Limited's identifiable assets and liabilities.

	September 30, 2016
Current assets	$ 137,723,072
Noncurrent assets	130,647,107
Current liabilities	(89,941,319)
Noncurrent liabilities	(48,231,680)
Equity	$ 130,197,180
Percentage of the Corporation and its subsidiaries' ownership (%)	25
Equity attributable to the Corporation and its subsidiaries	$ 32,548,954
Intangible assets	1,773,869
Carrying amount of the investment	$ 34,322,823

	For the Three Months Ended September 30, 2016	For the Nine Months Ended September 30, 2016
Net profit (loss) for the period	$ 1,334,046	$ (1,690,748)
Total comprehensive income for the period	$ 1,334,046	$ (1,690,748)
Comprehensive income attributable to the Corporation and its subsidiaries	$ 277,295	$ (550,116)

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

	September 30, 2016	December 31, 2015	September 30, 2015
Current assets	$ 196,332	$ 329,119	$ 374,532
Noncurrent assets	34,495,680	36,108,458	36,157,539
Current liabilities	(5,041)	(481,561)	(515,017)
Equity	$ 34,686,971	$ 35,956,016	$ 36,017,054
Percentage of the Corporation and its subsidiaries' ownership (%)	25	25	25
Equity attributable to the Corporation and its subsidiaries (carrying amount of the investment)	$ 8,512,183	$ 8,823,606	$ 8,838,585

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Net profit (loss) for the period	$ 21,871	$ (178,712)	$ 1,082,571	$ 714,811

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Total comprehensive income for the period	$ (769,998)	$ 2,936,217	$ (309,423)	$ 5,951,301
Dividends received from 7623704 Canada Inc.	$ 23,337	$ 142,092	$ 179,564	$ 240,137
Equity attributable to the Corporation and its subsidiaries (carrying amount of the investment)	$ (188,955)	$ 711,405	$ (83,100)	$ 1,451,306

(Concluded)

b. Information about associates that are not individually material was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
The Corporation and its subsidiaries' share of				
Net profit (loss) for the period	$ 27,605	$ 6,426	$ 127,813	$ (12,013)
Other comprehensive income	(50,607)	20,468	(171,092)	(21,643)
Total comprehensive income	$ (23,002)	$ 26,894	$ (43,279)	$ (33,656)

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

	September 30, 2016	December 31, 2015	September 30, 2015
Chateau International Development Co., Ltd.	$ 874,331	$ 894,129	$ 865,255

Except for some companies, investments accounted for using equity method as of September 30, 2016 and the share of profit or loss and other comprehensive income of associates for the three months and nine months ended September 30, 2016 were calculated based on the reviewed financial statements. The Corporation's management considered the use of unreviewed financial statements as acceptable and will not have material impact on the equity method investments and income.

The investments accounted for using equity method as of September 30, 2015 and the Corporation and its subsidiaries' share of profit and other comprehensive income of associates for the three months and nine months ended September 30, 2015 were based on the associates' unreviewed financial statements. The investments accounted for using equity method amounted to NT$14,502,463 thousand as of September 30, 2015, the related share of the profit or loss amounted to loss NT$46,574 and profit NT$154,258 thousand for the three months and nine months ended September 30, 2015, and the related share of the other comprehensive income amounted to profit NT$784,971 thousand and NT$1,263,391 thousand for the three months and nine months ended September 30, 2015, respectively. These amounts were evaluated from the investees' unreviewed financial statements for the same reporting periods as those of the Corporation.

16. OTHER FINANCIAL ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
Current			
Pledged time deposits	$ 6,538,923	$ 6,564,721	$ 6,562,179
Time deposits with original maturities more than three months	5,425,511	3,197,755	3,369,578
Hedging foreign-currency deposits	2,907,688	2,428,316	2,482,325
Deposits for projects	1,280	410	600
	$ 14,873,402	$ 12,191,202	$ 12,414,682
Noncurrent			
Pledged receivables	$ 2,000,000	$ 2,000,000	$ 2,000,000
Pledged time deposits	281,416	422,214	418,768
Deposits for projects	214,774	203,312	71,728
Time deposits with original maturities more than three months	23,694	38,260	21,660
	$ 2,519,884	$ 2,663,786	$ 2,512,156

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation and its subsidiaries purchased foreign-currency deposits and entered into foreign exchange forward contracts (Note 10). As of September 30, 2016, December 31, 2015 and September 30, 2015, the balance of the foreign-currency deposits, which consist of those designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT$2,907,688 thousand (JPY0.87 billion, RMB139,577 thousand, USD50,016 thousand, EUR11,306 thousand and GBP332 thousand), NT$2,428,316 thousand (JPY0.55 billion, RMB43,214 thousand, USD48,755 thousand, EUR11,777 thousand and GBP786 thousand) and NT$2,482,325 thousand (JPY0.6 billion, RMB52,118 thousand, USD45,013 thousand, EUR14,050 thousand and GBP786 thousand), respectively. As of September 30, 2016, December 31, 2015 and September 30, 2015, cash outflows would be expected from aforementioned contracts for the periods from 2016, 2015 to 2016 and 2015, respectively.

Movements of hedging foreign-currency deposits were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Balance, beginning of period	$ 3,078,689	$ 2,428,181	$ 2,428,316	$ 1,918,252
Increase (decrease)	(98,427)	(54,128)	528,261	523,831
Recognized in other comprehensive income	(70,782)	108,272	(43,723)	42,217
Transferred to construction in progress and equipment to be inspected	(1,792)	-	(5,166)	(1,975)
Balance, end of period	$ 2,907,688	$ 2,482,325	$ 2,907,688	$ 2,482,325

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

17. PROPERTY, PLANT AND EQUIPMENT

For the nine months ended September 30, 2016

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2016	$ 63,550,486	$ 5,025,039	$ 120,691,611	$ 604,487,779	$ 33,561,105	$ 16,821,603	$ 10,731,091	$ 322,270	$ 21,071,613	$ 876,262,597
Additions	-	19,296	1,993,348	15,627,520	1,942,048	403,379	927,408	733	(6,389,668)	14,524,064
Disposals	(1,880)	-	(43,259)	(2,044,615)	(5,547,245)	(190,044)	(1,523,346)	-	-	(9,350,389)
Reclassification	(534,454)	(48,145)	102,265	(117,087)	10,276	23,217	-	-	(161,660)	(725,588)
Effect of foreign currency exchange difference	3,903	(4,387)	(375,890)	(1,283,959)	(780,626)	(40,403)	-	-	(10,479)	(2,491,841)
Others	-	-	-	-	-	-	(1,548)	-	-	(1,548)
Balance at September 30, 2016	$ 63,018,055	$ 4,991,803	$ 122,368,075	$ 616,669,638	$ 29,185,558	$ 17,017,752	$ 10,133,605	$ 323,003	$ 14,509,806	$ 878,217,295
Accumulated depreciation and impairment										
Balance at January 1, 2016	$ 25,546	$ 4,493,123	$ 40,756,301	$ 350,679,360	$ 15,360,049	$ 11,591,381	$ 4,656,809	$ 11,447	$ -	$ 427,574,016
Depreciation	-	57,863	2,896,061	20,564,430	1,248,443	963,797	1,036,258	8,021	-	26,774,873
Disposals	-	-	(42,076)	(1,716,223)	(5,380,110)	(160,565)	(1,523,346)	-	-	(8,822,320)
Reclassification	-	-	10,388	1,390	534	(4,409)	1,314	-	-	9,217
Effect of foreign currency exchange difference	-	(440)	(56,597)	(282,552)	(188,126)	(25,864)	-	-	-	(553,579)
Others	-	-	-	-	-	63	-	-	-	63
Balance at September 30, 2016	$ 25,546	$ 4,550,546	$ 43,564,077	$ 369,246,405	$ 11,040,790	$ 12,364,403	$ 4,171,035	$ 19,468	$ -	$ 444,982,270
Carrying amount at December 31, 2015	$ 63,524,940	$ 531,916	$ 79,935,310	$ 253,808,419	$ 18,201,056	$ 5,230,222	$ 6,074,282	$ 310,823	$ 21,071,613	$ 448,688,581
Carrying amount at September 30, 2016	$ 62,992,509	$ 441,257	$ 78,803,998	$ 247,423,233	$ 18,144,768	$ 4,653,349	$ 5,962,570	$ 303,535	$ 14,509,806	$ 433,235,025

For the nine months ended September 30, 2015

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2015	$ 61,194,127	$ 4,877,697	$ 112,387,766	$ 587,056,811	$ 28,944,254	$ 15,946,643	$ 10,398,069	$ 322,270	$ 34,452,787	$ 855,580,424
Additions	1,110,247	98,975	5,207,968	13,163,464	4,345,506	775,023	944,439	-	(7,877,726)	17,767,896
Disposals	(17,035)	-	(69,087)	(1,425,375)	(63,259)	(301,847)	(684,796)	-	-	(2,561,399)
Reclassification	195,632	-	28,155	(238,753)	1,580	262,921	-	-	(69,944)	179,591
Effect of foreign currency exchange difference	(5,334)	871	40,687	(23,584)	330,035	(26,561)	-	-	(99,082)	217,032
Acquired from business combinations	-	-	-	96,617	-	987	-	-	-	97,604
Other	-	-	-	-	-	(93)	(1,162)	-	-	(1,255)
Balance at September 30, 2015	$ 62,477,637	$ 4,977,543	$ 117,595,489	$ 598,629,180	$ 33,558,116	$ 16,657,073	$ 10,656,550	$ 322,270	$ 26,406,035	$ 871,279,893
Accumulated depreciation and impairment										
Balance at January 1, 2015	$ 25,546	$ 4,420,094	$ 37,332,787	$ 325,618,887	$ 13,979,627	$ 10,697,752	$ 4,190,881	$ 881	$ -	$ 396,266,455
Depreciation	-	53,974	2,647,441	20,374,034	1,188,711	943,980	981,653	7,925	-	26,197,718
Disposals	-	-	(58,108)	(1,311,326)	(62,214)	(297,380)	(684,796)	-	-	(2,413,824)
Reclassification	-	-	(14,893)	(11,994)	1,249	5,135	-	-	-	(20,503)
Effect of foreign currency exchange difference	-	36	(56,591)	(418,813)	(160,605)	(25,286)	-	-	-	(661,259)
Acquired from business combinations	-	-	-	30,596	-	331	-	-	-	30,927
Other	-	-	-	-	-	(11)	-	-	-	(11)
Balance at September 30, 2015	$ 25,546	$ 4,474,104	$ 39,850,636	$ 344,281,384	$ 14,946,768	$ 11,324,521	$ 4,487,738	$ 8,806	$ -	$ 419,399,503
Carrying amount at September 30, 2015	$ 62,452,091	$ 503,439	$ 77,744,853	$ 254,347,796	$ 18,611,348	$ 5,332,552	$ 6,168,812	$ 313,464	$ 26,406,035	$ 451,880,390

The above items of property, plant and equipment are 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
Others	7 years
Buildings	
Main structure	10-60 years
Facility	15-40 years
Mechanical and electrical facilities	7-20 years
Trellis and corrugated iron building	7-10 years
Others	3-10 years

(Continued)

Machinery and equipment	
Power equipment	15-25 years
Process equipment	8-25 years
Lifting equipment	8-25 years
Electrical equipment	5-15 years
High-temperature equipment	5-16 years
Examination equipment	3-10 years
Others	2-25 years
Transportation	
Ship equipment	18-25 years
Railway equipment	8-20 years
Telecommunication equipment	5-12 years
Transportation equipment	4-10 years
Others	3 years
Other equipment	
Leasehold improvement	3-35 years
Office, air condition and extinguishment equipment	3-25 years
Computer equipment	3-10 years
Others	2-15 years
Rental assets	
Financial lease assets - buildings	30 years

(Concluded)

The subsidiary CHSC bought farmlands for warehousing at the Jia Xing Section and Quing Shui Section of the Gangshan District in Kaohsiung City. However, certain regulations prohibit CHSC from registering the title of these farmlands in CHSC's name; therefore, the registration was made in the name of an individual person. The individual person consented to fully cooperate with CHSC in freely changing the land title to CHSC or to other name of other under CHSC instructions. Meanwhile, the land had been pledged to CHSC as collateral. As of September 30, 2016, December 31, 2015 and September 30, 2015, the book value of those remaining farmlands recognized as land were all NT$66,753 thousand.

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

18. INVESTMENT PROPERTIES

For the nine months ended September 30, 2016

	Land	Buildings	Total
Cost			
Balance at January 1, 2016	$ 8,220,781	$ 2,963,556	$ 11,184,337
Additions	-	198,375	198,375
Transfer from (to) property, plant and equipment	534,454	(65,069)	469,385
Effect of foreign currency exchange difference	21,699	43,147	64,846
Balance at September 30, 2016	$ 8,776,934	$ 3,140,009	$ 11,916,943
Accumulated depreciation and impairment			
Balance at January 1, 2016	$ 222,057	$ 854,091	$ 1,076,148
Depreciation	-	61,435	61,435

(Continued)

	Land	Buildings	Total
Accumulated depreciation and impairment			
Transfer to property, plant and equipment	$ -	$ (11,445)	$ (11,445)
Effect of foreign currency exchange difference	-	3,147	3,147
Balance at September 30, 2016	$ 222,057	$ 907,228	$ 1,129,285
Carrying amount at December 31, 2015	$ 7,998,724	$ 2,109,465	$ 10,108,189
Carrying amount at September 30, 2016	$ 8,554,877	$ 2,232,781	$ 10,787,658

(Concluded)

For the nine months ended September 30, 2015

	Land	Buildings	Total
Cost			
Balance at January 1, 2015	$ 8,344,056	$ 2,740,155	$ 11,084,211
Additions	231,739	93,455	325,194
Transfer to property, plant and equipment	(195,632)	-	(195,632)
Effect of foreign currency exchange difference	5,283	12,838	18,121
Balance at September 30, 2015	$ 8,385,446	$ 2,846,448	$ 11,231,894
Accumulated depreciation and impairment			
Balance at January 1, 2015	$ 1,891,031	$ 757,082	$ 2,648,113
Reversal of impairment loss	(1,612,081)	-	(1,612,081)
Depreciation	-	60,241	60,241
Effect of foreign currency exchange difference	-	1,506	1,506
Balance at September 30, 2015	$ 278,950	$ 818,829	$ 1,097,779
Carrying amount at September 30, 2015	$ 8,106,496	$ 2,027,619	$ 10,134,115

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

Buildings	
Main structure	15-60 years
Mechanical and electrical facilities	8-20 years

The Corporation and its subsidiaries participated in “Qianzhen Residential Building Project” conducted by the subsidiary CPDC and signed the land purchase agreement with its employees. According to the purchase agreement, land prices received from its employees are deposited in the Bank of Taiwan and recognized as other financial assets-noncurrent and other noncurrent liabilities.

The subsidiary CHSC has engaged a real estate appraiser for the appraisal of the land value in April and September 2015, respectively. As such, CHSC reversed impairment loss of NT$1,128,307 thousand and NT$431,082 thousand to the extent of the recoverable amount of the impairment loss recognized in the past. The subsidiary CHSC also engaged a real estate appraiser for the appraisal of the land located at the parcel number “long hua” in Kaohsiung city in September 2015. As such, CHSC reversed impairment loss of NT$52,692 thousand to the extent of the recoverable amount of the impairment loss recognized in the past.

The fair value of the investment properties was partly arrived at on the basis of valuation carried out in January 2012, January 2013, March 2013, September 2013, December 2013, January 2014, December 2014, March 2015, April 2015, September 2015, November 2015 and December 2015 by independent appraisers, who are not related parties. Appraised lands and buildings were evaluated using Level 3 inputs under market approach, income approach, cost approach and land developing analysis approach. The important assumptions and fair value were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Fair value	$ 25,414,024	$ 25,043,429	$ 16,282,736
Depreciation rate (%)	1.20-2.00	1.20-2.00	1.20-2.00
Discount rate (%)	1.30-5.50	1.55-4.14	1.30-5.50

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

19. BORROWINGS

a. Short-term borrowings and bank overdraft

	September 30, 2016	December 31, 2015	September 30, 2015
Unsecured loans - interest at 0.70%-9.00% p.a., 0.42%-9.40% p.a. and 0.50 %-9.75% p.a. as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	$ 21,831,507	$ 28,700,798	$ 31,500,711
Letters of credit - interest at 0.93%-1.28% p.a., 0.45%-1.48% p.a. and 0.16%-1.70% p.a. as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	1,842,184	2,378,709	3,076,548
Bank overdraft - interest at 0.14%-4.78% p.a., 0.35%-2.75% p.a. and 0.43%-7.60% p.a., as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	895,707	3,279,883	1,251,553
Secured loans (Note 34) - interest at 5.5% p.a. in December 31, 2015	-	27,557	-
	$ 24,569,398	$ 34,386,947	$ 35,828,812

Starting from February 2016, the subsidiary CCSPMC entered into several credit facility agreements with ANZ (China) Bank, Mizuho (Wuxi) Bank, CTBC (Shanghai) Bank, Bank Sinopac (Nanjing), Chang Hwa (Kunshan) Bank and several banks for total amount of US$35,000 thousand and RMB50,000 thousand, respectively. Under the agreements, the Corporation and its subsidiaries should collectively hold 50% of the CCSPMC's equity and over half of the seats in the board of directors and supervisors. As of September 30, 2016, the subsidiary CSAPH held 70% equity of CCSPMC and three-quarters of the seats in the board of directors and supervisors.

Starting from March 2015, the subsidiary United Steel Engineering and Construction Co., Ltd. entered into short-term financing contract with CTBC Bank, Standard Chartered Bank (China) and ANZ Bank (China) for USD10,000 thousand, USD8,000 thousand (Increased the equal amount in RMB in October 2015, the credit line remained unchanged) and USD10,000 thousand credit line. Under the agreements, the Corporation and its subsidiaries should directly or indirectly 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 September 30, 2016, the subsidiary CSAPH and Chung Mao collectively held 100% equity of United Steel Engineering and Construction Co., Ltd. and all of the seats in the board of directors.

In August 2014 and May 2014, the subsidiary CSCI entered into short-term financing contracts with Credit Agricole Corporate and Investment Bank for USD25,000 thousand credit lines (USD25,000 thousand credit line has been cancelled in August 2016) and INR0.9 billion credit line and with CTBC Bank for INR0.4 billion credit lines. Under the agreements, the Corporation and its related parties should collectively hold at least 60% and 75% of CSCI's issued shares and hold half and two-thirds or more of the seats in the board of directors, respectivly. If CSCI expands or invites new strategic investors, the Corporation and its related parties should collectively hold at least 60% of CSCI's issued shares and hold half or more of the seats in the board of directors. As of September 30, 2016, the Corporation held 100% equity of CSCI and all of the seats in the board of directors.

Starting from August 2013, the subsidiary CSVC continuously entered into short-term financing contracts with Standard Chartered Bank and other banks for USD60,000 thousand credit lines. Under the agreements, the Corporation should hold at least 51% of CSVC's issued shares and majority of the seats in the board of directors. As of September 30, 2016, the Corporation held 56% equity of CSVC and over half of the seats in the board of directors.

b. Short-term bills payable

	September 30, 2016	December 31, 2015	September 30, 2015
Commercial paper - interest at 0.28%-1.00% p.a., 0.29%-1.10% p.a. and 0.45%-1.2% p.a. as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	$ 47,396,000	$ 31,650,000	$ 45,250,000
Less: Unamortized discounts	9,544	8,714	9,687
	$ 47,386,456	$ 31,641,286	$ 45,240,313

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

c. Long-term borrowings

	September 30, 2016	December 31, 2015	September 30, 2015
Syndicated bank loans			
Bank of Taiwan and other banks loan to CHSC			
Repayable in 13 equal semiannual installments from March 2013 to March 2019, interest all at 1.58% p.a. as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	$ 2,672,307	$ 3,749,231	$ 3,749,230
Repayable in March 2019 with a revolving credit, interest all at 1.58% p.a. as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	2,250,000	6,750,000	2,250,000
Bank of Taiwan and other banks loan to DSC			
Repayable in 14 equal semiannual installments from January 2012 to July 2018, interest at 1.11% p.a., 1.24% p.a. and 1.35% p.a. as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	13,053,540	19,583,540	19,583,540
Repayable in 10 equal semiannual installments from June 2015 to December 2019, repaid in June 2016, interest all at 1.58% p.a. as of December 31, 2015 and September 30, 2015	-	8,624,000	10,952,000
Chinatrust Commercial Bank and other banks loan to CSCI			
Repayable in 5 semiannual installments from June 2017 to June 2019, interest at 2.45% p.a., 2.13% p.a., and 1.88% p.a. as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	3,451,434	3,618,747	3,617,968
Bank of Taiwan and other banks loan to the Corporation			
Repayable in several installments from February 2020, interest at 1.87%-1.88% p.a., 1.72% and 1.65% p.a. as of September 30, 2016, December 31, 2015, and September 30, 2015, respectively	15,680,000	5,908,500	5,916,600
Mizuho Bank and other banks loan to the Corporation			
Repayable in August 2018, interest at 2.17% p.a., 1.38%-1.42% p.a. and 1.33%-1.35% p.a. as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	4,704,000	4,923,750	4,930,500

(Continued)

	September 30, 2016	December 31, 2015	September 30, 2015
Mega Bank and other banks loan to CSVC			
Repayable in 10 semiannual installments from September 2015 to March 2020, interest all at 2.25% p.a. as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	$ 3,358,656	$ 3,929,152	$ 3,934,539
Mortgage loans (Note 34)			
Due on various dates through April 2032, interest at 0.89%-1.76% p.a., 0.84%-1.67% p.a. and 0.84%- 1.67% p.a. as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	8,329,215	9,626,064	9,643,752
Unsecured loans			
Due on various dates through August 2022, interest at 0.30%-3.03% p.a., 0.40%-3.59% p.a., and 0.74%-3.41% p.a. as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	28,991,437	40,069,787	30,594,762
	82,490,589	106,782,771	95,172,891
Less: Syndicated loan fee	50,308	93,015	99,079
Current portion	16,860,292	23,561,520	21,254,624
	$ 65,579,989	$ 83,128,236	$ 73,819,188

(Concluded)

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

   The figures referring to the above financial ratios and criteria should be based on audited annual financial statements. If CHSC breaches the agreements, it should take remedial measures within half a year from the next day of the financial statements' declaration date; otherwise, the interest rate needs to be adjusted in accordance with the agreement. The tangible net worth of CHSC 2015 standalone financial statements is lower than 50% of its share capital-outstanding ordinary shares, it should take remedial measures within half year from the next day of the financial statements issued; otherwise, the interest rate needs to be adjusted in accordance with the agreement. As of September 30, 2016, the above financial ratios had been improved. As of September 30, 2016, the Corporation directly held 41% equity of CHSC and held half of the seats in the board of directors and controlled its operation.

2) In July 2012, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 17 other banks for a NT$35 billion credit line, which consists of NT$30 billion secured loans with a non-revolving credit line and NT$5 billion secured commercial paper with a revolving credit line; in February 2008, DSC entered into the other syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT$51.7 billion credit line. As of September 30, 2016, all secured commercial papers (recognized as long-term bills payable) were used. Under the agreements, the Corporation and its associates should collectively hold at least 80% and 40% of

DSC's issued shares and hold half or more of the seats in the board of directors. Starting from 2012, DSC should meet some financial ratios and criteria.

The figures referring to the above financial ratios and criteria should be based on audited annual financial statements. If DSC breaches the financial ratios or the agreements, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare DSC's outstanding principal and interest to maturity as due, and request DSC to immediately settle. DSC was in compliance with the syndicated credit facility agreement based on its financial statements of 2015. As of September 30, 2016, the Corporation held 100% equity of DSC and all of the seats in the board of directors.

3) In October 2012, the subsidiary CSVC entered into a syndicated credit facility agreement with Mega Bank and 11 other banks for a USD246,000 thousand credit line, which consists of USD126,000 thousand long-term borrowings with a non-revolving credit line and USD120,000 thousand short-term borrowings for operation with a revolving credit line. Under the agreement, the Corporation should hold at least 51% of CSVC's issued shares and majority of the seats in the board of directors. Starting from 2015, CSVC should meet some financial ratios and criteria based on the syndicated credit facility agreement amended in March 2014. CSVC was not in compliance with the syndicated credit facility agreement based on its 2015 audited financial statement; however, the syndicated loan agreement had been revised and the interest rate will be adjusted in accordance with revised agreement. As a result, the impact is immaterial to CSVC. As of September 30, 2016, the Corporation held 56% equity of CSVC and over half of the seats in the board of directors.

4) In January 2013, the subsidiary CSCI entered into a syndicated credit facility agreement with CTBC Bank and 9 other banks for a USD110,000 thousand credit line. Under the agreement, the Corporation should collectively hold at least 75% of CSCI's issued shares and hold two-thirds or more of the seats in the board of directors. If CSCI expands or invites new strategic investors, the Corporation should collectively hold at least 60% of CSCI's issued shares and hold half of the seats or more of the seats in the board of directors. CSCI should meet some financial ratios and criteria required by the syndicated credit facility agreement based on unreviewed financial statements for the six months ended September 30 and audited annual financial statements. The unreviewed financial statements (the reporting period from April 1, 2015 to March 31, 2016) of subsidiary CSCI breached the agreements; however, CSCI had received the written agreement from syndicated banks to waive the related responsibility on violation of financial covenants on March 31, 2016 and the waiver letter lasted until September 30, 2016. As of September 30, 2016, the Corporation held 100% equity of CSCI and held all of the seats in the board of directors.

5) In July and August 2015, the Corporation entered into a syndicated credit facility agreement with Bank of Taiwan along with 11 other banks and Mizuho bank with 6 other banks for a USD500,000 thousand and USD150,000 thousand unsecured non-revolving credit line, respectively. Under the clauses, 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 clauses, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare the Corporation's outstanding principal and interest to maturity as due, and request the Corporation to settle immediately.

   The Corporation was in compliance with the syndicated credit facility agreements based on its consolidated financial statements for the six months ended June 30, 2016 and for the year ended December 31, 2015.

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

d. Long-term bills payable

	September 30, 2016	December 31, 2015	September 30, 2015
Commercial paper - interest at 0.30%-1.00% p.a., 0.45%-1.16% p.a. and 0.60%-1.16% p.a. as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	$ 15,650,000	$ 19,470,000	$ 11,890,000
Secured commercial paper in syndicated bank loans - interest at 0.98% p.a., 1.05% p.a. and 1.11% p.a. as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively	5,000,000	5,000,000	5,000,000
	20,650,000	24,470,000	16,890,000
Less: Unamortized discounts	7,086	10,121	8,802
	$ 20,642,914	$ 24,459,879	$ 16,881,198

The Corporation and its subsidiaries entered into commercial paper contracts with bills finance corporations and banks. The duration of the contracts is three to five years and the cycles of issuance are fifteen to sixty days, during which the Corporation and its subsidiaries only have to pay service fees and interests. Therefore, the Corporation and its subsidiaries recorded those commercial papers issued as long-term bills payable.

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

The above commercial paper was secured by Mega Bank, Agricultural Bank of Taiwan, Taishin Bank, ANZ Bank (Taiwan) and Hua Nan Bank.

20. BONDS PAYABLE

	September 30, 2016	December 31, 2015	September 30, 2015
5-year unsecured bonds - issued at par by the Corporation in:			
October 2011; repayable in October 2015 and October 2016; interest at 1.36% p.a., payable annually	$ 4,650,000	$ 4,650,000	$ 9,300,000
5-year unsecured bonds - issued at par by DSC in:			
June 2014; repayable in June 2018 and 2019; interest at 1.4% p.a., payable annually	7,000,000	7,000,000	7,000,000
June 2015; repayable in June 2019 and 2020; interest at 1.45% p.a., payable annually	7,500,000	7,500,000	7,500,000
June 2016; repayable in June 2020 and 2021; interest at 0.89% p.a., payable annually	5,400,000	-	-
7-year unsecured bonds - issued at par by the Corporation in:			
December 2008; repayable in December 2014 and 2015; interest at 2.30% p.a., payable annually	-	-	3,500,000

(Continued)

	September 30, 2016	December 31, 2015	September 30, 2015
October 2011; repayable in October 2017 and 2018; interest at 1.57% p.a., payable annually	$ 10,400,000	$ 10,400,000	$ 10,400,000
August 2012; repayable in August 2018 and 2019; interest at 1.37% p.a., payable annually	5,000,000	5,000,000	5,000,000
July 2013; repayable in July 2019 and 2020; interest at 1.44% p.a., payable annually	6,300,000	6,300,000	6,300,000
January 2014; repayable in January 2020 and 2021; interest at 1.75% p.a., payable annually	6,900,000	6,900,000	6,900,000
7-year unsecured bonds - issued at par by DSC in:			
June 2014; repayable in June 2020 and 2021; interest at 1.75% p.a., payable annually	5,000,000	5,000,000	5,000,000
June 2015; repayable in June 2021 and 2022 respectively; interest at 1.72% p.a., payable annually	2,500,000	2,500,000	2,500,000
10-year unsecured bonds - issued at par by the Corporation in:			
August 2012; repayable in August 2021 and 2022; interest at 1.50% p.a., payable annually	15,000,000	15,000,000	15,000,000
July 2013; repayable in July 2022 and 2023; interest at 1.60% p.a., payable annually	9,700,000	9,700,000	9,700,000
January 2014; repayable in January 2023 and 2024; interest at 1.95% p.a., payable annually	7,000,000	7,000,000	7,000,000
15-year unsecured bonds - issued at par by the Corporation in:			
July 2013; repayable 30% in July 2026 and 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	3,600,000	3,600,000	3,600,000
January 2014; repayable 30% in January 2027 and 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	9,000,000	9,000,000	9,000,000
Liability component of secured domestic convertible bonds - issued by TMTC	-	48,300	48,300
Liability component of unsecured domestic convertible bonds - issued by TMTC	15,000	15,000	15,000
	104,965,000	99,613,300	107,763,300
Less: Issuance cost of bonds payable	45,668	53,865	56,785
Unamortized discount on bonds payable	22,293	20,090	21,446
Current portion	4,664,265	4,696,735	8,149,761
	$ 100,232,774	$ 94,842,610	$ 99,535,308

(Concluded)

In September 2013, the subsidiary TMTC issued NT$200,000 thousand of 3-year secured domestic convertible bonds at par from September 2013 to September 2016 which were secured by Hua Nan Commercial Bank. From one month after the issuance date to 10 days before the maturity date, bondholders may request TMTC to convert the bonds into its ordinary shares (except for the related book closure period). On the repurchase date, two years after the issuance date, bondholders may request TMTC to repurchase the bonds at their face value plus interest (1.9090% of face value, yield to put 0.95%) by cash in five trading days. From one month after the issuance date to 40 days before the maturity date, if the closing price of TMTC’s shares on the Taipei Exchange is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of initial issued bonds, TMTC may redeem the remaining bonds at their face value by cash in five trading days after the redemption date. As of September 30, 2016, the convertible bonds with NT$151,700 thousand face value have been converted into NT$5,766 thousand ordinary share capital.

In September 2013, the subsidiary TMTC issued NT$100,000 thousand of 5-year unsecured domestic convertible bonds at par from September 2013 to September 2018. From one month after the issuance date to 10 days before the maturity date, bondholders may request TMTC to convert the bonds into its ordinary shares (except for the related book closure period). On the repurchase dates, two years, three years and four years after the issuance date, bondholders may request TMTC to repurchase the bonds at their face value plus interest (2.5156%, 3.7971% and 5.0945% of face value for two years, three years and four years, respectively, yield to put 1.25%) by cash in five trading days. From one month after the issuance date to 40 days before the maturity date, if the closing price of TMTC's shares on the Taipei Exchange is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of initial issued bonds, TMTC may redeem the remaining bonds at their face value by cash in five trading days after the redemption date. As of September 30, 2016, the convertible bonds with NT$85,000 thousand face value have been converted into NT$21,975 thousand ordinary share capital.

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

21. ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

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

22. OTHER PAYABLES

	September 30, 2016	December 31, 2015	September 30, 2015
Salaries and incentive bonus	$ 7,022,252	$ 6,573,677	$ 6,372,824
Purchase of equipment	3,367,659	3,311,688	5,061,641
Sales returns and discounts	1,349,772	1,631,598	1,563,576
Employee compensation and remuneration to directors and supervisors	1,154,099	680,799	1,053,628
Interest payable	892,498	1,079,578	1,029,257
Outsourced repair and construction	868,048	1,047,075	149,095
Dividends payable	305,246	291,058	333,874
Others	4,860,074	4,736,226	4,384,023
	$ 19,819,648	$ 19,351,699	$ 19,947,918

23. PROVISIONS

	September 30, 2016	December 31, 2015	September 30, 2015
Current			
Onerous contracts (a)	$ 3,536,091	$ 2,611,156	$ 1,810,838
Construction warranties (b)	471,163	491,899	573,708
Sale returns and discounts (c)	1,048,321	-	691,468
Others	88,080	55,314	47,080
	$ 5,143,655	$ 3,158,369	$ 3,123,094
Noncurrent			
Provision for stabilization funds (d)	$ 797,981	$ 793,851	$ 791,303
Others	10,798	35,072	34,794
	$ 808,779	$ 828,923	$ 826,097

	Onerous Contracts	Construction Warranties	Sale Returns and Discounts	Provision for Stabilization Funds	Others	Total
Balance at January 1, 2016	$ 2,611,156	$ 491,899	$ -	$ 793,851	$ 90,386	$ 3,987,292
Recognized	6,533,796	1,331	1,048,321	4,130	15,996	7,603,574
Paid	(5,608,861)	(22,067)	-	-	(7,504)	(5,638,432)
Balance at September 30, 2016	$ 3,536,091	$ 471,163	$ 1,048,321	$ 797,981	$ 98,878	$ 5,952,434
Balance at January 1, 2015	$ 3,177,583	$ 582,371	$ 586	$ 983,466	$ 83,506	$ 4,827,512
Recognized (reversed)	2,721,470	(8,608)	690,882	4,530	11,812	3,420,086
Paid	(4,088,215)	(55)	-	(196,693)	(13,444)	(4,298,407)
Balance at September 30, 2015	$ 1,810,838	$ 573,708	$ 691,468	$ 791,303	$ 81,874	$ 3,949,191

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

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

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

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

24. RETIREMENT BENEFIT PLANS

Employee benefit expenses in respect of the Corporation and its subsidiaries' defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2015 and 2014. An analysis by function of the amounts is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Operating costs	$ 163,566	$ 155,673	$ 467,667	$ 471,322
Operating expenses	48,780	63,932	170,942	188,160
Others	495	780	1,648	2,139
	$ 212,841	$ 220,385	$ 640,257	$ 661,621

25. EQUITY

a. Share capital

	September 30, 2016	December 31, 2015	September 30, 2015
Numbers of shares authorized (in thousands)	17,000,000	17,000,000	17,000,000
Shares authorized	$ 170,000,000	$ 170,000,000	$ 170,000,000
Numbers of shares issued and fully paid (in thousands)			
Ordinary shares (in thousands)	15,734,861	15,734,861	15,734,861
Preference shares (in thousands)	38,268	38,268	38,268
	15,773,129	15,773,129	15,773,129
Shares issued			
Ordinary shares	$ 157,348,610	$ 157,348,610	$ 157,348,610
Preference shares	382,680	382,680	382,680
	$ 157,731,290	$ 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 September 30, 2016, December 31, 2015, and September 30, 2015, the outstanding depositary receipts were 1,076,389 units, 1,323,346 units and 1,223,506 units, equivalent to 21,528,090 ordinary shares (including 310 fractional shares), 26,467,230 ordinary shares (including 310 fractional shares), and 24,470,430 ordinary shares (including 310 fractional shares), which represented 0.14%, 0.17% and 0.16% of the outstanding ordinary shares, respectively.

b. Capital surplus

	September 30, 2016	December 31, 2015	September 30, 2015
May be used to offset deficits, distribute cash or transfer to share capital (see 1 below)			
Additional paid-in capital	$ 31,154,766	$ 31,154,766	$ 31,154,766
Treasury share transactions	301,230	301,230	301,230
Others	8,099	8,099	8,099
	31,464,095	31,464,095	31,464,095
May be used to offset deficits only (see 2 below)			
Treasury share transaction	5,880,811	5,721,747	5,721,747
Share of change in equity of subsidiaries	441,341	418,043	407,314
Share of change in equity of associates	21,192	8,142	3,770
	6,343,344	6,147,932	6,132,831
	$ 37,807,439	$ 37,612,027	$ 37,596,926

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

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

c. Retained earnings and dividend policy

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

1) 10% as legal reserve;

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

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

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

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

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 shareholders held their regular meeting in June 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation, particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation. 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 27.

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

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.

Under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 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 Commission, Ministry of Finance, 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.

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

The appropriations of earnings for 2015 and 2014 had been approved in the shareholders' meetings in June 2016 and 2015, respectively, were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	2015	**2014**	**2015**	**2014**
Legal reserve	$ 760,472	$ 2,216,027		
Special reserve	2,654,116	47,049		
Preference shares				
Cash dividends	53,575	53,575	$ 1.4	$ 1.4
Ordinary shares				
Cash dividends	7,867,430	15,734,861	0.5	1.0

d. Special reserves

	For the Nine Months Ended September 30	
	2016	**2015**
Balance, beginning of period	$ 27,132,983	$ 27,086,283
Appropriation in respect of		
The difference between carrying amount of the Corporation's shares held by subsidiaries	2,654,116	47,049
Reversal of special reserve		
Disposal of property, plant and equipment	(253)	(182)
Balance, end of period	$ 29,786,846	$ 27,133,150

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Nine Months Ended September 30	
	2016	**2015**
Balance, beginning of period	$ 1,198,796	$ 732,469
Exchange differences arising on translating foreign operations	(3,005,673)	(1,167,706)
Income tax relating to exchange differences arising on translating the net assets of foreign operations	25,137	(28,394)
Gains and losses on hedging instruments designated in hedges of the net assets of foreign operations	1,656,222	473,299
Share of exchange difference of associates accounted for using the equity method	(363,618)	1,274,645
Balance, end of period	$ (489,136)	$ 1,284,313

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

	For the Nine Months Ended September 30	
	2016	**2015**
Balance, beginning of period	$ 6,573,348	$ 9,283,354
Unrealized gains and losses on available-for-sale financial assets	2,181,367	(3,225,945)
Income tax relating to unrealized gains and losses on available-for-sale financial assets	10,124	(120)
Reclassified to profit or loss on disposal of available-for-sale financial assets	(822,524)	(633,990)
Income tax relating to the amounts reclassified to profit or loss on disposal of available-for-sale financial assets	-	873
Impairment on available-for-sale financial assets	4,772	-
Share of unrealized gains and losses on available-for-sale financial assets of associates accounted for using the equity method	(122,478)	(3,735)
Balance, end of period	$ 7,824,609	$ 5,420,437

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

	For the Nine Months Ended September 30	
	2016	2015
Balance, beginning of period	$ 152,264	$ 146,192
Fair value changes of hedging instrument	(143,046)	37,143
Income tax relating to fair value changes	26,410	(6,141)
Fair value changes of hedging instruments transferred to profit or loss	2,457	(6,133)
Income tax relating to amounts transferred to profit or loss	(418)	1,043
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	7,332	10,124
Income tax relating to amounts transferred to adjust carrying amount of hedged items	(1,246)	(1,721)
Balance, end of period	$ 43,753	$ 180,507

f. Treasury shares

	Thousand Shares			September 30	
Purpose of Treasury Shares	Beginning of Period	Addition	Reduction	Thousand Shares	Book Value
For the nine months ended September 30, 2016					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	318,036	-	29	318,007	$ 8,576,842
For the nine months ended September 30, 2015					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	318,369	47	376	318,040	$ 8,577,733

The Corporation's shares acquired and held by subsidiaries for the purpose of investment are accounted for as treasury shares. The Corporation's shares held by more than 50%-owned subsidiaries are not allowed to participate in the Corporation's capital increase in cash and have no voting rights; other rights are the same as other ordinary shareholders. The increase of treasury share 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 nine months ended September 30, 2015, a total of 523 thousand shares of the Corporation held by its subsidiaries were sold for proceeds of NT$13,325 thousand. The proceeds of treasury shares sold, calculated by shareholding percentage, amounted to NT$8,556 thousand, and after deducting book values, resulted in the amounts of NT$707 thousand, recorded as deduction of capital surplus. As of September 30, 2016, December 31, 2015, and September 30, 2015, the market values of the treasury shares calculated by combined holding percentage were NT$7,029,223 thousand, NT$5,710,213 thousand, and NT$6,110,611 thousand, respectively.

g. Non-controlling interests

	For the Nine Months Ended September 30	
	2016	2015
Balance, beginning of period	$ 26,404,014	$ 29,969,636
Attributable to non-controlling interests:		
Share of net profit for the period	2,272,947	132,338
Exchange difference on translating foreign operations	(497,252)	(383,815)
Income tax relating to exchange difference on translating foreign operations	(2,192)	(6,363)
Unrealized gains and losses on available-for-sale financial assets	(134,656)	146,191
Income tax relating to unrealized gains and losses on available-for-sale financial assets	16,988	(181)
Reclassified to profit or loss on disposal of available-for-sale financial assets	(108,052)	(110,406)
Fair value changes of cash flow hedges	(52,519)	13,882
Income tax relating to cash flow hedges	5,237	(1,791)
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	5	2
Share of other comprehensive income of associates accounted for using the equity method	(26,591)	(7,519)
Non-controlling interest arising from acquisition of subsidiaries	344,120	-
Dividend distributed by subsidiaries	(2,015,405)	(2,725,691)
Others	210,396	(444,246)
Balance, end of period	$ 26,417,040	$ 26,582,037

26. OPERATING REVENUES

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Revenue from the sale of goods	$ 66,189,918	$ 61,686,239	$ 189,349,585	$ 202,075,401
Construction contract revenue	5,286,059	3,920,254	14,671,603	13,362,138
Freight and service revenues	1,546,468	1,512,941	5,491,148	4,721,957
Other revenues	570,785	574,246	1,372,145	1,900,559
	$ 73,593,230	$ 67,693,680	$ 210,884,481	$ 222,060,055

27. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Dividends income	$ 302,578	$ 151,663	$ 410,348	$ 265,513
Interest income	69,865	89,655	230,517	313,827

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Rental income	$ 37,681	$ 30,087	$ 109,884	$ 110,552
Insurance claim income	8,477	368	27,423	77,071
Others	129,610	69,728	369,237	558,417
	$ 548,211	$ 341,501	$ 1,147,409	$ 1,325,380

(Concluded)

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Gain on disposal of investments	$ 8,935	$ 377,989	$ 792,788	$ 400,523
Net foreign exchange gain	1,168	410,237	66,162	482,467
Gain (loss) arising on financial assets at fair value through profit or loss	11,406	(9,655)	20,653	(9,345)
Loss on disposal of property, plant and equipment	(203,215)	(7,692)	(341,820)	(40,022)
Reversals of impairment losses recognized on investment property (Note 18)	-	483,774	-	1,612,081
Other losses	(112,784)	(113,953)	(346,071)	(377,637)
	$ (294,490)	$ 1,140,700	$ 191,712	$ 2,068,067

The components of net foreign exchange gain were as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Foreign exchange gain	$ 279,482	$ 922,802	$ 1,055,443	$ 1,930,608
Foreign exchange loss	(278,314)	(512,565)	(989,281)	(1,448,141)
Net exchange gain	$ 1,168	$ 410,237	$ 66,162	$ 482,467

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Total interest expense	$ 993,303	$ 1,039,282	$ 3,041,618	$ 3,042,835
Less: Amounts included in the cost of qualifying assets	52,944	81,825	165,372	265,608
	$ 940,359	$ 957,457	$ 2,876,246	$ 2,777,227

Information about capitalized interest was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Capitalized amounts	$ 52,944	$ 81,825	$ 165,372	$ 265,608
Capitalized annual rates (%)	0.51-1.52	0.63-1.22	0.51-1.52	0.63-1.62

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Property, plant and equipment	$ 8,900,766	$ 8,291,299	$ 26,774,873	$ 26,197,718
Investment properties	19,736	20,105	61,435	60,241
Intangible assets	65,787	56,469	206,967	173,441
Others	21,898	21,119	65,952	68,754
	$ 9,008,187	$ 8,388,992	$ 27,109,227	$ 26,500,154
Analysis of depreciation by function				
Operating costs	$ 8,521,347	$ 7,958,152	$ 25,674,058	$ 25,210,652
Operating expenses	392,916	348,449	1,144,377	1,029,118
Others	6,239	4,803	17,873	18,189
	$ 8,920,502	$ 8,311,404	$ 26,836,308	$ 26,257,959
Analysis of amortization by function				
Operating costs	$ 49,749	$ 43,875	$ 156,551	$ 147,839
Operating expenses	37,501	33,397	115,070	93,547
Others	435	316	1,298	809
	$ 87,685	$ 77,588	$ 272,919	$ 242,195

e. Operating expenses directly related to investment properties

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Direct operating expenses of investment properties that generated rental income	$ 38,105	$ 46,535	$ 122,070	$ 115,994

f. Employee benefits

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Short-term employee benefits				
Salaries	$ 7,723,770	$ 7,007,440	$ 22,297,463	$ 21,961,501
Labor and health insurance	475,508	495,610	1,412,314	1,454,705
Others	298,546	300,036	878,529	890,684
	8,497,824	7,803,086	24,588,306	24,306,890
Post-employment benefits				
Defined contribution plans	171,393	149,898	517,318	460,795
Defined benefit plans (Note 24)	212,841	220,385	640,257	661,621
	384,234	370,283	1,157,575	1,122,416
Termination benefits	9,907	6,915	65,827	36,837
	$ 8,891,965	$ 8,180,284	$ 25,811,708	$ 25,466,143
Analysis of employee benefits by function				
Operating costs	$ 7,177,928	$ 6,440,160	$ 20,755,399	$ 20,292,522
Operating expenses	1,593,639	1,529,798	4,662,305	4,770,511
Others	120,398	210,326	394,004	403,110
	$ 8,891,965	$ 8,180,284	$ 25,811,708	$ 25,466,143

To be in compliance with the Company Act amended in May 2015, and the amended Articles of Incorporation of the Corporation approved in June 2016 stipulate the Corporation distributed employees' compensation and remuneration to directors and supervisors at the rates no less than 0.1% and no higher than 0.15%, respectively, of the pre-tax profit prior to deducting, employees' compensation, and remuneration to directors and supervisors.

For the nine months ended September 30, 2016 and 2015, the employees compensation and remuneration to directors and supervisors were as follows:

	For the Nine Months Ended September 30	
	2016	2015
Employee compensation	$ 803,545	$ 684,449
Remuneration to directors and supervisors	15,066	12,659

If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the difference is recorded as a change in accounting estimate.

The employees' compensation and the remuneration to directors and supervisors for 2015 resolved by the board of directors in March 2016, the amounts of the bonus to employees and the remuneration to directors and supervisors for 2014 approved in the shareholders' meetings in June 2015, respectively, all distributed in cash, were as follows:

	For the Year Ended December 31			
	2015		2014	
	Employees Compensation	Remuneration of Directors and Supervisors	Bonus to Employees	Remuneration of Directors and Supervisors
Amounts resolved by the board of directors or approved in shareholders' meetings	$ 330,925	$ 6,205	$ 1,587,490	$ 29,765
Amounts recognized in respective financial statements	330,925	6,205	1,587,490	29,765
Difference	$ -	$ -	$ -	$ -

Information on the employees' compensation and remuneration to directors and supervisors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

As of September 30, 2016 and 2015, the Corporation and its subsidiaries' number of employees were about 26,500 and 25,700, respectively.

28. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Current tax				
In respect of the current period	$ 913,829	$ 309,797	$ 1,641,329	$ 2,585,363
Income tax on unappropriated earnings	398	(17)	120,969	563,692
In respect of prior years	20,442	9,727	(216,766)	(751,073)
Deferred tax				
In respect of the current period	257,155	(165,801)	400,934	(507,481)
In respect of prior years	3,261	(2)	16,534	754,519
Write-down in the current period	-	6	-	4,683
	$ 1,195,085	$ 153,710	$ 1,963,000	$ 2,649,703

b. Income tax recognized directly in equity

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Current tax				
Reversal of special reserve due to disposal of property, plant and equipment	$ 6	$ 42	$ 64	$ 46

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Deferred tax				
Reversal of special reserve due to disposal of property, plant and equipment	$ (6)	$ (42)	$ (64)	$ (46)
	$ -	$ -	$ -	$ -

(Concluded)

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Recognized in other comprehensive income:				
Translation of foreign operations	$ (8,243)	$ 46,215	$ (22,945)	$ 34,757
Unrealized gains and losses on available-for-sale financial asset	(3,816)	46	(27,112)	301
Fair value changes of cash flow hedges	(18,355)	43,746	(31,647)	7,932
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	(3,303)	1,494	1,246	1,721
Fair value changes of hedging instrument in cash flow hedges transferred to profit or loss	-	(816)	418	(1,043)
Disposal of available-for-sale financial assets	-	(873)	-	(873)
	$ (33,717)	$ 89,812	$ (80,040)	$ 42,795

d. Integrated income tax

	September 30, 2016	December 31, 2015	September 30, 2015
Unappropriated earnings			
Before January 1, 1998	$ 15,954	$ 15,954	$ 15,954
On and after January 1, 1998	14,423,455	13,307,894	15,131,897
	$ 14,439,409	$ 13,323,848	$ 15,147,851
Imputation credits accounts (“ICA”)	$ 396,251	$ 1,247,908	$ 1,211,054

	For the Year Ended December 31	
	2015	2014
Tax creditable ratio for distribution of earnings (%)	19.73	20.03

e. Income tax assessments

The Corporation's income tax returns through 2011 and the subsidiaries' income tax returns through 2011 to 2015 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 the Kaohsiung High Administrative Court and the Corporation filed an appeal to the Supreme Administrative Court against the judgment. However, the Corporation had recognized the assessed tax in prior year.

29. EARNINGS PER SHARE

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

Net profit for the period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Net profit for the period attributable to owners of the Corporation	$ 6,675,595	$ 743,913	$ 12,437,920	$ 9,119,579
Less: Dividends on preference shares	13,393	13,393	40,181	40,181
Net profit used in computation of basic earnings per share	6,662,202	730,520	12,397,739	9,079,398
Add: Dividends on preference shares	13,393	-	-	-
Net profit used in computation of diluted earnings per share	$ 6,675,595	$ 730,520	$ 12,397,739	$ 9,079,398

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Weighted average number of ordinary shares in computation of basic earnings per share	15,416,854	15,416,821	15,416,854	15,416,769
Effect of dilutive potential ordinary shares:				
Employees compensation	36,360	36,426	40,940	78,427
Convertible preference shares	38,268	-	-	-
Weighted average number of ordinary shares used in the computation of diluted earnings per share	15,491,482	15,453,247	15,457,794	15,495,196

Preference shares were not included in the calculation of diluted earnings per share for the three months ended September 30, 2015 and nine months ended September 30, 2016 and 2015 because of their anti-dilutive effect.

Since the Corporation offered to settle the compensation paid to employees in cash or shares, the Corporation assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

30. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity/ Interests Acquired (%)	Consideration Transferred
White Biotech Corporation (WBC)	Biology introduction and development	July 1, 2015	87/69	$ 800,000

The Corporation acquired WBC participating in its capital increase in 2015, which increased the Corporation's total equity in White Biotech Corporation from 18% to 87%. As a result, the investment was reclassified from investment in associates to investments in subsidiaries.

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

Assets	
Current assets	
Cash and cash equivalents	$ 826,586
Other current assets	5,220
Noncurrent assets	
Property, plant and equipment	66,677
Liabilities	
Current liabilities	
Other payables	(44)
Other current liabilities	(6,782)
	$ 891,657

c. Non-controlling interests

The non-controlling interest (13% ownership interest in WBC) recognized at the acquisition date measured by reference to the fair value of the non-controlling interest amounted to NT$115,470 thousand. This fair value was estimated based on WBC's identifiable net assets.

d. Intangible assets arising on acquisition

Consideration transferred	$ 800,000
Plus: Fair value of WBC's shares held by the Corporation before the date of acquisition	16,498

(Continued)

	Non-controlling interests (13% ownership in WBC)	$ 115,470
Less:	Fair value of identifiable net assets acquired	(891,657)
Intangible assets arising on acquisition		$ 40,311

(Concluded)

31. CAPITAL MANAGEMENT

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

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

32. FINANCIAL INSTRUMENTS

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

Except as detailed in the following table, the Corporation and its subsidiaries believe the carrying amounts of financial instruments, including cash and cash equivalents, receivables and payables recognized in the consolidated financial statements approximated their fair values.

	September 30, 2016		December 31, 2015		September 30, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Held-to-maturity investments	$ 267,407	$ 251,943	$ 285,963	$ 261,745	$ 262,641	$ 237,607

The fair value of held-to-maturity investment, which were grouped into Level 2, was measured under valuation method. The estimates and assumptions used by the Corporation and its subsidiaries were consistent with those that market participants would use in setting a price for financial instrument.

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
September 30, 2016				
Financial assets at fair value through profit or loss				
Mutual funds	$ 1,716,170	$ -	$ -	$ 1,716,170
Listed shares	601,423	-	-	601,423
Emerging market shares	-	-	231,953	231,953
Convertible bonds	230,678	-	-	230,678
Foreign exchange forward contracts	-	2,661	-	2,661
Futures contracts	-	1,056	-	1,056
	$ 2,548,271	$ 3,717	$ 231,953	$ 2,783,941

(Continued)

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 12,915,802	$ 12,915,802
Domestic emerging market shares and unlisted shares	-	-	6,669,075	6,669,075
Domestic listed shares	5,970,929	-	-	5,970,929
Foreign listed shares	2,525,871	-	-	2,525,871
Mutual funds	289,603	-	-	289,603
Certificate of entitlement	-	-	759,605	759,605
Private-placement shares of listed companies	-	176,987	-	176,987
	$ 8,786,403	$ 176,987	$ 20,344,482	$ 29,307,872
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 41,148	$ -	$ 41,148
Financial liabilities at fair value through profit or loss				
Call and put options	$ -	$ 360	$ -	$ 360
Foreign exchange forward contracts	-	137	-	137
	$ -	$ 497	$ -	$ 497
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 71,486	$ -	$ 71,486
Interest rate swap contracts	-	41,068	-	41,068
	$ -	$ 112,554	$ -	$ 112,554
December 31, 2015				
Financial assets at fair value through profit or loss				
Mutual funds	$ 2,303,771	$ -	$ -	$ 2,303,771
Listed shares	561,512	-	-	561,512
Convertible bonds	264,480	-	-	264,480
Emerging market shares	-	-	245,455	245,455
Structure notes	-	66,221	-	66,221
Foreign exchange forward contract	-	446	-	446
	$ 3,129,763	$ 66,667	$ 245,455	$ 3,441,885
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 39,494,304	$ 39,494,304
Domestic emerging market shares and unlisted shares	-	-	5,635,664	5,635,664
Domestic listed shares	5,404,294	-	-	5,404,294
Foreign listed shares	2,251,430	-	-	2,251,430

(Continued)

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,076,845	$ -	$ -	$ 1,076,845
Private-placement shares of listed companies	-	261,958	-	261,958
	$ 8,732,569	$ 261,958	$ 45,129,968	$ 54,124,495
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 165,541	$ -	$ 165,541
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	$ -	$ 613	$ -	$ 613
Call and put options	-	483	-	483
Futures contracts	-	429	-	429
	$ -	$ 1,525	$ -	$ 1,525
Derivative financial liabilities for hedging				
Interest rate swap contracts	$ -	$ 56,900	$ -	$ 56,900
Foreign exchange forward contracts	-	29,940	-	29,940
	$ -	$ 86,840	$ -	$ 86,840
September 30, 2015				
Financial assets at fair value through profit or loss				
Mutual funds	$ 2,258,049	$ -	$ -	$ 2,258,049
Listed shares	564,599	-	-	564,599
Emerging market shares	-	-	243,377	243,377
Convertible bonds	291,973	-	-	291,973
Structure notes	-	72,217	-	72,217
	$ 3,114,621	$ 72,217	$ 243,377	$ 3,430,215
Available-for-sale financial assets				
Foreign unlisted shares	$ -	$ -	$ 37,263,862	$ 37,263,862
Domestic listed shares	6,507,152	-	-	6,507,152
Domestic emerging market shares and unlisted shares	-	-	5,664,438	5,664,438
Foreign listed shares	1,747,721	-	-	1,747,721
Mutual funds	1,052,569	-	-	1,052,569
Certificate of entitlement	-	-	1,010,227	1,010,227
Private-placement shares of listed companies	-	213,261	-	213,261
	$ 9,307,442	$ 213,261	$ 43,938,527	$ 53,459,230
Derivative financial assets for hedging				
Foreign exchange forward contracts	$ -	$ 194,040	$ -	$ 194,040

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Call and put options	$ -	$ 555	$ -	$ 555
Foreign exchange forward contracts	-	2,817	-	2,817
Futures contract	-	59	-	59
	$ -	$ 3,431	$ -	$ 3,431
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	$ -	$ 17,046	$ -	$ 17,046
Interest rate swap contracts	-	48,497	-	48,497
	$ -	$ 65,543	$ -	$ 65,543

(Concluded)

There was no transfer between Level 1 and Level 2 for the nine months ended September 30, 2016 and 2015.

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

	Financial Assets at Fair Value Through Profit or Loss	Available-for-sale Financial Assets	Total
For the nine months ended September 30, 2016			
Balance, beginning of period	$ 245,455	$ 45,129,968	$ 45,375,423
Recognized in profit or loss (classified as other gains and losses)	(13,502)	197,800	184,298
Recognized in other comprehensive income (classified as unrealized gains and losses on available-for-sale financial assets)	-	1,321,702	1,321,702
Purchases	-	440,281	440,281
Reclassification	-	(25,908,765)	(25,908,765)
Transfer out of Level 3	-	(564,963)	(564,963)
Disposal	-	(395,164)	(395,164)
Effect of foreign currency exchange difference	-	137,663	137,663
Capital reduction	-	(14,040)	(14,040)
Balance, end of period	$ 231,953	$ 20,344,482	$ 20,576,435
For the nine months ended September 30, 2015			
Balance, beginning of period	$ 276,613	$ 26,629,214	$ 26,905,827
Recognized in profit or loss (classified as other gains and losses)	(33,236)	2,061	(31,175)

(Continued)

	Financial Assets at Fair Value Through Profit or Loss	Available-for-sale Financial Assets	Total
Recognized in other comprehensive income (classified as unrealized gains and losses on available-for-sale financial assets)	$ -	$ (2,109,693)	$ (2,109,693)
Purchases	-	19,622,232	19,622,232
Disposal	-	(345,891)	(345,891)
Capital reduction	-	(108,159)	(108,159)
Reclassification	-	108,877	108,877
Transfer into Level 3	-	30,020	30,020
Transfer out of Level 3	-	(78,319)	(78,319)
Effect of foreign currency exchange difference	-	188,185	188,185
Balance, end of period	$ 243,377	$ 43,938,527	$ 44,181,904

(Concluded)

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

Financial Instrument	Valuation Techniques and Inputs
Derivative instruments	A discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. The estimates and assumptions used by the Corporation and its subsidiaries were consistent with those that market participants would use in setting a price for the financial instrument.
Private-placement shares of listed companies	Based on information from the Market Observation Post System, the Taipei Exchange, etc. and calculated by using the Black-Scholes Model.

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

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

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

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

	September 30, 2016	December 31, 2015	September 30, 2015
Long-term revenue growth rate (%)	-	-	-
Long-term pre-tax operating income rate (%)	22.73-51.68	22.60	16.80
Discount rate (%)	7.00-8.00	8.00	10.18

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

	September 30, 2016	December 31, 2015	September 30, 2015
Discount rate			
Increase 1%	$ (534,277)	$ (186,562)	$ (88,719)
Decrease 1%	$ 667,702	$ 238,551	$ 107,540

c. Categories of financial instruments

	September 30, 2016	December 31, 2015	September 30, 2015
Financial assets			
Fair value through profit or loss			
Designated as at fair value through profit or loss	$ 1,204,925	$ 1,850,000	$ 1,896,386
Held for trading	1,579,016	1,591,885	1,533,829
Derivative instruments in designated hedge accounting relationships	41,148	165,541	194,040
Held-to-maturity investments	267,407	285,963	262,641
Loans and receivables (see 1 below)	49,449,839	51,628,094	47,253,927
Available-for-sale financial assets	29,307,872	54,124,495	53,459,230
Financial liabilities			
Fair value through profit or loss			
Designated as at fair value through profit or loss	360	483	555
Held for trading	137	1,042	2,876
Derivative instruments in designated hedge accounting relationships	112,554	86,840	65,543
Measured at amortized cost (see 2 below)	312,480,482	325,253,462	331,681,900

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

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

d. Financial risk management objectives and policies

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

The significant financial activities of the Corporation and its subsidiaries are reviewed by the board of directors in accordance with relevant regulations and internal controls. The finance department follows the accountability and related financial risk control procedures required by the Corporation for executing financial projects. Compliance with policies and exposure limits is continually reviewed by the internal auditors. The Corporation and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

a) Foreign currency risk

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

The carrying amounts of the significant non-functional currency monetary assets and liabilities (including those eliminated on consolidation) at the balance sheet date were referred to Note 36.

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

	USD Impact			**JPY Impact**		
	For the Nine Months Ended September 30			**For the Nine Months Ended September 30**		
	2016	**2015**		**2016**	**2015**	
Pre-tax profit or loss	$ 153	$ 4,653	i	$ 8,960	$ 9,165	i
Pre-tax equity	290,849	231,230	ii	(2,718)	(1,734)	ii

	AUD Impact			**RMB Impact**		
	For the Nine Months Ended September 30			**For the Nine Months Ended September 30**		
	2016	**2015**		**2016**	**2015**	
Pre-tax profit or loss	$ (170)	$ (190)	i	$ (11,189)	$ (8,917)	i
Pre-tax equity	42,949	65,592	ii	(6,729)	(2,698)	ii

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

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

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

	September 30, 2016	**December 31, 2015**	**September 30, 2015**
Fair value interest rate risk			
Financial liabilities	$ 152,283,495	$ 131,180,631	$ 152,925,382
Cash flow interest rate risk			
Financial liabilities	127,652,593	165,536,582	147,783,822

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation and its subsidiaries' pre-tax profit for the nine months ended September 30, 2016 and 2015 would have been lower/higher by NT$957,394 thousand and NT$1,108,379 thousand, respectively.

c) Other price risk

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

If equity prices had been 1% higher/lower, the pre-tax profit for the nine months ended September 30, 2016 and 2015 would have been higher/lower by NT$23,176 thousand and NT$28,226 thousand, respectively, as a result of the fair value changes of financial assets at fair value through profit or loss, and the pre-tax other comprehensive income for the nine months ended September 30, 2016 and 2015 would have been higher/lower by NT$89,634 thousand and NT$95,207 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

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

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

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

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

As of September 30, 2016, the maximum credit risk of off-balance-sheet guarantees and amount provided to investees of co-investment for procurement and investment compliance was NT$14,343,080 thousand.

3) Liquidity risk

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

The following table details the undiscounted cash flows of the Corporation and its subsidiaries' remaining contractual maturity for its non-derivative financial liabilities from the earliest date on which they can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

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

	Less Than 1 Year	**1-5 Years**	**Over 5 Years**	**Total**
September 30, 2016				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 30,785,973	$ 336,088	$ -	$ 31,122,061
Variable interest rate liabilities	42,866,691	85,575,904	2,994,811	131,437,406
Fixed interest rate liabilities	53,671,275	67,160,964	40,252,995	161,085,234
Financial guarantee liabilities	1,578,976	78,703	12,685,401	14,343,080
	$ 128,902,915	$ 153,151,659	$ 55,933,207	$ 337,987,781
December 31, 2015				
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 26,716,047	$ 266,151	$ -	$ 26,982,198
Variable interest rate liabilities	60,868,212	104,633,944	4,326,170	169,828,326
Fixed interest rate liabilities	38,695,303	47,483,128	55,609,781	141,788,212
Financial guarantee liabilities	2,491,772	-	-	2,491,772
	$ 128,771,334	$ 152,383,223	$ 59,935,951	$ 341,090,508

(Continued)

September 30, 2015	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 29,087,983	$ 378,981	$ -	$ 29,466,964
Variable interest rate liabilities	61,640,189	87,623,687	2,649,611	151,913,487
Fixed interest rate liabilities	55,044,368	45,857,118	62,255,942	163,157,428
Financial guarantee liabilities	2,348,974	-	-	2,348,974
	$ 148,121,514	$ 133,859,786	$ 64,905,553	$ 346,886,853

(Concluded)

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

33. TRANSACTIONS WITH RELATED PARTIES

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

a. Operating revenues

		For the Three Months Ended September 30		For the Nine Months Ended September 30	
Account Items	Related Parties Types	2016	2015	2016	2015
Revenue from sales of goods	Associates	$ 348,781	$ 162,872	$ 2,844,904	$ 509,456
	The Corporation and its subsidiaries as key management personnel of other related parties	901,056	806,061	2,490,101	2,734,077
	Other related parties as supervisors of the Corporation and its subsidiaries	-	335,696	866,217	1,161,938
	Other related parties as key management personnel of subsidiaries	417,790	429,667	1,218,384	1,451,416
	Others	9,562	84,979	13,492	326,218
		$ 1,677,189	$ 1,819,275	$ 7,433,098	$ 6,183,105

(Continued)

Account Items	Related Parties Types	For the Three Months Ended September 30 2016	For the Three Months Ended September 30 2015	For the Nine Months Ended September 30 2016	For the Nine Months Ended September 30 2015
Construction contract revenue	Associates	$ 285,120	$ 45,917	$ 1,051,889	$ 275,531
	Other related parties as key management personnel of subsidiaries	31,801	89,664	141,365	295,988
	The Corporation and its subsidiaries as key management personnel of other related parties	-	204,282	8,853	1,088,792
		$ 316,921	$ 339,863	$ 1,202,107	$ 1,660,311

(Concluded)

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

b. Purchase of goods

Related Parties Types	For the Three Months Ended September 30 2016	For the Three Months Ended September 30 2015	For the Nine Months Ended September 30 2016	For the Nine Months Ended September 30 2015
Companies with significant influence over subsidiaries	$ 1,641,057	$ 635,807	$ 2,818,850	$ 1,228,090
Other related parties as key management personnel of subsidiaries	64,786	63,007	202,435	194,688
Associates	70,018	50,152	197,188	157,201
Others	20	896	4,847	5,326
	$ 1,775,881	$ 749,862	$ 3,223,320	$ 1,585,305

Purchases from related parties were made under normal terms.

c. Receivables from related parties

Account Items	Related Parties Types	September 30, 2016	December 31, 2015	September 30, 2015
Notes and accounts receivable	The Corporation and its subsidiaries as key management personnel of other related parties	$ 481,475	$ 353,971	$ 372,026
	Associates	257,980	45,258	118,314
	Other related parties as key management personnel of subsidiaries	204,127	290,424	310,503
	Others	-	16,549	9,281
		$ 943,582	$ 706,202	$ 810,124

The subsidiary Chin Ecotek Corporation recognized the allowance for doubtful accounts in the amount of NT$385 thousand and NT$20,084 thousand for the nine months ended September 30, 2016 and 2015, respectively. As of September 30, 2016 and 2015, the allowance for doubtful accounts amounted to NT$1,635 thousand and NT$25,823 thousand, respectively.

d. Payables to related parties

Account Items	Related Parties Types	September 30, 2016	December 31, 2015	September 30, 2015
Accounts payable	Companies with significant influence over subsidiaries	$ 786,413	$ 199,274	$ 348,137
	Associates	41,378	27,588	33,100
	Other related parties as key management personnel of subsidiaries	17,774	21,696	16,784
	Others	7,958	7,573	7,473
		$ 853,523	$ 256,131	$ 405,494

The outstanding payables to related parties were unsecured.

e. Others

Account Items	Related Parties Types	For the Three Months Ended September 30 2016	For the Three Months Ended September 30 2015	For the Nine Months Ended September 30 2016	For the Nine Months Ended September 30 2015
Service and other revenues	Associates	$ 81,420	$ 8,721	$ 498,292	$ 20,372
	Other related parties as key management personnel of subsidiaries	27,699	27,586	73,697	79,538
	The Corporation and its subsidiaries as key management personnel of other related parties	529	75,717	3,769	429,960
	Others	12	2,319	4,032	8,160
		$ 109,660	$ 114,343	$ 579,790	$ 538,030

Account Items	Related Parties Types	September 30, 2016	December 31, 2015	September 30, 2015
Other receivables	Associates	$ 226,933	$ 9,068	$ 10,167
	Others	107	-	1,565
		$ 227,040	$ 9,068	$ 11,732
Other payables	Associates	$ 600,415	$ 6	$ 1,636
	Companies with significant influence over subsidiaries	12,662	23,194	41,936
	Other related parties as key management personnel of subsidiaries	19,249	12,839	8,422
	Others	-	9,094	14,459
		$ 632,326	$ 45,133	$ 66,453

f. Acquisition of financial assets - For the nine months ended September 30, 2015

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

The acquisition price is based on the net value of Taiwan Rolling Stock Co., Ltd.

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

Related Party Types	September 30, 2016	December 31, 2015	September 30, 2015
Associates			
Amount endorsed	$ 26,499,200	$ -	$ -
Amount utilized	(12,057,920)	-	-
	$ 14,441,280	$ -	$ -
The Corporation as key management personnel of others			
Amount endorsed	$ 2,416,113	$ 2,491,772	$ 2,348,974
Amount utilized	(2,285,160)	(2,491,772)	(2,348,974)
	$ 130,953	$ -	$ -

h. Compensation of key management personnel

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Short-term employee benefits	$ 30,747	$ 15,938	$ 63,004	$ 69,399
Post-employment benefits	277	334	830	1,003
	$ 31,024	$ 16,272	$ 63,834	$ 70,402

34. ASSETS PLEDGED AS COLLATERAL OR SECURITY

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

	September 30, 2016	December 31, 2015	September 30, 2015
Net property, plant and equipment	$ 115,923,597	$ 121,602,388	$ 124,075,954
Time deposits (Note 16)	6,820,339	6,986,935	6,980,947
Shares (see a. below)	5,213,390	3,875,405	4,145,280
Pledged receivables (Note 16) (see b. below)	2,000,000	2,000,000	2,000,000
Net investment properties	1,589,833	1,537,613	1,545,643
	$ 131,547,159	$ 136,002,341	$ 138,747,824

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

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

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 19, significant commitments and contingencies of the Corporation and its subsidiaries as of September 30, 2016 were as follows:

a. The Corporation and its subsidiaries provided letters of credits for NT$6.2 billion guaranteed by financial institutions for performance and payment bond in construction contracts, and guarantee notes for NT$74.5 billion to banks and owners for loans, purchase agreements and warranties.

b. Unused letters of credit for importation of materials and machinery amounted to NT$8.8 billion.

c. Property purchase and construction contracts for NT$6.7 billion were signed but not yet recorded.

d. Construction contracts for NT$41.7 billion were not yet being completed.

e. The Corporation and its subsidiaries 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 10,140,000 metric tons of coal, 22,080,000 metric tons of iron ore, and 3,400,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of September 30, 2016 were USD2.8 billion (including 10,900,000 metric tons of coal, 14,680,000 metric tons of iron ore, and 1,820,000 metric tons of limestone).

f. In February 2016 and August 2014, the associate Chang-Chun Ceck Auto. Parts Co., Ltd. (CCCA) entered into credit facility agreements with Taipei Fubon Bank and CTBC Bank for a USD10,000 and EUR2,000 thousand import loan commitment. Under the agreement, the Corporation and its associates should collectively hold at least 38% and 30% of CCCA's issued shares and one seat in the board of directors. As of September 30, 2016, the Corporation indirectly held 38% equity of CCCA and one seat in the board of directors.

g. In February 2016 and November 2014, the associate Honley Auto. Parts Co., Ltd. (HAPC) entered into credit facility agreements for a USD10,000 thousand import loan commitment with Taipei Fubon Bank and a NT$225,000 thousand factory building loan commitment and a JPY56,500 thousand import letter of credit loan commitment with Shanghai Commercial & Savings Bank. Under the agreement, the Corporation and its associates should collectively hold at least 38% and 30% of HAPC's issued shares and two seats in the board of directors. As of September 30, 2016, the Corporation held 38% equity of HAPC and two seats in the board of directors.

h. Endorsements/guarantees provided to the unconsolidated entities as of September 30, 2016 were as follows:

Endorsement/Guarantee Provider	Counterparty	Ending Balance
China Steel Corporation	Sakura Ferroalloys Sdn. Bhd.	NT$ 2,416,113thousand
	Formosa Ha Tinh (Cayman) Limited	NT$ 26,499,200thousand

36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
September 30, 2016				
Monetary financial assets				
USD	$ 314,487	31.3600	(USD:NTD)	$ 9,862,325
USD	24,595	6.6823	(USD:RMB)	771,309
USD	11,295	1.3157	(USD:AUD)	354,223
USD	8,825	4.3321	(USD:MYR)	276,758
USD	4,889	24,123.0769	(USD:VND)	153,306
JPY	9,102,586	0.3109	(JPY:NTD)	2,829,994
RMB	374,924	4.6930	(RMB:NTD)	1,759,518
EUR	12,413	35.0800	(EUR:NTD)	435,462
GBP	5,297	40.6300	(GBP:NTD)	215,234
VND	334,499,951	0.00004	(VND:USD)	428,160
HKD	36,452	4.0440	(HKD:NTD)	147,414
Non-monetary financial assets				
Available-for-sales financial assets				
USD	73,782	31.3600	(USD:NTD)	2,313,815
JPY	8,040,800	0.3109	(JPY:NTD)	2,449,885
MYR	259,490	7.2390	(MYR:NTD)	1,878,446
KRW	36,337,500	0.0287	(KRW:NTD)	1,042,886
VND	565,502,944	0.00004	(VND:USD)	723,844
RMB	81,362	4.6930	(RMB:NTD)	381,831
Associate accounted for using equity method				
USD	1,094,478	31.3600	(USD:NTD)	34,322,823
USD	271,476	1.3157	(USD:AUD)	8,512,183
Monetary financial liabilities				
USD	1,120,941	31.3600	(USD:NTD)	35,152,709
USD	110,000	66.624	(USD:INR)	3,449,600
USD	41,411	6.6823	(USD:RMB)	1,298,645

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
USD	$ 20,127	24,123.0769	(USD:VND)	$ 631,196
AUD	180,194	23.8350	(AUD:NTD)	4,294,932
JPY	11,208,242	0.3109	(JPY:NTD)	3,484,642
December 31, 2015				
Monetary financial assets				
USD	417,063	32.8250	(USD:NTD)	13,690,091
USD	23,966	1.3686	(USD:AUD)	786,676
USD	18,055	6.5716	(USD:RMB)	592,644
USD	4,301	23,446.4286	(USD:VND)	141,177
USD	3,441	4.4705	(USD:MYR)	112,941
JPY	7,595,738	0.2727	(JPY:NTD)	2,071,358
RMB	252,243	4.9950	(RMB:NTD)	1,259,956
EUR	13,209	35.8800	(EUR:NTD)	473,938
VND	231,629,211	0.00004	(VND:USD)	325,439
Non-monetary financial assets				
Available-for-sales financial assets				
USD	70,331	32.8250	(USD:NTD)	2,308,609
JPY	8,154,800	0.2727	(JPY:NTD)	2,223,814
MYR	236,080	7.3425	(MYR:NTD)	1,733,416
KRW	36,337,771	0.0281	(KRW:NTD)	1,021,091
Associate accounted for using equity method				
USD	268,800	1.3686	(USD:AUD)	8,823,606
Monetary financial liabilities				
USD	804,600	32.8250	(USD:NTD)	26,411,008
USD	92,033	6.5716	(USD:RMB)	3,020,980
USD	110,000	66.1794	(USD:INR)	3,610,750
USD	18,368	23,446.4286	(USD:VND)	602,945
AUD	319,876	23.9850	(AUD:NTD)	7,672,234
JPY	10,718,095	0.2727	(JPY:NTD)	2,922,824
September 30, 2015				
Monetary financial assets				
USD	348,114	32.8700	(USD:NTD)	11,442,505
USD	22,156	1.4276	(USD:AUD)	728,283
USD	21,803	6.3505	(USD:RMB)	716,675
USD	4,820	23,478.5714	(USD:VND)	158,444
USD	3,441	4.5905	(USD:MYR)	113,096
JPY	8,052,279	0.2739	(JPY:NTD)	2,205,519
RMB	210,924	5.1760	(RMB:NTD)	1,091,742
EUR	15,297	36.9200	(EUR:NTD)	564,770
VND	133,768,162	0.00004	(VND:USD)	187,944
Non-monetary financial assets				
Available-for-sales financial assets				
USD	88,963	32.8700	(USD:NTD)	2,924,220
JPY	6,291,200	0.2739	(JPY:NTD)	1,723,160

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
MYR	$ 216,262	7.1605	(MYR:NTD)	$ 1,548,545
KRW	30,379,200	0.0280	(KRW:NTD)	850,618
VND	474,364,865	0.00004	(VND:USD)	666,482
Associate accounted for using equity method				
USD	268,891	1.4276	(USD:AUD)	8,838,585
Monetary financial liabilities				
USD	865,502	32.8700	(USD:NTD)	28,449,046
USD	121,259	6.3505	(USD:RMB)	3,985,771
USD	110,000	65.7006	(USD:INR)	3,615,700
USD	20,434	23,478.5714	(USD:VND)	671,657
AUD	284,876	23.0250	(AUD:NTD)	6,559,278
JPY	10,901,584	0.2739	(JPY:NTD)	2,985,944

(Concluded)

For the three months and nine months ended September 30, 2016 and 2015, realized and unrealized net foreign exchange gains and losses were gains NT$1,168 thousand, gains NT$410,237 thousand, gains NT$66,162 thousand and gains NT$482,467 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the each entity.

37. SEGMENT INFORMATION

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

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

a. Segment revenues and operating results

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

	Steel	Others	Adjustment and Elimination	Total
For the nine months ended September 30, 2016				
Revenues from external customers	$ 164,885,474	$ 45,999,007	$ -	$ 210,884,481
Inter-segment revenues	42,187,124	29,207,916	(71,395,040)	-
Segment revenues	$ 207,072,598	$ 75,206,923	$ (71,395,040)	$ 210,884,481
Segment profit	$ 12,713,452	$ 5,703,009	$ 5,732	$ 18,422,193
Interest income	152,242	125,392	(47,117)	230,517
Financial costs	(2,544,035)	(359,716)	27,505	(2,876,246)

(Continued)

	Steel	Others	Adjustment and Elimination	Total
Share of the profit of associates	$ 5,217,248	$ 826,529	$ (6,254,978)	$ (211,201)
Other non-operating income and expenses	1,353,600	265,502	(510,498)	1,108,604
Profit before income tax	16,892,507	6,560,716	(6,779,356)	16,673,867
Income tax	1,214,998	736,709	11,293	1,963,000
Net profit for the period	$ 15,677,509	$ 5,824,007	$ (6,790,649)	$ 14,710,867
For the nine months ended September 30, 2015				
Revenues from external customers	$ 175,028,527	$ 47,031,528	$ -	$ 222,060,055
Inter-segment revenues	39,816,519	31,714,026	(71,530,545)	-
Segment revenues	$ 214,845,046	$ 78,745,554	$ (71,530,545)	$ 222,060,055
Segment profit	$ 7,230,851	$ 5,779,827	$ (1,843,313)	$ 11,167,365
Interest income	190,568	180,102	(56,843)	313,827
Financial costs	(2,537,076)	(273,344)	33,193	(2,777,227)
Share of the profit of associates	2,772,331	919,687	(3,573,983)	118,035
Other non-operating income and expenses	2,926,033	704,037	(550,450)	3,079,620
Profit before income tax	10,582,707	7,310,309	(5,991,396)	11,901,620
Income tax	2,151,784	652,956	(155,037)	2,649,703
Net profit for the period	$ 8,430,923	$ 6,657,353	$ (5,836,359)	$ 9,251,917

(Concluded)

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

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

b. Segment total assets and liabilities

	September 30, 2016	December 31, 2015	September 30, 2015
Segment assets			
Steel	$ 725,459,352	$ 725,576,274	$ 737,248,857
Others	235,424,312	225,713,075	225,581,333
Adjustment and elimination	(290,470,230)	(273,150,333)	(278,682,093)
Consolidated total assets	$ 670,413,434	$ 678,139,016	$ 684,148,097
Segment liabilities			
Steel	$ 295,675,531	$ 302,903,168	$ 311,578,867
Others	73,093,564	70,199,106	71,466,779
Adjustment and Elimination	(23,274,448)	(15,688,091)	(20,570,234)
Consolidated total liabilities	$ 345,494,647	$ 357,414,183	$ 362,475,412