China Steel Chemical Corporation and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2017 and 2016 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
China Steel Chemical Corporation

We have reviewed the accompanying consolidated balance sheets of China Steel Chemical Corporation (the "Corporation") and its subsidiaries as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2017 and 2016 and the consolidated statement of changes in equity and cash flows for the six months ended June 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

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

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 2, 2017

<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 CHEMICAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	$ 577,521	6	$ 1,371,824	14	$ 1,247,149	14
Financial assets at fair value through profit or loss - current (Note 7)	1,955,527	19	766,794	8	773,849	8
Available-for-sale financial assets - current (Note 8)	181,115	2	190,044	2	144,337	2
Notes receivable (Note 11)	22,810	-	15,494	-	39,887	-
Accounts receivable, net (Note 11)	376,851	4	377,120	4	489,703	5
Accounts receivable - related parties (Notes 11 and 28)	98,468	1	89,625	1	86,993	1
Other receivables (Note 28)	441,334	4	250,931	3	319,900	4
Inventories (Note 12)	499,419	5	464,018	5	382,430	4
Other financial assets - current (Note 13)	49,234	-	271,668	3	9,689	-
Other current assets	86,012	1	144,772	1	62,640	1
Total current assets	4,288,291	42	3,942,290	41	3,556,577	39
NONCURRENT ASSETS						
Available-for-sale financial assets - noncurrent (Note 8)	78,972	1	77,678	1	370,605	4
Held-to-maturity financial assets - noncurrent (Note 9)	104,630	1	110,924	1	111,010	1
Debt investments with no active market - noncurrent (Note 10)	91,719	1	95,389	1	200,408	2
Investments accounted for using equity method (Note 15)	1,293,015	13	1,357,724	14	1,143,147	12
Property, plant and equipment (Notes 16 and 29)	2,919,125	28	2,576,874	27	2,460,422	27
Investment properties (Note 17)	563,513	6	563,513	6	563,513	6
Deferred tax assets	43,944	-	57,495	1	50,399	1
Prepaid equipment (Note 29)	251,356	2	89,334	1	67,669	1
Refundable deposits	5,231	-	5,201	-	4,400	-
Other financial assets - noncurrent (Notes 13 and 17)	1,112	-	1,111	-	1,111	-
Long-term prepayments for lease (Note 28)	27,017	-	28,648	-	30,947	-
Other noncurrent assets (Note 14)	618,236	6	655,581	7	659,859	7
Total noncurrent assets	5,997,870	58	5,619,472	59	5,663,490	61
TOTAL	$ 10,286,161	100	$ 9,561,762	100	$ 9,220,067	100

	June 30, 2017 (Reviewed)		December 31, 2016 (Audited)		June 30, 2016 (Reviewed)	
LIABILITIES AND EQUITY	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES						
Short-term borrowings (Note 18)	$ 745,871	7	$ 721,276	8	$ 25,520	-
Short-term bills payable (Note 18)	870,000	9	620,000	7	500,000	5
Accounts payable	27,560	-	22,468	-	33,316	-
Accounts payable - related parties (Note 28)	209,495	2	184,136	2	221,450	2
Other payables (Notes 14, 19 and 28)	1,910,894	19	900,028	9	1,889,495	21
Current tax liabilities	70,785	1	68,084	1	89,054	1
Other current liabilities	39,733	-	45,953	-	60,023	1
Total current liabilities	3,874,338	38	2,561,945	27	2,818,858	30
NONCURRENT LIABILITIES						
Deferred tax liabilities	2,909	-	4,425	-	3,671	-
Net defined benefit liabilities (Note 4)	159,175	1	163,622	2	146,288	2
Other noncurrent liabilities (Note 17)	1,110	-	1,110	-	1,110	-
Total noncurrent liabilities	163,194	1	169,157	2	151,069	2
Total liabilities	4,037,532	39	2,731,102	29	2,969,927	32
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 21)						
Ordinary share capital	2,369,044	23	2,369,044	25	2,369,044	26
Capital surplus	732,977	7	732,977	7	710,086	8
Retained earnings (Note 24)						
Legal reserve	2,369,044	23	2,291,205	24	2,291,205	25
Special reserve	150,593	2	242,136	3	242,136	2
Unappropriated earnings	549,087	5	1,069,083	11	534,661	6
Total retained earnings	3,068,724	30	3,602,424	38	3,068,002	33
Other equity	(129,329)	(1)	(78,684)	(1)	(94,503)	(1)
Treasury shares	(125,656)	(1)	(125,656)	(1)	(125,656)	(2)
Total equity attributable to owners of the Corporation	5,915,760	58	6,500,105	68	5,926,973	64
NON-CONTROLLING INTERESTS (Note 21)	332,869	3	330,555	3	323,167	4
Total equity	6,248,629	61	6,830,660	71	6,250,140	68
TOTAL	$ 10,286,161	100	$ 9,561,762	100	$ 9,220,067	100

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

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES (Notes 22 and 28)								
Revenue from sales of goods	$ 1,472,136	97	$ 1,304,132	97	$ 3,119,366	97	$ 2,502,565	98
Other operating revenues	42,307	3	36,599	3	82,323	3	64,137	2
Total operating revenues	1,514,443	100	1,340,731	100	3,201,689	100	2,566,702	100
OPERATING COSTS (Notes 12, 23 and 28)	1,153,726	76	993,021	74	2,452,971	77	1,890,974	74
GROSS PROFIT	360,717	24	347,710	26	748,718	23	675,728	26
OPERATING EXPENSES (Notes 23 and 28)								
Selling and marketing expenses	34,694	2	36,958	3	55,150	2	70,667	3
General and administrative expenses	45,329	3	29,092	2	59,340	2	37,455	1
Research and development expenses	24,688	2	19,941	1	47,468	1	46,640	2
Total operating expenses	104,711	7	85,991	6	161,958	5	154,762	6
PROFIT FROM OPERATIONS	256,006	17	261,719	20	586,760	18	520,966	20
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 23 and 28)	13,782	1	12,447	1	38,541	1	21,691	1
Other gains and losses (Notes 23 and 28)	27,898	2	7,533	-	(8,389)	-	10,593	-
Share of the profit of associates	8,121	-	10,103	1	17,558	1	18,637	1
Interest expense	(2,641)	-	(1,101)	-	(5,166)	-	(2,373)	-
Total non-operating income and expenses	47,160	3	28,982	2	42,544	2	48,548	2
PROFIT BEFORE INCOME TAX	303,166	20	290,701	22	629,304	20	569,514	22
INCOME TAX EXPENSE (Notes 4 and 24)	31,025	2	47,864	4	75,686	3	92,589	4
NET PROFIT FOR THE PERIOD	272,141	18	242,837	18	553,618	17	476,925	18
OTHER COMPREHENSIVE INCOME (Note 21)								

(Continued)

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss								
Exchange differences on translating foreign operations	$ 6,600	-	$ 2,962	-	$ (65,374)	(2)	$ (30,163)	(1)
Unrealized gains and losses on available-for-sale financial assets	(5,955)	-	(31,953)	(2)	(1,990)	-	(28,961)	(1)
Cash flow hedges	1,197	-	-	-	568	-	-	-
Share of the other comprehensive income (loss) of associates	(17,892)	(1)	(52,974)	(4)	(2,687)	-	55,313	2
Income tax expense relating to items that may be reclassified subsequently to profit or loss	(203)	-	-	-	(96)	-	-	-
Other comprehensive income (loss) for the period, net of income tax	(16,253)	(1)	(81,965)	(6)	(69,579)	(2)	(3,811)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 255,888	17	$ 160,872	12	$ 484,039	15	$ 473,114	18
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Corporation	$ 268,869		$ 241,898		$ 532,370		$ 476,502	
Non-controlling interests	3,272		939		21,248		423	
	$ 272,141		$ 242,837		$ 553,618		$ 476,925	
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Corporation	$ 251,425		$ 159,054		$ 481,725		$ 484,347	
Non-controlling interests	4,463		1,818		2,314		(11,233)	
	$ 255,888		$ 160,872		$ 484,039		$ 473,114	
EARNINGS PER SHARE (Note 25)								
Basic	$ 1.16		$ 1.04		$ 2.30		$ 2.06	
Diluted	$ 1.16		$ 1.04		$ 2.29		$ 2.05	

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

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Corporation													
			Retained Earnings				Other Equity							
	Ordinary Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total Retained Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	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, 2017	$ 2,369,044	$ 732,977	$ 2,291,205	$ 242,136	$ 1,069,083	$ 3,602,424	$ (972)	$ (75,083)	$ (2,629)	$ (78,684)	$ (125,656)	$ 6,500,105	$ 330,555	$ 6,830,660
Appropriation of 2016 earnings (Note 21)														
Legal reserve	-	-	77,839	-	(77,839)	-	-	-	-	-	-	-	-	-
Cash dividends - 45%	-	-	-	-	(1,066,070)	(1,066,070)	-	-	-	-	-	(1,066,070)	-	(1,066,070)
Reversal of special reserve	-	-	-	(91,543)	91,543	-	-	-	-	-	-	-	-	-
	-	-	77,839	(91,543)	(1,052,366)	(1,066,070)	-	-	-	-	-	(1,066,070)	-	(1,066,070)
Net profit for the six months ended June 30, 2017	-	-	-	-	532,370	532,370	-	-	-	-	-	532,370	21,248	553,618
Other comprehensive income (loss) for the six months ended June 30, 2017, net of income tax	-	-	-	-	-	-	(49,412)	(1,602)	369	(50,645)	-	(50,645)	(18,934)	(69,579)
Total comprehensive income (loss) for the six months ended June 30, 2017	-	-	-	-	532,370	532,370	(49,412)	(1,602)	369	(50,645)	-	481,725	2,314	484,039
BALANCE AT JUNE 30, 2017	$ 2,369,044	$ 732,977	$ 2,369,044	$ 150,593	$ 549,087	$ 3,068,724	$ (50,384)	$ (76,685)	$ (2,260)	$ (129,329)	$ (125,656)	$ 5,915,760	$ 332,869	$ 6,248,629
BALANCE AT JANUARY 1, 2016	$ 2,369,044	$ 657,295	$ 2,167,302	$ 242,136	$ 1,248,132	$ 3,657,570	$ 39,724	$ (142,072)	$ -	$ (102,348)	$ (141,791)	$ 6,439,770	$ -	$ 6,439,770
Appropriation of 2015 earnings (Note 21)														
Legal reserve	-	-	123,903	-	(123,903)	-	-	-	-	-	-	-	-	-
Cash dividends - 45%	-	-	-	-	(1,066,070)	(1,066,070)	-	-	-	-	-	(1,066,070)	-	(1,066,070)
	-	-	123,903	-	(1,189,973)	(1,066,070)	-	-	-	-	-	(1,066,070)	-	(1,066,070)
Net profit for the six months ended June 30, 2016	-	-	-	-	476,502	476,502	-	-	-	-	-	476,502	423	476,925
Other comprehensive income (loss) for the six months ended June 30, 2016, net of income tax	-	-	-	-	-	-	(27,404)	35,249	-	7,845	-	7,845	(11,656)	(3,811)
Total comprehensive income (loss) for the six months ended June 30, 2016	-	-	-	-	476,502	476,502	(27,404)	35,249	-	7,845	-	484,347	(11,233)	473,114
Disposal of the Corporation's shares held by subsidiaries	-	52,791	-	-	-	-	-	-	-	-	16,135	68,926	-	68,926
Adjustment of non-controlling interests (Note 21)	-	-	-	-	-	-	-	-	-	-	-	-	334,400	334,400
BALANCE AT JUNE 30, 2016	$ 2,369,044	$ 710,086	$ 2,291,205	$ 242,136	$ 534,661	$ 3,068,002	$ 12,320	$ (106,823)	$ -	$ (94,503)	$ (125,656)	$ 5,926,973	$ 323,167	$ 6,250,140

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

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 629,304	$ 569,514
Adjustments for:		
Depreciation expense	131,675	137,479
Amortization expense	4,228	4,338
Impairment loss recognized on (reversal of) accounts receivable	(15,646)	3,998
Net gain on fair value change of financial assets designated as at fair value through profit or loss	(43,031)	(9,351)
Net gain on fair value change of financial assets and liabilities held for trading	(48,703)	(17,595)
Interest expense	5,166	2,373
Interest income	(8,647)	(7,461)
Dividend income	(2,446)	(66)
Share of the profit of associates	(19,445)	(22,492)
Loss on disposal of property, plant and equipment	358	1,810
Gain on disposal of investments	(3,285)	(16,019)
Write-down of inventories	15,348	15,651
Changes in operating assets and liabilities		
Financial assets held for trading	(66,773)	(39,329)
Notes receivable	(7,311)	(31,485)
Accounts receivable	15,724	(137,167)
Accounts receivable - related parties	(8,843)	(16,523)
Other receivables	(142,169)	(1,740)
Inventories	(52,206)	13,931
Other current assets	(4,440)	(9,055)
Accounts payable	5,092	10,154
Accounts payable - related parties	25,359	61,960
Other payables	(83,488)	(96,727)
Other current liabilities	(6,220)	13,332
Net defined benefit liabilities	(4,447)	(3,517)
Cash generated from operations	315,154	426,013
Income taxes paid	(61,046)	(91,748)
Net cash generated from operating activities	254,108	334,265
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets designated as at fair value through profit or loss	(1,213,722)	(307,182)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	232,117	314,994
Proceeds from disposal of available-for-sale financial assets	8,930	16,019
Acquisition of debt investments with no active market	(18,597)	(24,654)
Proceeds from disposal of debt investments with no active market	20,000	20,742

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CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2017	2016
Proceeds from the capital reduction on investments accounted for using equity method	$ 20,000	$ -
Acquisition of property, plant and equipment	(573,481)	(132,657)
Proceeds from disposal of property, plant and equipment	3	-
Increase in refundable deposits	(30)	(447)
Decrease in other financial assets	221,635	118,760
Increase in other noncurrent assets	(388)	(3,023)
Interest received	9,231	8,712
Dividends received	2,285	66
Net cash generated from (used in) investing activities	(1,292,017)	11,330
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,330,946	1,221,820
Repayments of short-term borrowings	(2,306,351)	(1,209,251)
Proceeds from short-term bills payable	350,000	-
Repayments of short-term bills payable	(100,000)	(255,000)
Proceeds from disposal of treasury shares	-	68,926
Interest paid	(5,377)	(2,402)
Increase in non-controlling interests	-	100,320
Net cash generated from (used in) financing activities	269,218	(75,587)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(25,612)	(30,514)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(794,303)	239,494
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,371,824	1,007,655
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 577,521	$ 1,247,149

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

CHINA STEEL CHEMICAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

China Steel Chemical Corporation (the "Corporation") was incorporated by China Steel Corporation (CSC) and other shareholders in February 1989. The Corporation started operations in May 1993, and CSC is the parent company that has substantive control over the Corporation. As of June 30, 2017 and 2016, CSC owned 29.04% of the Corporation's voting shares. The Corporation mainly engages in the production, processing and sales of coal tar distillation products, Naphtha products and coke products; in addition, it also trades related upstream and downstream products.

The shares of the Corporation have been listed and traded on the Taiwan Stock Exchange since November 1998.

The Corporation's functional currency is the New Taiwan dollar; the consolidated financial statements of the Corporation and its subsidiaries are presented in 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 August 2, 2017.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Corporation and its subsidiaries' accounting policies:

1) Amendment to IAS 40 "Investment Property"

IAS 40 was amended by the Annual Improvements to IFRSs: 2011-2013 Cycle to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination. The amendment should be applied prospectively to acquisitions of investment property on or after January 1, 2017.

2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed and issued into effect by the FSC. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Corporation and its subsidiaries are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Corporation and its subsidiaries have significant transaction. If the transaction or balance with a specific related party is 10% or more of the Corporation and its subsidiaries' respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

When the amendments are applied retrospectively from January 1, 2017, the disclosures of related party transactions are enhanced. Refer to Note 28 for related disclosures.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2018

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
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
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

1) IFRS 9 "Financial Instruments"

Recognition, measurement and impairment 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) Debt instruments held within a business model whose objective is to collect the contractual cash flows 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) Debt instruments held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of 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.

Based on an analysis of the Corporation and its subsidiaries' financial assets as at June 30, 2017 on the basis of the facts and circumstances that exist at that date, the Corporation and its subsidiaries have performed a preliminary assessment of the impact of IFRS 9 to the classification and measurement of financial assets as follows:

a) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be classified as at fair value through profit or loss or designated as at fair value through other comprehensive income. When the financial assets which are designated as at fair value through other comprehensive income, the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal.

b) Debt investments classified as held-to-maturity financial assets will be classified as at fair value through profit or loss under IFRS 9, because on initial recognition, the contractual cash flows that are not solely payments of principal and interest on the principal outstanding.

c) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9, because on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect the contractual cash flows.

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

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

The Corporation and its subsidiaries elect not to restate prior periods when applying the requirements for the recognition, measurement and impairment of financial assets under IFRS 9 and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9. Furthermore, the Corporation and its subsidiaries will provide disclosure of the differences in amounts if the Corporation and its subsidiaries continue applying the existing accounting treatments in 2018.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way the hedging cost of 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.

A preliminary assessment of the Corporation and its subsidiaries' current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of IFRS 9.

2) 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, an entity shall recognize revenue by applying the following steps:

a) Identify the contract with the customer;

b) Identify the performance obligations in the contract;

c) Determine the transaction price;

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

e) Recognize revenue when the Corporation and its subsidiaries satisfy 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 sell 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 outputs).

The Corporation and its subsidiaries are still assessing whether to retrospectively apply IFRS 15 and restate comparative information in 2017 or elect to retrospectively apply IFRS 15 to contracts that are not complete by January 1, 2018. In addition, the Corporation and its subsidiaries will disclose the difference between the amount that results from applying IFRS 15 and the amount that results from applying current standards for 2018.

3) Amendment 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, and irrespective of whether there is any expectation 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.

In assessing deferred tax asset, the Corporation and subsidiaries currently assume it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendment will be applied retrospectively in 2018.

4) Amendments to IAS 40 "Transfers of Investment Property"

The amendments clarify that the Corporation and its subsidiaries should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that the evidence of the change in use is not limited to those illustrated in IAS 40.

The Corporation and its subsidiaries will reclassify the property as necessary according to the amendments to reflect the conditions that exist at January 1, 2018. In addition, the Corporation and its subsidiaries will disclose the reclassified amounts in 2018 and the reclassified amounts of January 1, 2018 should be included in the reconciliation of the carrying amount of investment property.

Except for the above impact, as of the date the consolidated financial statements were reported to the board of directors for issue, the Corporation and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation and its subsidiaries' financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Announced by IASB (Note)**
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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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

1) 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, the lessee 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 lessee 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 lessee 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 are classified within financing activities; cash payments for 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 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.

2) IFRIC 23 "Uncertainty Over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Corporation and its subsidiaries should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Corporation and its subsidiaries conclude that it is probable that the taxation authority will accept an uncertain tax treatment, the Corporation and its subsidiaries should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in their income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Corporation and its subsidiaries should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Corporation and its subsidiaries have to reassess their judgments and estimates if facts and circumstances change.

The Corporation and its subsidiaries may elect to apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were reported to the board of directors for issue, the Corporation and its subsidiaries are continuously assessing the possible impact that the application of other standards and interpretations will have on the Corporation and its subsidiaries' financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

These interim 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" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of the plan assets.

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

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

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

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

c. Basis of consolidation

Refer to Note 14 for the detail information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016.

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 by applying to an interim period's pre-tax income 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, 2016.

6. CASH AND CASH EQUIVALENTS

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand	$ 400	$ 430	$ 430
Checking accounts and demand deposits	398,105	203,631	1,047,886
Cash equivalents			
Time deposits with original maturities less than three months	179,016	1,006,446	198,833
Commercial papers	-	161,317	-
	$ 577,521	$ 1,371,824	$ 1,247,149

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets designated as at FVTPL			
Non-derivative financial assets			
Mutual funds	$ 1,294,260	$ 292,942	$ 413,174
Domestic quoted shares	11,250	36,488	30,655
Foreign quoted shares	33,977	-	-
	1,339,487	329,430	443,829
Financial assets held for trading			
Non-derivative financial assets			
Domestic quoted shares	495,844	437,364	257,659
Mutual funds	120,196	-	72,361
	616,040	437,364	330,020
	$ 1,955,527	$ 766,794	$ 773,849

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Current			
Domestic investments			
Quoted shares	$ 181,115	$ 190,044	$ 144,337
Noncurrent			
Domestic investments			
Emerging market shares	$ 19,730	$ 19,386	$ 311,773
Unquoted ordinary shares	59,242	58,292	58,832
	$ 78,972	$ 77,678	$ 370,605

9. HELD-TO-MATURITY FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Foreign investment			
Structured bonds	$ 104,630	$ 110,924	$ 111,010

The Corporation and its subsidiaries' investments in foreign structured bonds at the balance sheet date were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Total par value (in thousand USD)	$ 3,440	$ 3,440	$ 3,440
Coupon rates (%)	7-9	7-9	7-9
Average years to maturity	8-11 years	9-12 years	9-12 years

Starting from January 1, 2012, the issuer of the bonds has gradually redeemed and the Corporation and its subsidiaries have gradually disposed of its bond investments. Since the amounts of the bonds disposed of were not significant, the classification of the remaining bonds investments classified as held-to-maturity was not affected. As of June 30, 2017 and 2016, there was no dispose of held-to-maturity financial assets during the past three years.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	June 30, 2017	December 31, 2016	June 30, 2016
Corporate Bonds - Cayman Ton Yi Industrial Holdings Limited	$ 40,374	$ 41,553	$ 45,441
Corporate Bonds - Haikou Melian International Airport	13,447	13,841	14,519

(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
Corporate Bonds - ICBCIL Finance Company Ltd.	$ 9,399	$ -	$ -
Corporate Bonds - Industrial & Commercial Bank of China Ltd.	9,381	-	-
Corporate Bonds - Ping An Insurance Company of China	8,808	9,066	9,510
Corporate Bonds - GAZPROM Bank	6,206	6,579	6,584
Subordinated Financial Bonds - Australia and New Zealand Bank	4,104	4,350	4,354
Subordinated Financial Bonds - Sunny Bank	-	20,000	20,000
Subordinated Financial Bonds - Taiwan Business Bank	-	-	100,000
	$ 91,719	$ 95,389	$ 200,408

(Concluded)

a. In May 2017, the subsidiary bought subordinated financial bonds issued by Industrial & Commercial Bank of China Ltd. with an effective interest rate of 3.9%; and the par value was RMB2,091 thousand. The bonds will mature in June 2018.

b. In April 2017, the subsidiary bought corporate bonds issued by ICBCIL Finance Company Ltd. with an effective interest rate of 3.9%; and the par value was RMB2,095 thousand. The bonds will mature in June 2018.

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

	June 30, 2017	December 31, 2016	June 30, 2016
Notes receivable			
Operating	$ 22,810	$ 15,494	$ 39,887
Accounts receivable (including related parties)	$ 490,159	$ 497,231	$ 580,694
Less: Allowance for impairment loss	14,840	30,486	3,998
	$ 475,319	$ 466,745	$ 576,696

The Corporation and its subsidiaries grant an average period of 30 days to 90 days for credit sales of goods. The Corporation and its subsidiaries assess allowance for bad debt by referring to the doubtful account aging analysis, historical experience, and the current financial situation of the client and any change in the client's credit quality.

The aging of receivables was as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Not past due	$ 465,105	$ 465,481	$ 549,035
Up to 30 days	1,313	1,185	1,173

(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
31-60 days	$ 2,348	$ -	$ -
61-180 days	-	79	30,486
181-365 days	-	30,486	-
More than 365 days	21,393	-	-
	$ 490,159	$ 497,231	$ 580,694

(Concluded)

Above analysis was based on the days past due from end of the credit term.

For the accounts receivable balance that were past due at the end of the reporting period, the Corporation and its subsidiaries did not recognize an allowance for impairment loss because there was no 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 enhancements for these balances.

The accounts receivable that were past due and individually impaired (before subtracting the allowance for bad debt) were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
61-180 days	$ -	$ -	$ 30,486
181-365 days	-	30,486	-
More than 365 days	21,393	-	-
	$ 21,393	$ 30,486	$ 30,486

The aging of receivables that were past due but not impaired was as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Up to 30 days	$ 1,313	$ 1,185	$ 1,173
31-60 days	2,348	-	-
61-180 days	-	79	-
	$ 3,661	$ 1,264	$ 1,173

The movements of the allowance for impairment loss were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 30,486	$ -	$ 30,486
Impairment losses reversal of receivables	(15,646)	-	(15,646)
Balance at June 30, 2017	$ 14,840	$ -	$ 14,840

(Continued)

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2016	$ -	$ -	$ -
Impairment losses recognized on receivables	3,998	-	3,998
Balance at June 30, 2016	$ 3,998	$ -	$ 3,998

(Concluded)

12. INVENTORIES

	June 30, 2017	December 31, 2016	June 30, 2016
Finished goods	$ 352,362	$ 326,265	$ 240,576
Work in progress	48,179	67,972	71,194
Raw materials	41,720	21,362	22,229
Supplies	56,944	48,419	48,098
Merchandise	214	-	333
	$ 499,419	$ 464,018	$ 382,430

The cost of inventories recognized as cost of goods sold for the three months and six months ended June 30, 2017 and 2016 was NT$1,139,880 thousand, NT$978,542 thousand, NT$2,425,962 thousand and NT$1,862,604 thousand, respectively. The cost of goods sold included inventory write-downs of NT$3,367 thousand, NT$953 thousand, NT$15,348 thousand and NT$15,651 thousand, respectively.

13. OTHER FINANCIAL ASSETS

	June 30, 2017	December 31, 2016	June 30, 2016
Current			
Deposits of designated hedging foreign-currency	$ 49,234	$ 86,846	$ -
Time deposits with original maturities more than three months	-	184,822	9,689
	$ 49,234	$ 271,668	$ 9,689
Noncurrent			
Deposits for projects (Note 17)	$ 1,112	$ 1,111	$ 1,111

In order to purchase the production and graphitization equipment, which is expected to be paid in foreign currency, the Corporation had purchased a foreign currency demand deposit of JPY329,838 thousand to avoid cash flow risk arising from exchange rate fluctuation. The unrealized gains and losses arising from this foreign currency valuation were recognized in other comprehensive income under cash flow hedges. The period of expected cash flow in the next 12 months from the foreign currency deposit is the same as the payment period of the equipment. The unrealized gains and losses are expected to realize as depreciation expenses along with the depreciation of the equipment.

Movements of unrealized gains and losses arising from the valuation of other financial assets for the cash flow hedge were as follows:

	For the Six Months Ended June 30, 2017
Balance at January 1, 2017	$ (3,044)
Recognized in other comprehensive income	(798)
Transferred to prepaid equipment	1,366
Balance at June 30, 2017	$ (2,476)

14. SUBSIDIARIES

The consolidated entities were as follows:

Investor	Investee	Main Businesses	Percentage of Ownership (%) June 30, 2017	December 31, 2016	June 30, 2016
China Steel Chemical Corporation (CSCC)	Ever Wealthy International Corporation (EWI)	General investment	100	100	100
	Ever Glory International Co., Ltd. (EGI)	International trading	100	100	100
	Formosa Ha Tinh CSCC (Cayman) International Limited (CSCCC)	International trading	50	50	50
Ever Wealthy International Corporation	China Steel Carbon Materials Technology Co., Ltd. (CSCM)	General investment	100	100	100
China Steel Carbon Materials Technology Co., Ltd.	Changzhou China Steel New Materials Technology Co., Ltd. (CCSNM)	Processing and trading of asphalt mesocarbon microbeads product	100	100	100

In October 2015, the Corporation entered into a joint venture and collaboration agreement with Formosa Ha Tinh (Cayman) and Formosa Ha Tinh Steel Corporation (Formosa Ha Tinh). According to the agreement, CSCCC was to be established through a joint investment from the Corporation and Formosa Ha Tinh (Cayman) in which the Corporation would own 50% of the equity. The Corporation had control-in-substance over CSCCC, since it assigned the key management personnel and controlled the mainly operating activities of CSCCC. CSCCC was established in January 2016 with a paid-in capital of USD10,000 thousand from the Corporation. As of June 30, 2017, USD3,000 thousand has been paid to this account.

According to the joint venture and collaboration agreement, CSCCC should pay USD18,580 thousand to Formosa Ha Tinh to acquire the underwriting premium from Formosa Ha Tinh for its produced coal tar products, naphtha products and coke (listed under other noncurrent assets). As of June 30, 2017, this account has not been paid and is listed under other payables.

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The Corporation and its subsidiaries' investments accounted for using equity method were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Material associates			
CHC Resources Corporation (CHC)	$ 234,973	$ 254,736	$ 236,401
Transglory Investment Corporation (TIC)	525,781	524,338	422,112
	760,754	779,074	658,513
Associates that are not individually material	532,261	578,650	484,634
	$ 1,293,015	$ 1,357,724	$ 1,143,147

a. Material associates

	Proportion of Ownership and Voting Rights (%)		
Name of Associate	**June 30, 2017**	**December 31, 2016**	**June 30, 2016**
CHC	6	6	6
TIC	9	9	9

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

	June 30, 2017	December 31, 2016	June 30, 2016
CHC	$ 755,063	$ 722,294	$ 790,564

The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Corporation and its subsidiaries for equity accounting purposes.

CHC

	June 30, 2017	December 31, 2016	June 30, 2016
Current assets	$ 1,771,364	$ 2,010,396	$ 2,047,258
Noncurrent assets	5,164,051	5,013,276	4,876,386
Current liabilities	(2,482,037)	(2,210,509)	(2,432,803)
Noncurrent liabilities	(467,827)	(477,266)	(462,349)
Equity	3,985,551	4,335,897	4,028,492
Non-controlling interests	(94,994)	(118,418)	(114,393)
	$ 3,890,557	$ 4,217,479	$ 3,914,099
Proportion of the Corporation and its subsidiaries' ownership (%)	6	6	6
Equity attributable to the Corporation and its subsidiaries	$ 234,973	$ 254,736	$ 236,401
Carrying amount	$ 234,973	$ 254,736	$ 236,401

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Operating revenue	$ 1,649,712	$ 1,832,577	$ 3,302,178	$ 3,552,459
Net profit for the period	$ 134,388	$ 184,138	$ 308,207	$ 333,474
Other comprehensive income (loss)	(16,306)	(27,024)	(17,734)	12,919
Total comprehensive income	$ 118,082	$ 157,114	$ 290,473	$ 346,393

TIC

	June 30, 2017	December 31, 2016	June 30, 2016
Current assets	$ 4,877	$ 1,725	$ 11,118
Noncurrent assets	6,417,849	6,396,510	5,399,781
Current liabilities	(707,717)	(698,910)	(822,726)
Equity	$ 5,715,009	$ 5,699,325	$ 4,588,173
Proportion of the Corporation and its subsidiaries' ownership (%)	9	9	9
Equity attributable to the Corporation and its subsidiaries	$ 525,781	$ 524,338	$ 422,112
Carrying amount	$ 525,781	$ 524,338	$ 422,112

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Operating Revenue	$ -	$ -	$ -	$ -
Net loss for the period	$ (5,532)	$ (5,855)	$ (10,742)	$ (11,517)
Other comprehensive income (loss)	(145,342)	(396,388)	26,426	779,561
Total comprehensive income (loss)	$ (150,874)	$ (402,243)	$ 15,684	$ 768,044

b. Aggregate information of associates that are not individually material

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
The Corporation and its subsidiaries' share of				
Net profit for the period	$ 1,252	$ 2,063	$ 933	$ 4,221
Other comprehensive loss	(3,543)	(10,410)	(4,086)	(11,991)
Total comprehensive loss	$ (2,291)	$ (8,347)	$ (3,153)	$ (7,770)

With the exception of listed Companies, United Steel International Development Co. (USID), TIC, and CSC Solar Corporation which financial statements were reviewed, the investments of the Corporation and its subsidiaries accounted for using the equity method as of June 30, 2017 and 2016, and the related share of the comprehensive income for the three months and six months ended June 30, 2017 and 2016, were calculated based on the unreviewed financial statements of the investees. The Corporation and its subsidiaries' management considered the use of unreviewed financial statements as acceptable and will not have material impact on the equity method investments and income.

The Corporation and its subsidiaries held more than 20% of the shares with CSC and fellow subsidiaries and accounted for using the equity method.

16. PROPERTY, PLANT AND EQUIPMENT

For the Six Months Ended June 30, 2017

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Cost							
Balance at January 1, 2017	$ 1,145,237	$ 467,277	$ 3,587,378	$ 94,165	$ 110,579	$ 371,085	$ 5,775,721
Additions	-	18,087	59,954	3,089	1,385	392,747	475,262
Disposals	-	-	(8,788)	(115)	(270)	-	(9,173)
Effect of foreign currency exchange differences	-	-	(715)	(48)	(437)	-	(1,200)
Balance at June 30, 2017	$ 1,145,237	$ 485,364	$ 3,637,829	$ 97,091	$ 111,257	$ 763,832	$ 6,240,610
Accumulated depreciation							
Balance at January 1, 2017	$ -	$ 237,889	$ 2,820,825	$ 63,676	$ 76,457	$ -	$ 3,198,847
Depreciation expense	-	12,858	108,491	4,639	5,687	-	131,675
Disposals	-	-	(8,429)	(113)	(270)	-	(8,812)
Effect of foreign currency exchange differences	-	-	(79)	(23)	(123)	-	(225)
Balance at June 30, 2017	$ -	$ 250,747	$ 2,920,808	$ 68,179	$ 81,751	$ -	$ 3,321,485
Carrying amount at January 1, 2017	$ 1,145,237	$ 229,388	$ 766,553	$ 30,489	$ 34,122	$ 371,085	$ 2,576,874
Carrying amount at June 30, 2017	$ 1,145,237	$ 234,617	$ 717,021	$ 28,912	$ 29,506	$ 763,832	$ 2,919,125

For the Six Months Ended June 30, 2016

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Cost							
Balance at January 1, 2016	$ 1,145,237	$ 467,277	$ 3,533,139	$ 106,538	$ 96,860	$ 75,841	$ 5,424,892
Additions	-	-	23,620	1,657	1,150	106,239	132,666
Disposals	-	-	(3,269)	(16,343)	(110)	-	(19,722)
Reclassification	-	-	(14,387)	436	13,951	-	-
Effect of foreign currency exchange differences	-	-	(809)	(56)	(516)	-	(1,381)
Balance at June 30, 2016	$ 1,145,237	$ 467,277	$ 3,538,294	$ 92,232	$ 111,335	$ 182,080	$ 5,536,455
Accumulated depreciation							
Balance at January 1, 2016	$ -	$ 213,287	$ 2,612,853	$ 66,950	$ 63,568	$ -	$ 2,956,658
Depreciation expense	-	12,302	112,907	6,034	6,236	-	137,479
Disposals	-	-	(3,269)	(14,534)	(109)	-	(17,912)
Reclassification	-	-	(1,247)	74	1,173	-	-
Effect of foreign currency exchange differences	-	-	(68)	(23)	(101)	-	(192)
Balance at June 30, 2016	$ -	$ 225,589	$ 2,721,176	$ 58,501	$ 70,767	$ -	$ 3,076,033
Carrying amount at June 30, 2016	$ 1,145,237	$ 241,688	$ 817,118	$ 33,731	$ 40,568	$ 182,080	$ 2,460,422

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

Buildings	
Main structure	2-50 years
Facility	5-25 years
Machinery and equipment	
Power equipment	3-15 years
Examination equipment	3-10 years
Computer equipment	3-10 years
Transportation equipment	
Transportation equipment	3-5 years
Telecommunication equipment	3-10 years
Other equipment	
Extinguishment equipment	5-8 years
Air condition and utilities equipment	3-10 years
Monitoring, office and other equipment	3-10 years

17. INVESTMENT PROPERTIES

For the Six Months Ended June 30, 2017

	Land	Buildings	Total
Cost			
Balance at January 1, 2017 and June 30, 2017	$ 572,338	$ 47,665	$ 620,003
Accumulated depreciation and impairment			
Balance at January 1, 2017 and June 30, 2017	$ 8,825	$ 47,665	$ 56,490
Carrying amount at January 1, 2017 and June 30, 2017	$ 563,513	$ -	$ 563,513

For the Six Months Ended June 30, 2016

	Land	Buildings	Total
Cost			
Balance at January 1, 2016 and June 30, 2016	$ 572,338	$ 47,665	$ 620,003
Accumulated depreciation and impairment			
Balance at January 1, 2016 and June 30, 2016	$ 8,825	$ 47,665	$ 56,490
Carrying amount at June 30, 2016	$ 563,513	$ -	$ 563,513

Buildings classified as investment properties are depreciated on a straight line basis over 50 years.

The Corporation participated in "Qianzhen Residential Building Project" conducted by the fellow subsidiary China Prosperity Development Corporation and signed land purchase agreement cost NT$10,525 thousand in June 2015 and recognized as investment properties. The Corporation also signed land purchase agreement with its employees. According to the purchase agreement, land prices received from employees were deposited in Bank of Taiwan and recognized as other financial assets - noncurrent with contra other noncurrent liabilities.

As of June 30, 2017, December 31, 2016 and June 30, 2016, the fair value of investment properties were all NT$863,606 thousand. The fair value was based on the appraisal value presented by independent qualified professional appraiser using Level 3 inputs and with reference to comparison of the similar transaction price in the market, and by income approach and land developing analysis approach. The significant and unobservable inputs included the rate of capitalization of return and related fee rates in March 2015 and December 2015.

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

Refer to Note 28 for the lease transactions conducted with related party.

18. BORROWINGS

a. Short-term borrowings

	June 30, 2017	December 31, 2016	June 30, 2016
Bank loans - interest at 0.7% p.a. as of June 30, 2017 and December 31, 2016, respectively	$ 720,000	$ 660,000	$ -
Letters of credit borrowings - interest at 1.1% p.a., 1.2% p.a. and 1.10%-1.485% p.a. as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively	25,871	61,276	25,520
	$ 745,871	$ 721,276	$ 25,520

b. Short-term bills payable

	June 30, 2017	December 31, 2016	June 30, 2016
Commercial papers - interest at 0.898% p.a., 0.898% p.a. and 0.898%-0.900% p.a. as of June 30, 2017, December 31, 2016 and June 30, 2016, respectively	$ 870,000	$ 620,000	$ 500,000
Less: Unamortized discounts	-	-	-
	$ 870,000	$ 620,000	$ 500,000

The above commercial papers were secured by Mega Bills Finance Corporation, International Bills Finance Corporation and China Bills Finance Corporation.

19. OTHER PAYABLES

	June 30, 2017	December 31, 2016	June 30, 2016
Royalties (Note 14)	$ 563,235	$ 597,140	$ 597,581
Employees' compensation and remuneration of directors and supervisors	33,841	58,229	26,996
Purchase of equipment	106,611	44,174	60,981

(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
Salaries and incentive bonus	$ 61,427	$ 84,097	$ 64,131
Outsourced repair and construction	19,696	33,668	25,238
Dividends payable	1,070,748	4,627	1,070,287
Others (soil remediation expenses, freight, commission and insurance)	55,336	78,093	44,281
	$ 1,910,894	$ 900,028	$ 1,889,495

(Concluded)

20. 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, 2016 and 2015, the amounts were NT$2,263 thousand, NT$2,191 thousand, NT$4,454 thousand and NT$4,382 thousand for the three months and six months ended June 30, 2017 and 2016.

21. EQUITY

a. Ordinary share capital

	June 30, 2017	December 31, 2016	June 30, 2016
Number of shares authorized (in thousands)	300,000	300,000	300,000
Shares authorized	$ 3,000,000	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	236,904	236,904	236,904
Shares issued	$ 2,369,044	$ 2,369,044	$ 2,369,044

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

b. Capital surplus

	June 30, 2017	December 31, 2016	June 30, 2016
May be used to offset deficits, distribute cash or transfer to share capital (see note below)			
Additional paid-in capital	$ 218	$ 218	$ 218
Treasury share transactions	230,172	230,172	230,172
May be used to offset deficits only			
Share of change in equity of associates	1,727	1,727	1,685
Treasury share transactions	500,860	500,860	478,011
	$ 732,977	$ 732,977	$ 710,086

Note: Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's paid-in-capital and once a year).

In 2009, CSC had transferred its treasury shares to its subsidiaries' employees. The Corporation recognized a compensation cost and capital surplus of NT$161 thousand. In July 2011, CSC issued common shares for cash capital. Under the Company Law, CSC should reserve 10% of the shares for its employees and subsidiaries. The Corporation recognized NT$57 thousand of compensation cost and capital surplus.

c. Retained earnings and dividend policy

Under the dividend policy, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders.

The Corporation is currently in a growing industry environment and the Corporation intends to take advantage of the economic environment to seek for a sustainable operation. The Corporation's dividend policy is to focus on dividend stability and growth by referring to future operating conditions; also, the Corporation should distribute not less than 50% of distributable earnings, and cash dividend may not be less than 50% of the amount distributed.

Appropriation of earnings to legal reserve shall 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 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. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

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

The appropriation of earnings for 2016 and 2015 had been approved in the shareholder's meeting in June 2017 and 2016, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividend Per Share (NT$)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2016	**2015**	**2016**	**2015**
Legal reserve	$ 77,839	$ 123,903		
Reversal of special reserve	(91,543)	-		
Cash dividends	1,066,070	1,066,070	$ 4.5	$ 4.5

d. Other equity items

1) Exchange differences on translating foreign operations

	For the Six Months Ended June 30	
	2017	2016
Balance, beginning of period	$ (972)	$ 39,724
Exchange differences arising on translating foreign operations	(46,440)	(18,507)
Share of exchange difference of associates accounted for using the equity method	(2,972)	(8,897)
Balance, end of period	$ (50,384)	$ 12,320

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

	For the Six Months Ended June 30	
	2017	2016
Balance, beginning of period	$ (75,083)	$ (142,072)
Unrealized gains and losses on available-for-sale financial assets	1,295	(12,942)
Reclassified to profit or loss on disposal of available-for-sale financial assets	(3,285)	(16,019)
Share of unrealized gains and losses on available-for-sale financial assets of associates accounted for using the equity method	388	64,210
Balance, end of period	$ (76,685)	$ (106,823)

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

	For the Six Months Ended June 30	
	2017	2016
Balance, beginning of period	$ (2,629)	$ -
Fair value changes of hedging instruments	(798)	-
Income tax relating to fair value changes	136	-
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	1,366	-
Income tax relating to amounts transferred to adjust carrying amount of hedged items	(232)	-
Share of fair value changes of hedging instruments of associates accounted for using the equity method	(103)	-
Balance, end of period	$ (2,260)	$ -

e. Non-controlling interests

	For the Six Months Ended June 30	
	2017	2016
Balance, beginning of period	$ 330,555	$ -
Attributable to non-controlling interests:		
Net profit for the period	21,248	423
Exchange difference on translating foreign operations	(18,934)	(11,656)
Non-controlling interest arising from acquisition of subsidiaries	-	334,400
Balance, end of period	$ 332,869	$ 323,167

f. Treasury shares

The Corporation's shares acquired and held by subsidiary - EWI for the purpose of investment accounted for as treasury shares were as follows (number of shares in thousands):

For the Six Months Ended June 30, 2017

Beginning of period		Decrease during the period			End of period		
Number of Shares Held	Carrying Amount	Number of Shares Held	Carrying Amount	Selling Price	Number of Shares Held	Carrying Amount	Market Price
5,078	$ 125,656	-	$ -	$ -	5,078	$ 125,656	$ 591,533

For the Six Months Ended June 30, 2016

Beginning of period		Decrease during the period			End of period		
Number of Shares Held	Carrying Amount	Number of Shares Held	Carrying Amount	Selling Price	Number of Shares Held	Carrying Amount	Market Price
5,730	$ 141,791	652	$ 16,135	$ 68,926	5,078	$ 125,656	$ 543,296

The Corporation's shares held by the subsidiaries are accounted for as treasury shares with all shareholders' rights, except the rights to participate in the Corporation's capital increase in cash and right to vote.

22. OPERATING REVENUES

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Revenue from the sale of goods	$ 1,472,136	$ 1,304,132	$ 3,119,366	$ 2,502,565
Revenue from the rendering of services	16,035	18,896	28,448	37,435
Net gain on disposal of financial assets	3,285	5,252	3,285	5,252
Net gain on fair value change of financial assets classified as held for trading	21,400	10,417	48,703	17,595
Share of the profit of associates	1,587	2,034	1,887	3,855
	$ 1,514,443	$ 1,340,731	$ 3,201,689	$ 2,566,702

23. PROFIT BEFORE INCOME TAX

Profit before income tax consisted of following items:

a. Other income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Reversal of accrued professional service fee	$ -	$ -	$ 8,778	$ -
Interest income	3,617	3,990	8,647	7,461
Rent revenue (Note 28)	4,040	4,037	8,079	7,749
Income from sale of scarp and wastes	3,254	2,921	5,950	4,688
Dividend income	131	66	2,446	66
Others	2,740	1,433	4,614	1,727
	$ 13,782	$ 12,447	$ 38,514	$ 21,691

b. Other gains and losses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Net gain on fair value change of financial assets designated as at FVTPL	$ 24,082	$ 4,047	$ 43,031	$ 9,351
Net foreign exchange gain (loss)	4,327	191	(50,423)	(7,474)
Gain (Loss) on disposal of property, plant and equipment	4	(1,810)	(358)	(1,810)
Gain on disposal of investments	-	5,217	-	10,767
Others	(515)	(112)	(639)	(241)
	$ 27,898	$ 7,533	$ (8,389)	$ 10,593

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Foreign exchange gain	$ 2,038	$ 2,045	$ 6,545	$ 33,292
Foreign exchange loss	2,289	(1,854)	(56,968)	(40,766)
Net foreign exchange gain (loss)	$ 4,327	$ 191	$ (50,423)	$ (7,474)

c. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Property, plant and equipment	$ 66,266	$ 66,453	$ 131,675	$ 137,479
Long-term prepayments for lease	2,113	2,164	4,228	4,338
	$ 68,379	$ 68,617	$ 135,903	$ 141,817
An analysis of depreciation by function				
Operating costs	$ 60,282	$ 60,576	$ 119,238	$ 125,979
Operating expenses	5,984	5,877	12,437	11,500
	$ 66,266	$ 66,453	$ 131,675	$ 137,479
An analysis of amortization by function				
Operating costs	$ 2,113	$ 2,164	$ 4,228	$ 4,338

d. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Short-term employee benefits				
Salaries	$ 98,021	$ 83,931	$ 193,619	$ 170,528
Labor and health insurance	5,114	3,883	9,926	7,498
Others	2,814	2,209	6,058	5,084
	105,949	90,023	209,603	183,110
Post-employment benefits				
Defined contribution plans	1,498	1,291	2,982	2,542
Defined benefit plans (Note 20)	2,263	2,191	4,454	4,382
	3,761	3,482	7,436	6,924
	$ 109,710	$ 93,505	$ 217,039	$ 190,034
An analysis by function				
Operating costs	$ 57,821	$ 58,849	$ 135,659	$ 133,464
Operating expenses	51,889	34,656	81,380	56,570
	$ 109,710	$ 93,505	$ 217,039	$ 190,034

e. Employees’ compensation and remuneration of directors and supervisors

The Articles of Incorporation of the Corporation stipulated the Corporation to distribute employees’ compensation and remuneration of directors and supervisors at the rates no less than 0.1% and no higher than 1%, respectively, of net profit before income tax, employees’ compensation, and remuneration of directors and supervisors.

The employees’ compensation and remuneration of directors and supervisors for the three and six months ended June 30, 2017 and 2016, were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Employees' compensation	$ 16,789	$ 8,218	$ 30,224	$ 19,307
Remuneration of directors and supervisors	$ 3,863	$ 2,286	$ 6,550	$ 4,504

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

The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2016 and 2015 which have been approved by the Corporation's board of directors in March 2017 and 2016, respectively, were as follows:

	Cash	
	For the Year Ended December 31	
	2016	2015
Employees' compensation	$ 50,968	$ 55,757
Remuneration of directors and supervisors	10,193	11,151

The appropriations of employees' compensation and remuneration of directors and supervisors for 2016 and 2015 having been resolved by the board of directors in March 2017 and 2016 and consolidated financial statements for 2016 and 2015 as follows:

	For the Year Ended December 31, 2016		For the Year Ended December 31, 2015	
	Employees' Compensation	Remuneration of Directors and Supervisors	Employees' Compensation	Remuneration of Directors and Supervisors
The board of directors approved amounts	$ 50,968	$ 10,193	$ 55,757	$ 11,151
Consolidated financial statements amounts	$ 48,941	$ 9,788	$ 55,732	$ 11,146

Above mentioned are adjusting profit and loss for the six months ended June 30, 2017 and 2016.

Information on employees' compensation and remuneration of directors and supervisors resolved by the Corporation's board of directors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

24. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Current tax				
In respect of the current period	$ 35,362	$ 40,255	$ 71,296	$ 86,803

(Continued)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Adjustments for prior periods	$ (7,549)	$ 2,799	$ (7,549)	$ 2,799
Income tax on unappropriated earnings	-	4,668	-	4,668
Deferred tax				
In respect of the current period	3,212	142	11,939	(1,681)
	$ 31,025	$ 47,864	$ 75,686	$ 92,589

(Concluded)

b. Integrated income tax

	June 30, 2017	December 31, 2016	June 30, 2016
Unappropriated earnings			
Unappropriated earnings generated on and after January 1, 1998	$ 549,087	$ 1,069,083	$ 534,661
Shareholder-imputed credit account ("ICA")	$ 219,658	$ 124,778	$ 224,940

	For the Year Ended December 31	
	2016 (Actual)	2015 (Actual)
Creditable ratio for distribution of earnings (%)	18.93	19.75

c. Income tax assessments

The Corporation's income tax returns through 2013 and the subsidiary EWI income tax returns through 2015 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

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

Net profit for the period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Net profit attributable to owners of the Corporation	$ 268,869	$ 241,898	$ 532,370	$ 476,502

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

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Weighted average number of ordinary shares outstanding	236,904	236,904	236,904	236,904
Less: Number of treasury shares acquired by subsidiaries	5,078	5,078	5,078	5,148
Weighted average number of ordinary shares used in computation of basic earnings per share	231,826	231,826	231,826	231,756
Plus: Effect of dilutive potential ordinary shares - employees' compensation	242	220	422	456
Weighted average number of ordinary shares used in the computation of diluted earnings per share	232,068	232,046	232,248	232,212

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

26. CAPITAL MANAGEMENT

The capital management of the Corporation and its subsidiaries is aimed at ensuring effective use of capital and ensuring a smooth operation and ensuring optimized debt and equity balance. The overall strategy of the Corporation and its subsidiaries has not significantly changed for the six months ended June 30, 2017. The capital structure of the Corporation and its subsidiaries consist of net liabilities and equity without any need for complying with other external capital requirements. The Corporation and its subsidiaries review capital structure on a quarterly basis, including the consideration of capital costs and related risks. Currently, the equity in the capital structure is greater than liabilities and it will be used to pay for dividends or debts; also, the Corporation and its subsidiaries have invested in financial instruments as part of capital and fund management.

27. FINANCIAL INSTRUMENTS

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

Financial assets that have material difference between carrying amount and fair value.

	June 30, 2017		December 31, 2016		June 30, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Held-to-maturity financial assets	$ 104,630	$ 85,353	$ 110,924	$ 85,740	$ 111,010	$ 94,993

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

1) Fair value hierarchy

	Level 1	Level 2	Level 3	Total
June 30, 2017				
Financial assets measured at fair value through profit or loss				
Mutual funds	$ 1,414,456	$ -	$ -	$ 1,414,456
Domestic quoted shares	507,094	-	-	507,094
Foreign quoted shares	33,977	-	-	33,977
	$ 1,955,527	$ -	$ -	$ 1,955,527
Available-for-sale financial assets				
Domestic quoted shares	$ 181,115	$ -	$ -	$ 181,115
Emerging market shares	-	-	19,730	19,730
Domestic unquoted shares	-	-	59,242	59,242
	$ 181,115	$ -	$ 78,972	$ 260,087
December 31, 2016				
Financial assets measured at fair value through profit or loss				
Mutual funds	$ 292,942	$ -	$ -	$ 292,942
Domestic quoted shares	473,852	-	-	473,852
	$ 766,794	$ -	$ -	$ 766,794
Available-for-sale financial assets				
Domestic quoted shares	$ 190,044	$ -	$ -	$ 190,044
Emerging market shares	-	-	19,386	19,386
Domestic unquoted shares	-	-	58,292	58,292
	$ 190,044	$ -	$ 77,678	$ 267,722

(Continued)

June 30, 2016	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Mutual funds	$ 485,535	$ -	$ -	$ 485,535
Domestic quoted shares	288,314	-	-	288,314
	$ 773,849	$ -	$ -	$ 773,849
Available-for-sale financial assets				
Domestic quoted shares	$ 144,337	$ -	$ -	$ 144,337
Emerging market shares	-	-	311,773	311,773
Domestic unquoted shares	-	-	58,832	58,832
	$ 144,337	$ -	$ 370,605	$ 514,942

(Concluded)

There were no transfers between Level 1 and Level 2 for the six months ended June 30, 2017 and 2016.

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

	Available-for-Sale Financial Assets Investments in Equity Instruments With No Active Market Price For the Six Months Ended June 30	
	2017	**2016**
Balance, beginning of period	$ 77,678	$ 394,166
Recognized in other comprehensive income (loss)	1,294	(23,561)
Balance, end of period	$ 78,972	$ 370,605

All gains and losses included in other comprehensive income were related to quoted shares held at the balance sheet date and were recognized as changes in unrealized gain or loss on available-for-sale financial assets.

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

a) The fair value of emerging market shares was based on the closing price adjusted for liquidity risk premium or the external expert accreditation report.

b) The fair value of unquoted stocks was based on the current net value or trading price.

c. Categories of financial instruments

	June 30, 2017	December 31, 2016	June 30, 2016
Financial assets			
Measured at fair value through profit or loss			
Designated as at fair value through profit or loss	$ 1,339,487	$ 329,430	$ 443,829
Held for trading	616,040	437,364	330,020
Available-for-sale financial assets (including noncurrent)	260,087	267,722	514,942
Held-to-maturity investments	104,630	110,924	110,010
Loans and receivables 1)	1,664,280	2,478,363	2,399,240
Financial liabilities			
Measured at amortized cost 2)	3,763,820	2,447,908	2,669,781

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

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

d. Financial risk management objectives and policies

The Corporation and its subsidiaries' major financial instruments include equity and debt investments, accounts receivable, accounts payable, short-term borrowings and short-term bills payable. The Corporation and its subsidiaries' Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Corporation and its subsidiaries through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Corporation and its subsidiaries sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Corporation and its subsidiaries' policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Corporation and its subsidiaries did not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Corporation and its subsidiaries' activities exposed them primarily to the financial risks of changes in foreign currency risks and interest rates. There had been no change to the Corporation and its subsidiaries' exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Corporation and its subsidiaries had sales in foreign currencies, which were exposed to foreign currency risk. Approximately 35% of the Corporation and its subsidiaries' sales revenues were denominated in currencies other than the functional currency. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts or were mitigated by future receivables and payables denominated in the same foreign currency.

The carrying amounts of the Corporation and its subsidiaries' foreign currency denominated monetary assets and monetary liabilities at the balance sheet date are set out in Note 30.

Sensitivity analysis

The Corporation and its subsidiaries were mainly exposed to the currencies USD and RMB. The following table details the Corporation and its subsidiaries' sensitivity to a 3% increase and decrease in the functional currency against the relevant foreign currencies. The sensitivity rate of 3% represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only the outstanding foreign monetary items at each balance sheet date. Scenario 1 in the following table indicates the profit and loss of the Corporation and its subsidiaries when the functional currency against the USD or RMB appreciated by 3%. Scenario 2 in the following table indicates the profit and loss of the Corporation and its subsidiaries when the functional currency against the USD or RMB depreciated by 3%.

	USD (Note)		**RMB (Note)**	
	For the Six Months Ended June 30		**For the Six Months Ended June 30**	
	2017	**2016**	**2017**	**2016**
Profit or loss in Scenario 1	$ (9,060)	$ (22,050)	$ (4,549)	$ (3,192)
Profit or loss in Scenario 2	9,060	22,050	4,549	3,192

Note: It was mainly derived from the cash and cash equivalents, receivables, debt investment with no active market, payables, and other payables denominated in foreign currency without cash flow hedging arranged at each balance sheet date by the Corporation and its subsidiaries.

The exchange rate sensitivity of the Corporation and its subsidiaries for the six months ended June 30, 2017 was decrease mainly due to the decrease of USD assets. The management believes that the sensitivity analysis is not representative of the inherent risk of exchange rate since the foreign currency risk exposure at balance sheet date does not reflect the interim risk exposure; also, the sales denominated in USD will be affected by customer orders and shipping schedules.

b) Interest rate risk

The loans of the Corporation and its subsidiaries are mainly less than twelve months short-term loans with an interest rate based on the NTD market interest rates; therefore, the interest rate sensitivity was low. In addition, the cash and cash equivalents of the Corporation and its subsidiaries were sufficient to settle bank loans at any time; therefore, interest rate risk was immaterial to the Corporation and its subsidiaries.

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

	June 30, 2017	December 31, 2016	June 30, 2016
Cash flow interest rate risk			
Financial assets	$ 408,151	$ 268,761	$ 1,018,483
Financial liabilities	25,871	61,276	25,520

c) Other price risk

The Corporation and its subsidiaries are exposed to equity price risk through their investments in quoted shares, mutual funds, and emerging shares; the risk is managed by maintaining a portfolio of investments with different risks. The equity price risk of the Corporation and its subsidiaries was primarily concentrated on the share and fund market in Taiwan and it was evaluated by the closing price of the equity securities and net value of the mutual funds on a monthly basis.

Sensitivity analysis

The sensitivity analysis measures the exposure to equity price risk at the balance sheet date. Considering the market price fluctuation of the Corporation's main investment targets, the fluctuation of 6% was used for the sensitivity analysis of equity securities.

If equity prices had been 6% higher/lower for the six months ended June 30, 2017 and 2016, respectively, the pre-tax profit for the six months ended June 30, 2017 and 2016 would have been higher/lower by NT$117,332 thousand and NT$46,431 thousand, respectively, as a result of the fair value changes of financial assets at fair value through profit or loss, and the pre-tax other comprehensive income for the six months ended June 30, 2017 and 2016 would have been higher/lower by NT$10,867 thousand and NT$8,660 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 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 accounts receivables on the consolidated balance sheets. The main customers of the Corporation and its subsidiaries were creditworthy. Annual credit investigation of the credit status of the customers is conducted and a credit report is issued. The business unit uses the credit report as basis for the rating of the customers and the credit line granted. In addition, the credit rating and customer credit status are compiled in a weekly report for use as reference of the business department. If necessary, the customers will be requested to provide collaterals or to pay cash for each transaction. The business department also understands the credit status of customers through external credit investigation and industry reports. The credit risk was immaterial to Corporation and its subsidiaries.

The Corporation and its subsidiaries' concentrations of credit risk in total of notes receivable and accounts receivable were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Customer A	$ 90,770	$ 79,428	$ 76,941
Customer B	57,417	57,682	37,535

(Continued)

	June 30, 2017	December 31, 2016	June 30, 2016
Customer C	$ 32,120	$ 82,766	$ 45,540
	$ 180,307	$ 219,876	$ 160,016

(Concluded)

3) Liquidity risk

The Corporation and its subsidiaries have supported business operation through management and by maintaining sufficient cash and cash equivalents or easily realizable financial instruments. In addition, the Corporation and its subsidiaries signed line of credit contracts with financial institutions for a ready source of funds to support the business operation of the Corporation and its subsidiaries.

The equity of the Corporation and its subsidiaries is far greater than its liabilities; also, cash and cash equivalents were sufficient to repay bank loans and other obligations of the Corporation and its subsidiaries; also, the bank credit lines have available unused amount; therefore, there is no liquidity risk.

The Corporation and its subsidiaries rely on bank borrowings as a significant source of liquidity. As of June 30, 2017, December 31, 2016 and June 30, 2016, the Corporation and its subsidiaries had available unutilized short-term bank loan facilities in the amounts of NT$4.9 billion, NT$4.1 billion and NT$4.2 billion, respectively.

28. TRANSACTIONS WITH RELATED PARTIES

Related Party Name	Relationship with the Corporation
China Steel Corporation	The parent entity of the Corporation
China Synthetic Rubber Corporation (CSRC)	The key management of the Corporation
China Steel Structure Corporation	Fellow subsidiaries
Dragon Steel Corporation (DSC)	Fellow subsidiaries
Chung Hung Steel Corporation	Fellow subsidiaries
China Steel Machinery Corporation	Fellow subsidiaries
CHC Resources Corporation	Fellow subsidiaries
Himag Magnetic Corporation	Fellow subsidiaries
Gau Ruel Investment Corporation	Fellow subsidiaries
China Steel Global Trading Corporation	Fellow subsidiaries
Steel Castle Technology Corporation	Fellow subsidiaries
Hung Li Steel Corporation	Fellow subsidiaries
Union Steel Development Corp.	Fellow subsidiaries
China Steel Security Corporation	Fellow subsidiaries
United Steel Engineering & Construction Corp.	Fellow subsidiaries
China Steel Precision Materials Corporation (CSPM)	Fellow subsidiaries
Chian Ecotek Corporation	Fellow subsidiaries
Formosa Ha Tinh (Cayman) Limited (Formosa Ha Tinh (Cayman))	Other related parties
Formasa Ha Tinh Steel Corporation (Formasa Ha Tinh)	Other related parties

Details of transactions between the Corporation and its subsidiaries and related parties were as follows:

a. Operating revenues

Account Item	Related Parties Types/Name	For the Three Months Ended June 30 2017	For the Three Months Ended June 30 2016	For the Six Months Ended June 30 2017	For the Six Months Ended June 30 2016
Revenue from sales of goods	CSRC	$ 240,615	$ 211,398	$ 506,534	$ 368,246
	Parent entity	3,214	4,538	7,850	7,102
	Fellow subsidiaries	3,009	2,611	6,407	5,254
		$ 246,838	$ 218,547	$ 520,791	$ 380,602
Revenue from the rendering of services	Parent entity	$ 15,949	$ 18,896	$ 28,362	$ 37,435

Part of sales to the parent entity and fellow subsidiaries were charged at the cost plus additional percentage; sales to others were charged in accordance with the agreed pricing formula. Sales referred to above except for revenue from rendering of services from the parent entity, did not have similar transactions for comparison; but not significantly different from regular trading.

b. Purchase of goods

Related Parties Types/Name	For the Three Months Ended June 30 2017	For the Three Months Ended June 30 2016	For the Six Months Ended June 30 2017	For the Six Months Ended June 30 2016
Parent entity	$ 456,126	$ 446,178	$ 1,035,716	$ 858,731
Fellow subsidiaries				
DSC	197,209	154,284	486,980	283,445
Others	709	383	1,219	684
	197,918	154,667	488,199	284,129
Formosa Ha Tinh	92,546	26,561	220,525	26,561
	$ 746,590	$ 627,406	$ 1,744,440	$ 1,169,421

The Corporation and its parent entity had purchase contracts for light oil products and coal tar signed in March 2013 and July 2010 for a period of 5 years, respectively. In addition, the Corporation and DSC had a purchase contract for light oil products and coal tar signed in May 2008 for a period of 5 years; also, the contracts would be extended automatically for 5 years each time upon maturity if there was no objection raised by either party. The purchase price was based on the contracts agreed by the counter parties. The purchases referred to above were paid with an issued letter of credit at sight; also, any price adjustment according to market price would be settled separately.

In addition, the Corporation signed a contract with the parent entity in January 2008 for fine coke processing for a 5-year period; the contract would be extended automatically for 5 years each time upon maturity if there was no objection raised by either party.

A subsidiary signed a purchase contract with Formosa Ha Tinh in May 2016 for light oil products and coal tar for a 15-year period; the contract will be extended subject to the mutual agreement upon its expiration. The purchase price was based on the contract agreed by the counter parties. The purchases referred to in this paragraph were paid with a telegraphic transfer and an issued letter of credit at sight; also, any price adjustment according to the market price will be settled separately.

c. Receivables from related parties

Account Items	Related Parties Types/Name	June 30, 2017	December 31, 2016	June 30, 2016
Accounts receivable - related parties	Parent entity	$ 5,617	$ 8,132	$ 8,897
	Fellow subsidiaries	2,081	2,065	1,155
	CSRC	90,770	79,428	76,941
		$ 98,468	$ 89,625	$ 86,993
Other receivables	Parent entity	$ 163,656	$ 21,767	$ 23,768
	Fellow subsidiaries	51,448	476	61,505
	Formosa Ha Tihn (Caymen)	212,940	225,750	225,925
	Others	1,808	-	-
		$ 429,852	$ 247,993	$ 311,198

No guarantee had been received for receivables from related parties. For the six months ended June 30, 2017 and 2016, no impairment loss was recognized on receivables from related parties.

d. Payables to related parties

Account Items	Related Parties Types/Name	June 30, 2017	December 31, 2016	June 30, 2016
Accounts payable - related parties	Parent entity	$ 209,164	$ 183,869	$ 221,433
	Fellow subsidiaries	331	267	17
		$ 209,495	$ 184,136	$ 221,450
Other payables	Parent entity	$ 2,825	$ 9,732	$ 2,090
	Fellow subsidiaries	54,736	10,153	1,383
	Formosa Ha Tihn	563,236	597,140	597,581
		$ 620,797	$ 617,025	$ 601,054

The outstanding accounts payable to related parties were unsecured.

e. Long-term prepayments for lease

Related Parties Types/Name	June 30, 2017	December 31, 2016	June 30, 2016
CSPM	$ 27,017	$ 28,648	$ 30,947

A subsidiary prepaid plant rent to CSPM for a contract period of 45 years (ending in January 2059) and rented the land from CSPM (ending in January 2034). The rent amounted to NT$925 thousand, NT$1,067 thousand, NT$1,874 thousand and NT$2,155 thousand for the three and six months ended June 30, 2017 and 2016, respectively.

f. Other related party transactions

1) Leased land and factories

The Corporation leased the current factory land from the parent entity under three contracts. The annual rent amount was calculated according to 3% of the announced total present value or 6% of the announced total land value. The three contracts were signed for periods of 5 years (ending in December 2020), 5 years (ending in December 2017), and 10 years (ending in June 2019). Rent was paid once every six months; the rent expense was NT$4,088 thousand, NT$4,088 thousand, NT$8,177 thousand and NT$8,177 thousand for the three months and six months ended June 30, 2017 and 2016, respectively.

The Corporation leased the coke plant from the parent entity for a period to December 2017 with the rental paid once every six months; the rent expense was NT$555 thousand NT$609 thousand, NT$1,111 thousand and NT$1,219 thousand for the three months and six months ended June 30, 2017 and 2016, respectively.

The Corporation and fellow subsidiaries had signed a land and warehouse lease contract for a period to August 2017; the rent expense was NT$584 thousand, NT$400 thousand, NT$1,005 thousand and NT$801 thousand for the three months and six months ended June 30, 2017 and 2016, respectively.

The Corporation and other non-related parties had no similar transactions available for comparison.

2) Leased office building

The Corporation had leased office buildings and office from the parent entity for a period up to October and December 2019, respectively; the rent expense was NT$1,550 thousand, NT$1,587 thousand, NT$3,182 thousand and NT$3,175 thousand for the three months and six months ended June 30, 2017 and 2016, respectively. The rent mentioned above was based on the negotiation between two parties, and the payments follow the terms of the contract. There was no significant difference in the rent and in the terms between the above mentioned contract and the contracts signed with unrelated parties.

3) Rent Revenue

The Corporation and the parent entity had signed a land lease contract (located in Siaogang District, Kaohsiung City) with the rent advanced every six months and for a period up to December 2020. The rent revenue (included in non-operating income - other income) was NT$3,079 thousand, NT$3,079 thousand, NT$6,158 thousand and NT$6,158 thousand for the three months and six months ended June 30, 2017 and 2016, respectively.

4) Public fluid and reservoir

The Corporation’s factory located inside the parent entity’s plant; the primary energy needed for production was supplied by the parent entity. The Corporation paid the parent entity on a monthly basis expense for public fluid and reservoir, including electricity, wastewater treatment, waste gas treatment, consumption of steam, and coke ovens, in accordance with the market price or cost plus percentage. The expense mentioned above amounted to NT$90,784 thousand, NT$76,500 thousand, NT$178,575 thousand and NT$165,352 thousand for the three months and six months ended June 30, 2017 and 2016, respectively. The Corporation and other non-related parties had no similar transactions available for comparison.

5) Technical service fees

The Corporation commissioned the parent entity to provide technical services, including Isotropic graphite block material analysis, Ultra capacitor activated carbon electrode development, the assessment of soft asphalt applied to fuel, electricity supply engineering, etc. The fees for technical services amounted to NT$14,917 thousand and NT$5,548 thousand for the six months ended June 30, 2017 and 2016, respectively.

g. Compensation of key management personnel

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2017	2016	2017	2016
Short-term employee benefits	$ 13,456	$ 10,549	$ 22,693	$ 18,219
Post-employment benefits	436	112	482	225
	$ 13,892	$ 10,661	$ 23,175	$ 18,444

The compensation of the directors and the other management was determined by the Remuneration Committee in accordance with the personal performance evaluation and market trends.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

The Corporation and its subsidiaries' significant commitments and contingencies as of June 30, 2017 were as follow:

a. Unused balance of the letter of credit issued by the Corporation for the purchase of raw materials and commodities in the amount of NT$683,404 thousand.

b. Property, plant and equipment construction contract signed for total amount of NT$994,489 thousand, with the construction contracts amounted to NT$526,419 thousand but not yet completed.

30. EXCHANGE RATE OF FINANCIAL 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 rate between foreign currencies and respective functional currencies were disclosed.

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

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount
June 30, 2017				
Monetary financial assets				
USD	$ 17,834	30.42	(USD:NTD)	$ 542,512
USD	14	6.778	(USD:RMB)	422
RMB	24,455	4.486	(RMB:NTD)	109,704
RMB	9,348	0.1475	(RMB:USD)	41,937
Non-monetary financial assets				
Designated as at fair value through profit or loss				
USD	31,418	30.42	(USD:NTD)	955,739
JPY	99,495	0.2716	(JPY:USD)	27,023
Monetary financial liabilities				
USD	7,920	30.42	(USD:NTD)	240,939

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount
December 31, 2016				
Monetary financial assets				
USD	$ 40,174	32.25	(USD:NTD)	$ 1,295,608
RMB	20,719	4.617	(RMB:NTD)	95,662
RMB	9,081	0.1432	(RMB:USD)	41,926
Non-monetary financial assets				
Designated as at fair value through profit or loss				
USD	3,001	32.25	(USD:NTD)	96,789
NTD	36,488	0.031	(NTD:USD)	36,488
Monetary financial liabilities				
USD	7,247	32.25	(USD:NTD)	233,701
USD	305	6.983	(USD:RMB)	9,851
RMB	135	4.617	(RMB:NTD)	623
June 30, 2016				
Monetary financial assets				
USD	30,591	32.275	(USD:NTD)	987,308
RMB	13,101	4.845	(RMB:NTD)	63,475
RMB	8,862	0.1501	(RMB:USD)	42,936
Non-monetary financial assets				
Designated as at fair value through profit or loss				
NTD	29,629	0.0310	(NTD:USD)	29,629
USD	374	32.275	(USD:NTD)	12,076
Monetary financial liabilities				
USD	7,697	32.275	(USD:NTD)	248,420
USD	121	6.6615	(USD:RMB)	3,895

(Concluded)

For the six months ended June 30, 2017 and 2016, realized and unrealized net foreign exchange losses were NT$50,423 thousand and NT$7,474 thousand. It is impractical to disclose net foreign exchange gains or losses by each significant foreign currency due to the variety of the foreign currency transaction and functional currencies of the Corporation and its subsidiaries.

31. 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:

a. CSCC / CCSNM - Production and marketing of chemical products.

b. EGI / CSCCC - Trade of chemical products.

c. EWI / CSCM - Investments.

d. The Corporation and its subsidiaries have the reporting segments analyzed as follows:

	CSCC / CCSNM	EGI / CSCCC	EWI / CSCM	Adjustment and write-off	Consolidated
For the six months ended June 30, 2017					
Revenues from external customers	$ 2,963,920	$ 183,894	$ 53,875	$ -	$ 3,201,689
Inter segment revenues	94,167	112,773	(6,770)	(200,170)	-
Segment revenues	$ 3,058,087	$ 296,667	$ 47,105	$ (200,170)	$ 3,201,689
Segment income	$ 487,405	$ 40,340	$ 39,828	$ 19,187	$ 586,760
Interest income	4,346	1,896	2,618	(213)	8,647
Share of profits of associates	126,629	-	-	(109,071)	17,558
Other income	22,615	11,347	1,578	(5,646)	29,894
Interest expense	(5,218)	(124)	(37)	213	(5,166)
Other gains and losses	(36,103)	28,893	(1,179)	-	(8,389)
Profit before income tax	599,674	82,352	42,808	(95,530)	629,304
Income tax expense	74,074	-	1,612	-	75,686
Net profit for the period	$ 525,600	$ 82,352	$ 41,196	$ (95,530)	$ 553,618
For the six months ended June 30, 2016					
Revenues from external customers	$ 2,403,074	$ 136,927	$ 26,701	$ -	$ 2,566,702
Inter segment revenue	162,065	-	43,164	(205,229)	-
Segment revenues	$ 2,565,139	$ 136,927	$ 69,865	$ (205,229)	$ 2,566,702
Segment income (loss)	$ 493,658	$ (1,184)	$ 59,630	$ (31,138)	$ 520,966
Interest income	1,658	2,577	3,363	(137)	7,461
Share of profits of associates	41,440	-	-	(22,803)	18,637
Other income	15,933	-	695	(2,398)	14,230
Interest expense	(2,499)	-	(11)	137	(2,373)
Other gains and losses	5,724	4,543	326	-	10,593
Profit before income tax	555,914	5,936	64,003	(56,339)	569,514
Income tax expense	89,039	-	3,550	-	92,589
Net profit for the period	$ 466,875	$ 5,936	$ 60,453	$ (56,339)	$ 476,925

Segment income refers to the profits earned by each segment, excluding the administrative cost of the headquarter to be amortized and remuneration of directors and supervisors, rent revenue, interest income, gain and loss on disposal of property, plant, and equipment, gain on disposal of investments, net foreign currency exchange gains and losses, financial instruments valuation gains and losses, interest expense, income tax expense, etc. These measurements and amount are provided to the chief operating decision-maker for allocating resources to each segment and for assessing their performance.

For the purpose of monitoring segment performance and allocating resources to each segment:

1) All assets, except investments in associates under equity method, other financial assets, and current and deferred income tax assets, are allocated to the reporting segments. The common assets of the reporting segments are allocated proportionally based on income generated by each reporting segment.

2) All liabilities, except loans and deferred income tax liabilities, are allocated to the reporting segments. The common liabilities of the reporting segments are allocated proportionally based on the assets of each reporting segment.

e. Segment total assets and liabilities

	June 30, 2017	December 31, 2016	June 30, 2016
Segment assets			
Chemicals segment			
Production and sales	$ 7,195,234	$ 6,416,376	$ 6,103,916
Trading	1,435,254	1,510,592	1,427,630
Investment segment	1,655,673	1,634,794	1,688,521
	$ 10,286,161	$ 9,561,762	$ 9,220,067
Segment liabilities			
Chemicals segment			
Production and sales	$ 3,414,154	$ 2,084,084	$ 2,359,255
Trading	542,539	638,113	607,252
Investment segment	80,839	8,905	3,420
	$ 4,037,532	$ 2,731,102	$ 2,969,927