

China Steel Corporation and Subsidiaries

**Consolidated Financial Statements for the
Three Months Ended March 31, 2016 and 2015 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
China Steel Corporation

We have reviewed the accompanying consolidated balance sheets of China Steel Corporation (the "Corporation") and its subsidiaries as of March 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

As discussed in Note 4 to the accompanying consolidated financial statements, the financial statements of certain subsidiaries (all unlisted companies) included in the consolidated financial statements were not reviewed. As of March 31, 2015, these subsidiaries' total assets amounted to NT\$95,747,526 thousand or 14% of consolidated total assets, and their total liabilities amounted to NT\$30,318,010 thousand or 9% of consolidated total liabilities. For the three months ended March 31, 2015, their comprehensive loss amounted to NT\$974,016 thousand or 24% of consolidated comprehensive income. As discussed in Note 15 to the accompanying consolidated financial statements, the investments accounted for using equity method amounted to NT\$13,513,710 thousand as of March 31, 2015, the related share of the profit or loss amounted to profit NT\$186,108 thousand for the three months ended March 31, 2015, and the related share of the other comprehensive income amounted to profit NT\$599,364 thousand for the three months ended March 31, 2015. These amounts were evaluated from the investees' unreviewed financial statements for the same reporting period as that of the Corporation.

Based on our reviews, except for the consolidated balance sheet as of March 31, 2015 and the related consolidated statement of comprehensive income, changes in equity and cash flow for the three months ended March 31, 2015 of the subsidiaries and investees accounted for using equity method mentioned in the preceding paragraph that were unreviewed and the adjustments that might have been determined to be necessary if the financial statements were reviewed, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission ("FSC") of the Republic of China.



May 11, 2016

Notice to Readers

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

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

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)		March 31, 2016 (Reviewed)		December 31, 2015 (Audited)		March 31, 2015 (Reviewed)	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
CURRENT ASSETS										
Cash and cash equivalents (Note 6)	\$ 13,874,948	2	\$ 20,334,823	3	\$ 15,507,186	2	\$ 34,386,947	4	\$ 35,886,151	5
Financial assets at fair value through profit or loss - current (Note 7)	4,284,299	1	3,441,885	-	5,360,203	1	31,641,286	7	25,080,391	4
Available-for-sale financial assets - current (Note 8)	3,290,165	-	3,839,902	1	6,339,750	1	-	-	-	-
Derivative financial assets for hedging - current (Note 10)	71,858	-	123,828	-	51,829	-	24,574	-	115,229	-
Notes receivable (Note 11)	1,121,033	-	1,206,786	-	1,303,317	-	508,249	-	849,207	-
Notes receivable - related parties (Notes 11 and 33)	297,970	-	258,005	-	348,064	-	-	-	1,997	-
Accounts receivable, net (Note 11)	10,403,639	2	10,578,187	2	9,265,429	2	7,898,460	1	9,686,110	1
Accounts receivable - related parties (Notes 11 and 33)	398,471	-	448,197	-	817,154	-	256,131	-	187,573	-
Amounts due from customers for construction contracts (Note 12)	8,722,470	1	8,767,343	1	8,213,986	1	4,115,170	1	4,591,379	1
Other receivables	1,459,010	-	1,453,760	-	1,413,869	-	19,351,699	3	21,904,626	3
Current tax assets	203,676	-	95,004	-	155,771	-	1,621,208	-	5,905,241	1
Inventories (Note 13)	62,079,208	9	68,906,548	10	84,007,314	12	3,158,369	-	3,801,091	1
Other financial assets - current (Notes 16 and 34)	11,946,016	2	12,191,202	2	12,531,770	2	4,696,735	1	8,148,837	1
Other current assets	3,496,398	1	3,496,706	1	5,935,429	1	23,561,520	4	20,226,426	3
Total current assets	121,649,161	18	135,142,176	20	151,251,071	22	3,092,890	-	3,102,856	-
NONCURRENT ASSETS							134,366,854	20	139,489,894	20
Available-for-sale financial assets - noncurrent (Note 8)	25,459,686	4	50,284,593	8	30,938,718	5	-	-	48,291	-
Held-to-maturity financial assets - noncurrent (Note 9)	281,202	-	285,963	-	250,788	-	57,412	-	89,698,946	13
Derivative financial assets for hedging - noncurrent (Note 10)	34,063	-	41,713	-	59,665	-	94,842,610	14	77,375,903	11
Debt investments with no active market - noncurrent (Notes 14 and 19)	2,104,807	-	2,014,061	-	2,809,644	1	83,128,236	12	17,082,744	3
Investments accounted for using equity method (Note 15)	50,769,841	8	15,207,682	2	13,513,710	2	24,459,879	4	1,028,990	-
Property, plant and equipment (Notes 17 and 34)	442,827,951	66	448,688,581	66	455,895,764	67	821,377	-	1,028,990	-
Investment properties (Notes 18 and 34)	10,626,855	2	10,108,189	2	8,408,320	1	2	2	12,587,696	2
Intangible assets (Note 30)	2,343,579	-	2,404,617	-	2,450,820	-	12,340,243	2	5,500,032	1
Deferred tax assets	5,686,177	1	5,558,156	1	6,267,690	1	5,812,212	1	5,500,032	1
Refundable deposits	494,002	-	479,287	-	440,051	-	1,312,731	-	1,066,196	-
Other financial assets - noncurrent (Note 16)	2,609,236	-	2,663,786	-	2,387,177	-	-	-	-	-
Other noncurrent assets	6,055,600	1	5,260,212	1	7,802,026	1	209,483,772	31	204,388,798	30
Total noncurrent assets	549,292,999	82	542,996,840	80	531,224,373	78	349,519,866	52	343,878,692	50
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Note 25)										
Share capital										
Ordinary shares	157,348,610	23	157,348,610	23	157,348,610	23	157,348,610	23	157,348,610	23
Preference shares	382,680	-	382,680	-	382,680	-	382,680	-	382,680	-
Total share capital	157,731,290	23	157,731,290	23	157,731,290	23	157,731,290	23	157,731,290	23
Capital surplus	37,626,562	6	37,626,562	6	37,626,562	6	37,612,027	5	37,223,095	6
Retained earnings										
Legal reserve	59,173,907	9	59,173,907	9	59,173,907	9	59,173,907	9	56,957,880	9
Special reserve	27,132,983	4	27,132,983	4	27,132,983	4	27,132,983	4	27,086,283	4
Unappropriated earnings	13,818,976	2	13,323,848	2	13,818,976	2	13,323,848	2	29,632,986	4
Total retained earnings	100,125,866	15	99,630,738	15	100,125,866	15	99,630,738	15	113,677,149	17
Other equity	7,652,722	1	7,924,408	1	7,652,722	1	7,924,408	1	9,760,597	1
Treasury shares	(8,576,842)	(1)	(8,576,842)	(1)	(8,576,842)	(1)	(8,577,644)	(1)	(8,577,748)	(1)
Total equity attributable to owners of the Corporation	294,559,598	44	294,320,819	43	294,559,598	44	294,320,819	43	309,814,383	46
NON-CONTROLLING INTERESTS										
	26,862,696	4	26,404,014	4	26,862,696	4	26,404,014	4	28,782,369	4
Total equity	321,422,294	48	320,724,833	47	321,422,294	48	320,724,833	47	338,596,752	50
TOTAL	\$ 670,942,160	100	\$ 678,139,016	100	\$ 682,475,444	100	\$ 678,139,016	100	\$ 682,475,444	100

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

(With Deloitte & Touche review report dated May 11, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

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

	For the Three Months Ended March 31			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Note 26 and 33)	\$ 64,958,543	100	\$ 80,803,702	100
OPERATING COSTS (Notes 13 and 33)	<u>60,787,328</u>	<u>94</u>	<u>70,938,700</u>	<u>88</u>
GROSS PROFIT	<u>4,171,215</u>	<u>6</u>	<u>9,865,002</u>	<u>12</u>
OPERATING EXPENSES				
Selling and marketing expenses	1,157,082	2	1,238,014	1
General and administrative expenses	1,562,263	2	1,703,506	2
Research and development expenses	<u>512,351</u>	<u>1</u>	<u>511,703</u>	<u>1</u>
Total operating expenses	<u>3,231,696</u>	<u>5</u>	<u>3,453,223</u>	<u>4</u>
PROFIT FROM OPERATIONS	<u>939,519</u>	<u>1</u>	<u>6,411,779</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 27 and 33)	221,481	-	361,998	1
Other gains and losses (Notes 27 and 33)	627,657	1	(3,018)	-
Finance costs (Note 27)	(986,355)	(1)	(908,457)	(1)
Share of the profit of associates	<u>28,637</u>	<u>-</u>	<u>177,017</u>	<u>-</u>
Total non-operating income and expenses	<u>(108,580)</u>	<u>-</u>	<u>(372,460)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	830,939	1	6,039,319	8
INCOME TAX (Note 28)	<u>100,592</u>	<u>-</u>	<u>1,244,690</u>	<u>2</u>
NET PROFIT FOR THE PERIOD	<u>730,347</u>	<u>1</u>	<u>4,794,629</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (Notes 25 and 28)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations	36,567	-	(1,489,302)	(2)
Unrealized gains and losses on available-for-sale financial assets	(14,308)	-	263,817	-
The effective portion of gains and losses on hedging instruments in a cash flow hedge	(51,042)	-	(189,725)	-
Share of the other comprehensive income (loss) of associates	(487,604)	(1)	599,364	1

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended March 31			
	2016		2015	
	Amount	%	Amount	%
Income tax benefit relating to items that may be reclassified subsequently to profit or loss	\$ 52,909	-	\$ 34,422	-
Other comprehensive income (loss) for the period, net of income tax	(463,478)	(1)	(781,424)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 266,869	-	\$ 4,013,205	5
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 482,146	1	\$ 5,526,271	7
Non-controlling interests	248,201	-	(731,642)	(1)
	\$ 730,347	1	\$ 4,794,629	6
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 210,460	-	\$ 5,124,853	6
Non-controlling interests	56,409	-	(1,111,648)	(1)
	\$ 266,869	-	\$ 4,013,205	5
EARNINGS PER SHARE (Note 29)				
Basic	\$ 0.03		\$ 0.36	
Diluted	\$ 0.03		\$ 0.36	

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

(Concluded)

(With Deloitte & Touche review report dated May 11, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Equity Attributable to the Owners of the Corporation													
	Share Capital					Other Equity								
	Ordinary Shares	Preference Shares	Capital Surplus	Legal Reserve	Retained Earnings	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gains and Losses on Available-for-sale Financial Assets	The Effective Portion of Gains and Losses on Hedging Instruments in a Cash Flow Hedges	Total Other Equity	Treasury Shares	Total Equity Attributable to Owners of the Corporation	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2016	\$ 157,348,610	\$ 382,680	\$ 37,612,027	\$ 59,173,907	\$ 27,132,983	\$ 13,323,848	\$ 1,198,796	\$ 6,573,348	\$ 152,264	\$ 7,924,408	\$ (8,577,644)	\$ 294,320,819	\$ 26,404,014	\$ 320,724,833
Net profit for the three months ended March 31, 2016	-	-	-	-	-	482,146	-	-	-	-	-	482,146	248,201	730,347
Other comprehensive income for the three months ended March 31, 2016, net of income tax	-	-	-	-	-	-	(358,259)	127,964	(41,391)	(271,686)	-	(271,686)	(191,792)	(463,478)
Total comprehensive income for the three months ended March 31, 2016	-	-	-	-	-	482,146	(358,259)	127,964	(41,391)	(271,686)	-	210,460	56,409	266,869
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	402,273	402,273
Adjustment of other equity	-	-	14,535	-	-	12,982	-	-	-	-	802	28,319	-	28,319
BALANCE AT MARCH 31, 2016	\$ 157,348,610	\$ 382,680	\$ 37,626,562	\$ 59,173,907	\$ 27,132,983	\$ 13,818,976	\$ 840,537	\$ 6,701,312	\$ 110,873	\$ 7,652,722	\$ (8,576,842)	\$ 294,559,598	\$ 26,862,696	\$ 321,422,294
BALANCE AT JANUARY 1, 2015	\$ 157,348,610	\$ 382,680	\$ 37,217,876	\$ 56,957,880	\$ 27,086,283	\$ 24,106,715	\$ 732,469	\$ 9,283,354	\$ 146,192	\$ 10,162,015	\$ (8,587,461)	\$ 304,674,598	\$ 29,969,636	\$ 334,644,234
Net profit (loss) for the three months ended March 31, 2015	-	-	-	-	-	5,526,271	-	-	-	-	-	5,526,271	(731,642)	4,794,629
Other comprehensive income for the three months ended March 31, 2015, net of income tax	-	-	-	-	-	-	(526,755)	277,591	(152,254)	(401,418)	-	(401,418)	(380,006)	(781,424)
Total comprehensive income for the three months ended March 31, 2015	-	-	-	-	-	5,526,271	(526,755)	277,591	(152,254)	(401,418)	-	5,124,853	(1,111,648)	4,013,205
Disposal of the Corporation's shares held by subsidiaries	-	-	(707)	-	-	-	-	-	-	-	9,263	8,556	4,768	13,324
Adjustment of non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(80,387)	(80,387)
Adjustment of other equity	-	-	5,926	-	-	-	-	-	-	-	450	6,376	-	6,376
BALANCE AT MARCH 31, 2015	\$ 157,348,610	\$ 382,680	\$ 37,223,095	\$ 56,957,880	\$ 27,086,283	\$ 29,632,986	\$ 205,714	\$ 9,560,945	\$ (6,062)	\$ 9,760,597	\$ (8,577,748)	\$ 309,814,383	\$ 28,782,369	\$ 338,596,752

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

(With Deloitte & Touche review report dated May 11, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 830,939	\$ 6,039,319
Adjustments for:		
Depreciation expense	8,968,363	9,011,144
Amortization expense	96,108	78,356
Net gain on financial assets and liabilities at fair value through profit or loss	(52,001)	(95,135)
Finance costs	986,355	908,457
Interest income	(75,029)	(119,104)
Share of the profit of associates	(41,217)	(186,108)
Loss on disposal of property, plant and equipment	117,203	6,335
Gain on disposal of investments	(806,359)	(68,613)
Increase (decrease) in provision for loss on inventories	(1,233,453)	1,514,947
Recognition of provisions	2,750,770	2,759,953
Others	17,085	27,235
Changes in operating assets and liabilities		
Financial instruments held for trading	(578,808)	53,081
Notes receivable	85,753	(59,550)
Notes receivable - related parties	(39,965)	(185,862)
Accounts receivable	172,619	1,562,467
Accounts receivable - related parties	49,726	(82,163)
Amounts due from customers for construction contracts	44,873	(900,504)
Other receivables	238,075	242,521
Inventories	8,060,793	(4,319,093)
Other current assets	308	(178,227)
Notes payable	(47,237)	(535,575)
Notes payable - related parties	-	1,909
Accounts payable	1,044,816	782,590
Accounts payable - related parties	183,040	(502,050)
Amounts due to customers for construction contracts	(288,205)	(811,659)
Other payables	(3,579,233)	(846,725)
Provisions	(2,345,326)	(2,758,991)
Other current liabilities	(853,215)	(166,666)
Net defined benefit liabilities	(155,775)	(3,869)
Cash generated from operations	13,551,003	11,168,420
Income taxes paid	(101,475)	(547,375)
Net cash generated from operating activities	13,449,528	10,621,045

CASH FLOWS FROM INVESTING ACTIVITIES

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2016	2015
Acquisition of financial assets designated as at fair value through profit or loss	\$ (1,055,318)	\$ (1,634,092)
Proceeds from disposal of financial assets designated as at fair value through profit or loss	898,099	1,496,535
Acquisition of available-for-sale financial assets	(603,233)	(466,613)
Proceeds from disposal of available-for-sale financial assets	1,181,022	427,787
Proceeds from the capital reduction on available-for-sale financial assets	-	85,426
Purchase of debt investments with no active market	(9,863)	(45,441)
Proceeds from disposal of debt investments with no active market	10,200	-
Acquisition of held-to-maturity financial assets	-	(30,216)
Acquisition of investments accounted for using equity method	(11,063,857)	(29,249)
Acquisition of property, plant and equipment	(3,872,707)	(6,523,592)
Proceeds from disposal of property, plant and equipment	12,075	1,771
Increase in refundable deposits	(14,715)	(3,218)
Acquisition of intangible assets	(9,610)	(13,910)
Proceeds from disposal of investment properties	(52,383)	-
Decrease in other financial assets	353,236	1,218,651
Increase (decrease) in other noncurrent assets	93,825	(74,873)
Interest received	90,895	124,905
Dividends received from associates	9,059	-
Dividends received from others	187	62
Net cash used in investing activities	<u>(14,033,088)</u>	<u>(5,466,067)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	70,384,682	56,703,068
Repayments of short-term borrowings	(73,872,883)	(51,643,585)
Increase in short-term bills payable	16,793,350	4,968,295
Proceeds from long-term bank borrowings	18,416,800	5,515,155
Repayments of long-term bank borrowings	(28,007,364)	(14,557,393)
Proceeds from long-term bills payable	49,388,563	44,070,658
Repayments of long-term bills payable	(56,368,781)	(47,007,326)
Decrease in other noncurrent liabilities	(30,985)	(6,160)
Dividends paid to owners of the Corporation	-	(2,457)
Disposal of the Corporation's shares held by subsidiaries	-	13,324
Interest paid	(1,084,310)	(1,042,092)
Increase (decrease) in non-controlling interests	<u>402,273</u>	<u>(80,387)</u>
Net cash used in financing activities	<u>(3,978,655)</u>	<u>(3,068,900)</u>

(Continued)

CHINA STEEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Three Months Ended March 31	
	2016	2015
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	\$ (160,870)	\$ (334,335)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(4,723,085)	1,751,743
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>17,054,940</u>	<u>10,659,657</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 12,331,855</u>	<u>\$ 12,411,400</u>
Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of March 31, 2016 and 2015:		
Cash and cash equivalents in the consolidated balance sheets	\$ 13,874,948	\$ 15,507,186
Bank overdraft	<u>(1,543,093)</u>	<u>(3,095,786)</u>
Cash and cash equivalents in the consolidated statements of cash flows	<u>\$ 12,331,855</u>	<u>\$ 12,411,400</u>

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

(Concluded)

(With Deloitte & Touche review report date May 11, 2016)

CHINA STEEL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

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

As of March 31, 2016, the Ministry of Economic Affairs (“MOEA”), Republic of China owned 20.05 % of the Corporation’s issued ordinary shares.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Corporation’s board of directors and approved for issue on May 11, 2016.

3. APPLICATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) in issue but not yet endorsed by the FSC.

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

The Corporation and its subsidiaries have not applied the following IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) issued by the International Accounting Standards Board (IASB) but not yet endorsed by the FSC.

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014

(Continued)

New, Amended and Revised Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities : Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014 (Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

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

a. IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

- 1) Financial assets that are held within a business model whose objective is to collect the contractual cash flow are generally measured at amortized cost. Related interest revenue is recognized in profit or loss using the effective interest rate; impairment is continually evaluated and recognized in profit or loss.
- 2) Financial assets that are held within business models whose objectives are to collect the contractual cash flow and to sell are measured at fair value through other comprehensive income. Related interest revenue is recognized in profit or loss using the effective interest rate; impairment is continually evaluated and recognized in profit or loss as well as exchange gain or loss, while other fair value changes are recognized in other comprehensive income. When the financial assets are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through in profit or loss. However, the Corporation and its subsidiaries may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The impairment of financial assets

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

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

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity’s risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

b. Amendments to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

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

c. Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9. Fair value changes should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Corporation and its subsidiaries is a related party of the Corporation and its subsidiaries. Consequently, the Corporation and its subsidiaries are required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

d. Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

e. Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

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

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

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

- 1) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the Corporation and its subsidiaries’ use of the intangible asset will expire upon achievement of a revenue threshold); or
- 2) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

f. IFRS 15 “Revenue from Contracts with Customers” and related amendment

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

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

- 1) Identify the contract with the customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to the performance obligations in the contract; and
- 5) 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 sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each of those goods or services individually rather than to transfer combined items).

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

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

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

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

h. IFRS 16 “Leases”

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

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

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

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

i. Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

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

cash flows.

The amendment clarifies that 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 to 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 this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 "Interim Financial Reporting" endorsed by the FSC. 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 consolidation

1) Subsidiaries included in consolidated financial statements

The consolidated entities were as follows:

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

(Continued)

Investor	Investee	Main Businesses	Percentage of Ownership (%)			Additional Descriptions
			March 31, 2016	December 31, 2015	March 31, 2015	
	China Steel Machinery Corporation	Manufacture and sale of machinery and equipment for railroad, transportation and generator	74	74	74	Direct and indirect ownerships amounted to 100%
	China Steel Security Corporation	Guard security and system security	100	100	100	
	Info-Champ Systems Corporation (ICSC)	Design and sale of IT hardware and software	100	100	100	
	CSC Steel Australia Holdings Pty Ltd. (CSCAU)	Investment holding company	100	100	100	
	Himag Magnetic Corporation	Manufacture and sale of magnetic material, special usage chemicals and ferric iron oxide	69	69	50	Direct and indirect ownerships amounted to 88%
	Dragon Steel Corporation (DSC)	Manufacture and sale of steel product	100	100	100	
	China Steel Management Consulting Corporation	Business management consultant	100	100	100	
	China Ecotek Corporation (CEC)	Electrical engineering and co-generation	45	45	45	Refer to 1) below
	China Steel Chemical Corporation (CSCC)	Production and sale of coal chemistry and specialty chemicals	29	29	29	Refer to 1) below
	Chung Hung Steel Corporation (CHSC)	Manufacture and sale of steel product	41	41	41	Refer to 1) below
	CHC Resources Corporation (CHC)	Manufacture and sale of slag powder and blast furnace cement, and waste disposal	20	20	20	Direct and indirect ownerships amounted to 36%, and refer to 1) below
	China Steel Structure Co., Ltd. (CSSC)	Design, manufacture and sale of steel structure	33	33	33	Direct and indirect ownerships amounted to 37%, and refer to 1) below
	China Steel Sumikin Vietnam Joint Stock Company (CSVN)	Manufacture and sale of steel product	56	56	51	
	China Steel Corporation India Pvt. Ltd. (CSCI)	Manufacture and sale of steel product (electromagnetic steel coil)	100	100	100	
	Kaohsiung Rapid Transit Corporation (KRTC)	Operation of mass rapid transit	43	43	43	Direct and indirect ownerships amounted to 50%
	China Steel Resources Corporation	Disposal and process of waste	100	100	100	
	CSC Precision Metal Industrial Corporation	Metal processing	100	100	100	
	Eminent Venture Capital Corporation (EVCC)	General investment	-	-	-	Indirect ownership was 55%
	White Biotech Corporation (WBC)	Biology introduction and development	87	87	-	Increased investment and included in the consolidated entities in July 2015. Refer to Note 30.
China Steel Express Corporation	CSE Transport Corporation (Panama) (CSEP)	Ocean freight forwarding	100	100	100	
	CSEI Transport Corporation (Panama) (CSEIP)	Ocean freight forwarding	100	100	100	
	Transyang Shipping Pte. Ltd. (TSP)	Ocean freight forwarding	51	51	51	
	Transglory Investment Corporation (TIC)	General investment	50	50	50	Direct and indirect ownerships amounted to 100%
	Kaohsiung Port Cargo Handling Services Corp.	Cargo Stevedoring	66	66	66	
C.S. Aluminium Corporation	ALU Investment Offshore Corporation	Industry investment	100	100	100	
ALU Investment Offshore Corporation	United Steel International Development Corp.	Industry investment	65	65	65	Direct and indirect ownerships amounted to 79%
United Steel International Development Corp.	Ningbo Huayang Aluminium-Tech Co., Ltd.	Manufacture and sale of aluminum alloy material	100	100	100	
Gains Investment Corporation	Eminence Investment Corporation	General investment	100	100	100	
	Gainsplus Asset Management Inc.	General investment	100	100	100	
	Winning Investment Corporation (WIC)	General investment	49	49	49	Direct and indirect ownerships amounted to 58%
	Mentor Consulting Corporation	Management and general investment consulting service	100	100	100	
	Betacera Inc. (BETA)	Manufacture and trading of electronic ceramics	48	48	48	Refer to 1) below
	Universal Exchange Inc.	Wholesale of information software and electronic information supply service	64	64	64	Direct and indirect ownerships amounted to 99%
	Thintech Materials Technology Co., Ltd. (TMTC)	Manufacture and sale of metal sputter targets	32	32	32	Direct and indirect ownerships amounted to 40%, and refer to 2) below
Eminence Investment Corporation	Shin-Mau Investment Corporation	General investment	30	30	30	Direct and indirect ownerships amounted to 100%

(Continued)

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

(Continued)

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

(Concluded)

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

- a) The actual operations of CEC, CCCC, CHSC, CHC, CSSC, BETA and NZMTCL are controlled by the respective board of directors. The Corporation and other subsidiaries jointly had more than half of the seats in the board of directors of CEC, CCCC, CHSC, CHC, CSSC, BETA and NZMTCL. The actual operation of CSHB is also controlled by the board of directors. The Corporation's subsidiaries had control of more than half of the voting rights in the board of directors. Therefore, the Corporation had control-in-substance over the aforementioned entities and included them in the consolidated entities.
- b) The chairman and general manager of TMTC are designated by other subsidiaries in order to control its finance, operation, and human resources. Therefore, the Corporation had control-in-substance over TMTC and included it in the consolidated entities.
- 2) The subsidiary China Steel Machinery Corporation acquired 50% of shareholding in SWPL. Under the shareholders' agreement, the subsidiary China Steel Machinery Corporation and the other shareholder of the company each hold half of the seats in the board of directors, respectively. The chairman of the board of directors and chief executive officer are served in turns and actual operations should be approved by more than half of the seats in the board of directors. Thus, the Corporation and its subsidiaries have no control over the company. The management of the Corporation and its subsidiaries, however, believe that they are able to exercise significant influence over the company and therefore classified the company as an associate of the Corporation and its subsidiaries.
- 3) The Corporation had no subsidiary with material non-controlling interests.

Certain subsidiaries (all unlisted companies) included in the consolidated financial statements for the three months ended and as of March 31, 2015 were unreviewed. As of March 31, 2015, these subsidiaries' total assets amounted to NT\$95,747,526 thousand and their total liabilities amounted to NT\$30,318,010 thousand. For the three months ended March 31, 2015, their total comprehensive loss amounted to NT\$974,016 thousand. These amounts were evaluated and disclosed from the subsidiaries' unreviewed financial statements for the same reporting period as that of the Corporation.

c. Other significant accounting policy

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

1) Retirement benefits

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

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated 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, 2015.

6. CASH AND CASH EQUIVALENTS

	March 31, 2016	December 31, 2015	March 31, 2015
Cash on hand	\$ 47,112	\$ 47,262	\$ 47,017
Checking accounts and demand deposits	10,023,365	14,741,944	9,300,447
Cash equivalents (investments with original maturities less than three months)			
Commercial papers with repurchase agreements	803,522	362,868	904,162
Time deposits	2,911,453	5,162,769	5,055,560
Bonds with repurchase agreements	<u>89,496</u>	<u>19,980</u>	<u>200,000</u>
	<u>\$ 13,874,948</u>	<u>\$ 20,334,823</u>	<u>\$ 15,507,186</u>

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

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

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2016	December 31, 2015	March 31, 2015
<u>Financial assets at FVTPL - current</u>			
Financial assets designated as at FVTPL			
Mutual funds	\$ 1,993,163	\$ 1,754,204	\$ 2,827,027
Listed shares	30,971	29,575	33,056
Structured notes	30,104	66,221	41,502
Future contracts (a)	<u>-</u>	<u>-</u>	<u>15</u>
	<u>2,054,238</u>	<u>1,850,000</u>	<u>2,901,600</u>
Financial assets held for trading			
Mutual funds	889,702	549,567	1,011,449
Listed shares	857,878	531,937	994,852

(Continued)

	March 31, 2016	December 31, 2015	March 31, 2015
Emerging market shares	\$ 243,378	\$ 245,455	\$ 270,381
Convertible bonds	236,720	264,480	169,816
Foreign exchange forward contracts (b)	<u>2,383</u>	<u>446</u>	<u>12,105</u>
	<u>2,230,061</u>	<u>1,591,885</u>	<u>2,458,603</u>
	<u>\$ 4,284,299</u>	<u>\$ 3,441,885</u>	<u>\$ 5,360,203</u>
Financial liabilities at FVTPL - current			
Financial liabilities designated as at FVTPL			
Call and put options (Note 20)	<u>\$ 492</u>	<u>\$ 483</u>	<u>\$ 2,443</u>
Financial liabilities held for trading			
Futures contracts (a)	233	429	-
Foreign exchange forward contracts (b)	<u>42</u>	<u>613</u>	<u>337</u>
	<u>275</u>	<u>1,042</u>	<u>337</u>
	<u>\$ 767</u>	<u>\$ 1,525</u>	<u>\$ 2,780</u>
			(Concluded)

- a. The subsidiary Thintech United Metal Resources (Taicang) Co., Ltd. entered into precious metals futures contracts to manage fair value exposures arising from price fluctuation on precious metals. However, some of those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting. As of March 31, 2016, December 31, 2015 and March 31, 2015, the outstanding precious metals futures contracts were as follows:

Maturity Date	Weight (Kilograms)	Amount (In thousands)
March 31, 2016		
June 15, 2016	825	\$ 13,753 (RMB 2,766 thousand)
December 31, 2015		
June 15, 2016	780	12,405 (RMB 2,484 thousand)
March 31, 2015		
August 5, 2015	30	560 (RMB 111 thousand)

- b. The subsidiaries entered into foreign exchange forward contracts to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, some of those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting. The outstanding foreign exchange forward contracts not under hedge accounting of the subsidiaries at the end of the reporting period were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>March 31, 2016</u>			
Buy	NTD/RMB	May 2016	NTD9,356/RMB1,875
Sell	USD/NTD	April 2016	USD3,627/NTD119,458
<u>December 31, 2015</u>			
Buy	NTD/USD	January 2016	NTD24,353/USD750
Sell	USD/NTD	February 2016	USD2,127/NTD69,692
<u>March 31, 2015</u>			
Buy	NTD/USD	April 2015-November 2015	NTD337,652/USD11,000
Sell	USD/NTD	April 2015	USD6,178/NTD194,437
Sell	EUR/NTD	April 2015	EUR2,302/NTD82,108

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	March 31, 2016	December 31, 2015	March 31, 2015
<u>Current</u>			
Domestic investments			
Listed shares	\$ 2,181,802	\$ 2,752,213	\$ 5,228,058
Mutual funds	1,100,392	1,076,845	1,097,538
Unlisted shares	<u>5,662</u>	<u>5,683</u>	<u>5,553</u>
	<u>3,287,856</u>	<u>3,834,741</u>	<u>6,331,149</u>
Foreign investments			
Listed shares	<u>2,309</u>	<u>5,161</u>	<u>8,601</u>
	<u>\$ 3,290,165</u>	<u>\$ 3,839,902</u>	<u>\$ 6,339,750</u>
<u>Noncurrent</u>			
Domestic investments			
Emerging market shares and unlisted shares	\$ 6,437,904	\$ 5,629,981	\$ 6,808,085
Listed shares	2,732,195	2,652,081	3,001,667
Private-placement shares of listed companies	<u>229,219</u>	<u>261,958</u>	<u>70,431</u>
	<u>9,399,318</u>	<u>8,544,020</u>	<u>9,880,183</u>
Foreign investments			
Unlisted shares	13,173,954	38,475,777	12,890,766
Certificate of entitlement	823,157	1,018,527	6,411,010
Listed shares	<u>2,063,257</u>	<u>2,246,269</u>	<u>1,756,759</u>
	<u>16,060,368</u>	<u>41,740,573</u>	<u>21,058,535</u>
	<u>\$ 25,459,686</u>	<u>\$ 50,284,593</u>	<u>\$ 30,938,718</u>

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

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

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

In May 2011, the subsidiary EVCC invested in Taiwan Liposome Company, Ltd. through its private placement, and the subsidiary GIC and Eminence Investment Corporation invested in Brogent Technologies Inc. through its private placement in June 2015. According to the Securities Exchange Act, the securities acquired by private placement could be transferred freely in public market only after held for three years starting from the delivery date. Those securities of Taiwan Liposome Company Ltd. held by the subsidiary EVCC have been released from the 3-year lock-up period since May 2014. However, Taipei Exchange has not approved the listing of those securities; thus, the securities cannot be transferred freely in public market yet.

9. HELD-TO-MATURITY FINANCIAL ASSETS - NONCURRENT

	March 31, 2016	December 31, 2015	March 31, 2015
Structured notes	\$ 142,885	\$ 176,937	\$ 170,167
Guarantee debt certificates	83,874	118,376	114,402
Corporate bonds	<u>54,443</u>	<u>54,695</u>	<u>30,264</u>
	281,202	350,008	314,833
Less: Accumulated impairment	<u>-</u>	<u>64,045</u>	<u>64,045</u>
	<u>\$ 281,202</u>	<u>\$ 285,963</u>	<u>\$ 250,788</u>

10. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	March 31, 2016	December 31, 2015	March 31, 2015
<u>Derivative financial assets for hedging - current</u>			
Foreign exchange forward contracts (a)	<u>\$ 71,858</u>	<u>\$ 123,828</u>	<u>\$ 51,829</u>
<u>Derivative financial assets for hedging - noncurrent</u>			
Foreign exchange forward contracts (a)	<u>\$ 34,063</u>	<u>\$ 41,713</u>	<u>\$ 59,665</u>

(Continued)

	March 31, 2016	December 31, 2015	March 31, 2015
Derivative financial liabilities for hedging - current			
Foreign exchange forward contracts (a)	\$ 17,354	\$ 29,428	\$ 115,229
Interest rate swap contracts (b)	<u>7,220</u>	<u>-</u>	<u>-</u>
	<u>\$ 24,574</u>	<u>\$ 29,428</u>	<u>\$ 115,229</u>
Derivative financial liabilities for hedging - noncurrent			
Foreign exchange forward contracts (a)	\$ 11,603	\$ 512	\$ 28,278
Interest rate swap contracts (b)	<u>51,727</u>	<u>56,900</u>	<u>20,013</u>
	<u>\$ 63,330</u>	<u>\$ 57,412</u>	<u>\$ 48,291</u>
			(Concluded)

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

	Currency	Period for Generating Cash Flows and Maturity Date	Contract Amount (In Thousands)
<u>March 31, 2016</u>			
Buy	NTD/USD	April 2016-July 2019	NTD1,700,763/USD54,956
Buy	NTD/JPY	May 2016-December 2019	NTD191,507/JPY707,485
Buy	NTD/EUR	April 2016-January 2018	NTD850,950/EUR23,414
Sell	USD/NTD	July 2016	USD96/NTD3,136
<u>December 31, 2015</u>			
Buy	NTD/USD	January 2016-December 2018	NTD1,621,235/USD55,564
Buy	NTD/EUR	January 2016-December 2017	NTD1,019,751/EUR27,814
Buy	NTD/JPY	February 2016-December 2019	NTD233,456/JPY863,110
Sell	USD/NTD	April 2016	USD93/NTD3,025
Sell	JPY/NTD	March 2016	JPY300,000/NTD81,675
<u>March 31, 2015</u>			
Buy	NTD/USD	April 2015-May 2018	NTD1,827,275/USD62,203
Buy	NTD/JPY	April 2015-December 2019	NTD423,772/JPY1,456,270
Buy	NTD/EUR	June 2015-December 2017	NTD988,416/EUR26,058
Sell	USD/NTD	May 2015	USD297/NTD9,361

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

Contract Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid (%)	Range of Interest Rates Received
<u>March 31, 2016</u>			
NT\$9,277,000	February 2017-July 2018	0.988-1.14	90 days fixing TAIBOR rate provided by Thomson Reuters
<u>December 31, 2015</u>			
NT\$9,277,000	February 2017-July 2018	0.988-1.14	90 days fixing TAIBOR rate provided by Thomson Reuters
<u>March 31, 2015</u>			
NT\$9,277,000	February 2017-July 2018	0.988-1.14	90 days TWD CPBA

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

	For the Three Months Ended March 31	
	2016	2015
Balance, beginning of period	\$ 78,701	\$ 94,574
Recognized in other comprehensive income	(92,513)	(152,270)
Recognized in other gains and losses	(5,927)	(3,269)
Transferred to construction in progress and equipment to be inspected	34,489	10,279
Transferred to operating revenues	<u>3,267</u>	<u>(1,340)</u>
Balance, end of period	<u>\$ 18,017</u>	<u>\$ (52,026)</u>

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

	March 31, 2016	December 31, 2015	March 31, 2015
Notes receivable			
Operating	\$ 1,419,000	\$ 1,464,791	\$ 1,651,381
Non-operating	<u>3</u>	<u>-</u>	<u>-</u>
	1,419,003	1,464,791	1,651,381
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,419,003</u>	<u>\$ 1,464,791</u>	<u>\$ 1,651,381</u>
Accounts receivable	\$ 10,836,597	\$ 11,060,591	\$ 10,213,227
Less: Allowance for doubtful accounts	<u>34,487</u>	<u>34,207</u>	<u>130,644</u>
	<u>\$ 10,802,110</u>	<u>\$ 11,026,384</u>	<u>\$ 10,082,583</u>

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

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

The aging of notes and accounts receivable was as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Not past due	\$ 11,253,503	\$ 11,731,716	\$ 11,108,495
1-30 days	339,297	401,367	280,903
31-60 days	179,213	84,037	101,330
61-365 days	379,253	218,239	217,137
More than 365 days	<u>69,847</u>	<u>55,816</u>	<u>26,099</u>
	<u>\$ 12,221,113</u>	<u>\$ 12,491,175</u>	<u>\$ 11,733,964</u>

Above analysis was based on the past due date.

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

	March 31, 2016	December 31, 2015	March 31, 2015
Less than 31 days	\$ 339,297	\$ 401,367	\$ 280,001
31-60 days	172,465	80,014	101,203
61-365 days	365,332	217,358	210,474
More than 365 days	<u>68,505</u>	<u>54,467</u>	<u>26,099</u>
	<u>\$ 945,599</u>	<u>\$ 753,206</u>	<u>\$ 617,777</u>

Above analysis was based on the past due date.

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

	For the Three Months Ended March 31	
	2016	2015
Balance, beginning of period	\$ 34,207	\$ 139,949
Recognition (Reversal)	2,072	(1,605)
Write off	(1,649)	(56)
Effect of foreign currency exchange difference	<u>(143)</u>	<u>(7,644)</u>
Balance, end of period	<u>\$ 34,487</u>	<u>\$ 130,644</u>

Aging analysis of impaired accounts receivable was as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Less than 31 days	\$ -	\$ -	\$ 902
31-60 days	6,748	4,023	127
61-365 days	13,921	881	6,663
More than 365 days	<u>1,342</u>	<u>1,349</u>	<u>-</u>
	<u>\$ 22,011</u>	<u>\$ 6,253</u>	<u>\$ 7,692</u>

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

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

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

For the three months ended March 31, 2016 and 2015, the related information for the Corporation, CHSC and CSAC's sale of accounts receivable was as follows. Advances received at period-end dominated in US Dollars were converted to NT Dollars at the closing rate.

Counterparty	Advances Received at Period - Beginning	Receivables Sold	Amounts Collected by Bank	Advances Received at Period - End	Interest Rate on Advances Received (%)	Credit Line
For the Three Months Ended March 31, 2016						
Mega International Commercial Bank	\$ 3,727,574	\$ 3,336,719	\$ 2,705,123	\$ 4,359,170	1.14-1.46	NT\$12 billion
Bank of Taiwan	1,256,796	680,388	759,760	1,177,424	1.14-1.46	NT\$3 billion
	785,395	706,407	975,012	516,790	1.93-2.14	USD130,000 thousand
Bank of Taiwan	1,178,084	881,353	995,812	1,063,625	1.45-1.58	USD60,000 thousand
Taishin International Bank	<u>118,633</u>	<u>144,400</u>	<u>122,921</u>	<u>140,112</u>	1.45	USD30,000 thousand
CTBC Bank						
	<u>\$ 7,066,482</u>	<u>\$ 5,749,267</u>	<u>\$ 5,558,628</u>	<u>\$ 7,257,121</u>		
For the Three Months Ended March 31, 2015						
Mega International Commercial Bank	\$ 5,095,755	\$ 3,329,561	\$ 3,214,426	\$ 5,210,890	1.27-1.51	NT\$12 billion
Mega International Commercial Bank	25,855	8,400	25,145	8,363	0.88-1.00	USD1,200 thousand
Bank of Taiwan	1,736,174	1,016,488	976,516	1,776,146	1.27-1.51	NT\$3 billion
Bank of Taiwan	357,521	890,745	415,887	832,379	1.46-1.49	USD0.1 billion
HSBC Bank	10,906	5,904	7,678	5,252	1.50-1.70	USD2,000 thousand
	<u>\$ 7,226,211</u>	<u>\$ 5,251,098</u>	<u>\$ 4,639,652</u>	<u>\$ 7,833,030</u>		

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

	March 31, 2016	December 31, 2015	March 31, 2015
Amounts due from customers for construction contracts			
Construction costs incurred plus recognized profits less recognized losses to date	\$ 45,509,544	\$ 50,028,682	\$ 48,408,140
Less: Progress billings	<u>36,787,074</u>	<u>41,261,339</u>	<u>40,194,154</u>
Amounts due from customers for construction contracts	<u>\$ 8,722,470</u>	<u>\$ 8,767,343</u>	<u>\$ 8,213,986</u>
Amounts due to customers for construction contracts			
Progress billings	\$ 30,140,541	\$ 27,035,621	\$ 27,000,256
Less: Construction costs incurred plus recognized profits less recognized losses to date	<u>26,313,576</u>	<u>22,920,451</u>	<u>22,408,877</u>
Amounts due to customers for construction contracts	<u>\$ 3,826,965</u>	<u>\$ 4,115,170</u>	<u>\$ 4,591,379</u>
Retentions receivable	<u>\$ 1,016,355</u>	<u>\$ 1,109,694</u>	<u>\$ 976,775</u>
Retentions payable	<u>\$ 2,549,570</u>	<u>\$ 2,452,654</u>	<u>\$ 2,227,442</u>

13. INVENTORIES

	March 31, 2016	December 31, 2015	March 31, 2015
Work in progress	\$ 17,452,359	\$ 17,927,894	\$ 22,460,897
Finished goods	14,634,133	16,266,596	20,762,431
Raw materials	14,580,929	18,721,826	24,254,727
Supplies	11,051,760	11,007,947	9,100,248
Raw materials and supplies in transit	3,061,838	3,787,021	6,329,738
Lands held for construction	142,688	142,688	142,688
Buildings and lands under construction	1,041,346	891,662	636,883
Others	<u>114,155</u>	<u>160,914</u>	<u>319,702</u>
	<u>\$ 62,079,208</u>	<u>\$ 68,906,548</u>	<u>\$ 84,007,314</u>

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

The cost of inventories recognized as operating costs for the three months ended March 31, 2016 and 2015 was NT\$50,437,571 thousand and NT\$59,654,974 thousand, respectively.

Movements of provision for loss on inventories were as follows:

	For the Three Months Ended March 31	
	2016	2015
Balance, beginning of period	\$ 10,469,050	\$ 5,923,626
Add: Recognized	3,261,928	4,109,537
Less: Sold	<u>4,450,381</u>	<u>2,594,590</u>
Balance, end of period	<u>\$ 9,280,597</u>	<u>\$ 7,438,573</u>

14. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	March 31, 2016	December 31, 2015	March 31, 2015
<u>Noncurrent</u>			
Unlisted preference shares - overseas			
East Asia United Steel Corporation (EAUS) -			
Preference A	\$ 1,908,762	\$ 1,818,091	\$ 2,604,000
Subordinated financial bonds	124,342	124,428	124,222
Bonds	<u>71,703</u>	<u>71,542</u>	<u>81,422</u>
	<u>\$ 2,104,807</u>	<u>\$ 2,014,061</u>	<u>\$ 2,809,644</u>

In May 2003, the Corporation signed a slab production joint-venture contract with Sumitomo Metal Industries, Ltd. (renamed as Nippon Steel & Sumitomo Metal Corp. in October 2012) and Sumitomo Corporation. In July 2003, the joint venture company EAUS was established. The Corporation invested JPY10 billion in EAUS to acquire 10,000 shares of preference A. The Corporation thus has a stable supply of slab from this joint venture. The Corporation also signed a contract with the subsidiary CHSC to transfer the purchasing right of slabs from EAUS, and the Corporation receives royalty on this contract based on the volume purchased by CHSC.

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

15. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	March 31, 2016	December 31, 2015	March 31, 2015
Material associates			
Formosa Ha Tinh (Cayman) Limited	\$ 35,665,347	\$ -	\$ -
7623704 Canada Inc.	8,700,665	8,823,606	8,648,206
Associates that are not individually material	<u>6,403,829</u>	<u>6,384,076</u>	<u>4,865,504</u>
	<u>\$ 50,769,841</u>	<u>\$ 15,207,682</u>	<u>\$ 13,513,710</u>

a. Material associates

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

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

	March 31, 2016	December 31, 2015	March 31, 2015
Current assets	\$ 51,693	\$ 329,119	\$ 1,531,170
Noncurrent assets	35,403,519	36,108,458	34,430,060
Current liabilities	(180)	(481,561)	(66)
Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>(719,901)</u>
Equity	<u>\$ 35,455,032</u>	<u>\$ 35,956,016</u>	<u>\$ 35,241,263</u>
Percentage of the Corporation and its subsidiaries' ownership (%)	25	25	25
Equity attributable to the Corporation and its subsidiaries (carrying amount of the investment)	<u>\$ 8,700,665</u>	<u>\$ 8,823,606</u>	<u>\$ 8,648,206</u>
	For the Three months Ended March 31		
	2016	2015	
Net profit for the period	<u>\$ 206,816</u>	<u>\$ 732,092</u>	
Total comprehensive income for the period	<u>\$ (1,421,012)</u>	<u>\$ 3,185,975</u>	
Comprehensive income attributable to the Corporation and its subsidiaries	<u>\$ (348,716)</u>	<u>\$ 781,838</u>	

The summarized financial information below represent amounts shown in the financial statements of Formosa Ha Tinh (Cayman) Limited prepared in accordance with IFRSs, which were converted to the functional currency and adjusted for the purposes of applying equity method. As of March 31, 2016, the Corporation has not completed the calculation of the difference between the cost of the investment and the Corporation's share of the net fair value of Formosa Ha Tinh (Cayman) Limited's identifiable assets and liabilities.

	March 31, 2016
Current assets	\$ 95,938,100
Noncurrent assets	135,597,310
Current liabilities	<u>(96,772,702)</u>
Equity	<u>\$ 134,762,708</u>

(Continued)

	March 31, 2016
Percentage of the Corporation and its subsidiaries' ownership (%)	25
Equity attributable to the Corporation and its subsidiaries	\$ 33,690,677
Intangible assets	<u>1,974,670</u>
Carrying amount of the investment	<u>\$ 35,665,347</u> (Concluded)
	For the Three months Ended March 31, 2016
Net loss for the period	<u>\$ (551,361)</u>
Total comprehensive income for the period	<u>\$ (551,361)</u>
Comprehensive income attributable to the Corporation and its subsidiaries	<u>\$ (109,781)</u>

b. Associates that are not individually material

	March 31, 2016		December 31, 2015		March 31, 2015	
	Amount	% of Owner - ship	Amount	% of Owner - ship	Amount	% of Owner - ship
Listed company						
Chateau International Development Co., Ltd. (Chateau)	\$ 326,286	20	\$ 321,598	20	\$ 300,315	20
Unlisted companies						
Kaohsiung Arena Development Corporation	792,099	29	782,015	29	783,674	29
Honley Auto. Part Co., Ltd. (HAPC)	766,423	49	778,318	49	283,972	30
Eminent II Venture Capital Corporation	746,175	46	823,683	46	717,204	46
Taiwan Rolling Stock Co., Ltd. (TRSL)	721,398	36	609,393	36	-	-
Hsin Hsin Cement Enterprise Corp.	466,606	41	467,921	41	485,645	41
Fukuta Elec. A Mach. Co., Ltd.	429,621	25	417,041	25	369,348	25
Dyna Rechi Co., Ltd.	342,830	25	350,588	25	372,689	28
Wuhan Wisco Yutek Environment Technology Co., Ltd.	325,276	49	332,020	49	244,103	49
Senenergy Wind Power Co., Ltd. (SWPL)	247,758	50	249,524	50	-	-
Ascentek Venture Capital Corp.	214,572	38	219,672	38	243,726	38
IPASS Corporation	140,413	23	140,038	23	141,401	23
White Biotech Corporation (WBC)	-	-	-	-	17,327	18
Others	<u>884,372</u>		<u>892,265</u>		<u>906,100</u>	
	<u>\$ 6,403,829</u>		<u>\$ 6,384,076</u>		<u>\$ 4,865,504</u>	

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

In October 2015, the Corporation increased NT\$540,000 thousand investment in HAPC, which increased the total shareholding from 30% to 49%.

In July 2015, the Corporation increased its investment in WBC by NT\$800,000 thousand and acquired 80,000 thousand common shares, which increased the total shareholding from 18% to 87%. As the result, the investment in WBC was reclassified from investments in associates to investments in subsidiary. Refer to Note 30 for details.

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

In July 2015, the subsidiary China Steel Machinery Corporation invested NT\$249,990 thousand in SWPL and acquired 50% of shareholding. The main business of the company is air-driven generator manufacturing and selling. The management of the Corporation and its subsidiaries, however, believe that they are able to exercise significant influence over the company and therefore classified the company as an associate (Note 4).

In August 2015, according to the investment agreement, the subsidiary China Ecotek Corporation continually invested NT\$101,116 thousand (USD3,166 thousand) to Wuhan Wisco Yutek Environment Technology Co., Ltd., with the total shareholding remained at 49%.

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

	For the Three months Ended March 31	
	2016	2015
The Corporation and its subsidiaries' share of		
Net profit for the period	\$ 100,246	\$ 6,453
Other comprehensive income	<u>(88,135)</u>	<u>(2,819)</u>
Total comprehensive income	<u>\$ 12,111</u>	<u>\$ 3,634</u>

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

	March 31, 2016	December 31, 2015	March 31, 2015
Chateau	<u>\$ 874,880</u>	<u>\$ 894,129</u>	<u>\$ 879,692</u>

Except for some companies, investments accounted for using equity method as of March 31, 2016 and the share of profit or loss and other comprehensive income of associates for the three months ended March 31, 2016 were calculated based on the reviewed financial statements. The Corporation's management considered the use of unreviewed financial statements as acceptable and will not have material impact on the equity method investments and income.

The investments accounted for using equity method as of March 31, 2015 and the Corporation and its subsidiaries' share of profit and other comprehensive income of associates for the three months ended March 31, 2015 were based on the associates' unreviewed financial statements. The investments accounted for using equity method amounted to NT\$13,513,710 thousand as of March 31, 2015, the related share of the profit or loss amounted to profit NT\$186,108 thousand for the three months ended March 31, 2015, and the related share of the other comprehensive income amounted to profit NT\$599,364 thousand for the three months ended March 31, 2015. These amounts were evaluated and disclosed from the investees' unreviewed financial statements for the same reporting periods as those of the Corporation.

16. OTHER FINANCIAL ASSETS

	March 31, 2016	December 31, 2015	March 31, 2015
Current			
Pledged time deposits	\$ 6,499,319	\$ 6,564,721	\$ 6,615,904
Time deposits with original maturities more than three months	3,121,888	3,197,755	3,704,688
Hedging foreign-currency deposits	2,323,908	2,428,316	2,074,934
Deposits for projects	<u>901</u>	<u>410</u>	<u>136,244</u>
	<u>\$ 11,946,016</u>	<u>\$ 12,191,202</u>	<u>\$ 12,531,770</u>
Noncurrent			
Pledged receivables	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Pledged time deposits	422,763	422,214	288,814
Deposits for projects	162,779	203,312	76,693
Time deposits with original maturities more than three months	<u>23,694</u>	<u>38,260</u>	<u>21,670</u>
	<u>\$ 2,609,236</u>	<u>\$ 2,663,786</u>	<u>\$ 2,387,177</u>

For the purpose of managing cash flow risk arising from exchange rate fluctuations due to purchasing imported equipment, the Corporation and its subsidiaries purchased foreign-currency deposits and entered into foreign exchange forward contracts (Note 10). As of March 31, 2016, December 31, 2015 and March 31, 2015, the balance of the foreign-currency deposits, which consist of those designated as hedging instruments and were settlements of expired foreign exchange forward contracts, was NT\$2,323,908 thousand (JPY0.93 billion, RMB43,214 thousand, USD48,181 thousand, EUR7,044 thousand and GBP786 thousand), NT\$2,428,316 thousand (JPY0.55 billion, RMB43,214 thousand, USD48,755 thousand, EUR11,777 thousand and GBP786 thousand) and NT\$2,074,934 thousand (JPY0.3 billion, RMB65,000 thousand, USD41,517 thousand, EUR10,022 thousand and GBP786 thousand), respectively. As of March 31, 2016, December 31, 2015 and March 31, 2015, cash outflows would be expected from aforementioned contracts during the periods from 2016 to 2019, 2016 to 2019 and 2015, respectively.

Movements of hedging foreign-currency deposits were as follows:

	For the Three Months Ended March 31	
	2016	2015
Balance, beginning of period	\$ 2,428,316	\$ 1,918,252
Increase (decrease)	(108,932)	203,076
Recognized in other comprehensive income	4,637	(39,661)
Transferred to construction in progress and equipment to be inspected	<u>(113)</u>	<u>(6,733)</u>
Balance, end of period	<u>\$ 2,323,908</u>	<u>\$ 2,074,934</u>

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

17. PROPERTY, PLANT AND EQUIPMENT

For the three months ended March 31, 2016

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2016	\$ 63,550,486	\$ 5,025,039	\$ 120,691,611	\$ 604,487,779	\$ 33,561,105	\$ 16,821,603	\$ 10,731,091	\$ 322,270	\$ 21,071,613	\$ 876,262,597
Additions	-	6,215	435,670	2,892,686	43,422	177,110	275,280	733	551,559	4,382,675
Disposals	-	-	(42,009)	(557,773)	(26,885)	(102,424)	(236,519)	-	-	(965,610)
Reclassification	(534,454)	(48,202)	130,016	(50,761)	769	8,006	-	-	(70,551)	(565,177)
Effect of foreign currency exchange difference	3,848	(1,594)	(64,379)	(159,732)	(317,556)	7,124	-	-	15,687	(516,602)
Other	-	-	-	-	-	-	(747)	-	-	(747)
Balance at March 31, 2016	<u>\$ 63,019,880</u>	<u>\$ 4,981,458</u>	<u>\$ 121,150,909</u>	<u>\$ 606,612,199</u>	<u>\$ 33,260,855</u>	<u>\$ 16,911,419</u>	<u>\$ 10,769,105</u>	<u>\$ 323,003</u>	<u>\$ 21,568,308</u>	<u>\$ 878,597,136</u>
Accumulated depreciation and impairment										
Balance at January 1, 2016	\$ 25,546	\$ 4,493,123	\$ 40,756,301	\$ 350,679,360	\$ 15,360,049	\$ 11,591,381	\$ 4,656,809	\$ 11,447	\$ -	\$ 427,574,016
Depreciation	-	19,095	951,868	6,853,945	444,146	330,462	344,765	2,670	-	8,946,951
Disposals	-	-	(41,725)	(456,511)	(26,687)	(74,891)	(236,518)	-	-	(836,332)
Reclassification	-	-	11,430	-	461	(2,573)	-	-	-	9,318
Effect of foreign currency exchange difference	-	(124)	18,088	131,404	(82,229)	8,093	-	-	-	75,232
Balance at March 31, 2016	<u>\$ 25,546</u>	<u>\$ 4,512,094</u>	<u>\$ 41,695,962</u>	<u>\$ 357,208,198</u>	<u>\$ 15,695,740</u>	<u>\$ 11,852,472</u>	<u>\$ 4,765,056</u>	<u>\$ 14,117</u>	<u>\$ -</u>	<u>\$ 435,769,185</u>
Carrying amount at March 31, 2016	<u>\$ 62,994,334</u>	<u>\$ 469,364</u>	<u>\$ 79,454,947</u>	<u>\$ 249,404,001</u>	<u>\$ 17,565,115</u>	<u>\$ 5,058,947</u>	<u>\$ 6,004,049</u>	<u>\$ 308,886</u>	<u>\$ 21,568,308</u>	<u>\$ 442,827,951</u>
Carrying amount at December 31, 2015	<u>\$ 63,524,940</u>	<u>\$ 531,916</u>	<u>\$ 79,935,310</u>	<u>\$ 253,808,419</u>	<u>\$ 18,201,056</u>	<u>\$ 5,230,222</u>	<u>\$ 6,074,282</u>	<u>\$ 310,823</u>	<u>\$ 21,071,613</u>	<u>\$ 448,688,581</u>

For the three months ended March 31, 2015

	Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Spare Parts	Rental Assets	Construction in Progress and Equipment to be Inspected	Total
Cost										
Balance at January 1, 2015	\$ 61,194,127	\$ 4,877,697	\$ 112,387,766	\$ 587,056,811	\$ 28,944,254	\$ 15,946,643	\$ 10,398,069	\$ 322,270	\$ 34,452,787	\$ 855,580,424
Additions	140,276	-	439,712	3,975,469	552,584	197,654	399,768	-	280,882	5,986,345
Disposals	-	-	(2,313)	(600,775)	(15,640)	(37,122)	(253,509)	-	-	(909,359)
Reclassification	-	-	(15,187)	(60,132)	735	67,996	-	-	90,030	83,442
Effect of foreign currency exchange difference	(2,875)	-	(98,845)	(509,451)	(435,537)	(20,876)	-	-	(37,785)	(1,105,369)
Others	-	-	-	-	-	-	(132)	-	-	(132)
Balance at March 31, 2015	<u>\$ 61,331,528</u>	<u>\$ 4,877,697</u>	<u>\$ 112,711,133</u>	<u>\$ 589,861,922</u>	<u>\$ 29,046,396</u>	<u>\$ 16,154,295</u>	<u>\$ 10,544,196</u>	<u>\$ 322,270</u>	<u>\$ 34,785,914</u>	<u>\$ 859,635,351</u>
Accumulated depreciation and impairment										
Balance at January 1, 2015	\$ 25,546	\$ 4,420,094	\$ 37,332,787	\$ 325,618,887	\$ 13,979,627	\$ 10,697,752	\$ 4,190,881	\$ 881	\$ -	\$ 396,266,455
Depreciation	-	16,804	889,579	7,075,861	378,339	308,698	319,116	2,641	-	8,991,038
Disposals	-	-	(1,330)	(595,497)	(12,278)	(35,478)	(253,509)	-	-	(898,092)
Reclassification	-	-	(13,876)	(45)	745	(828)	-	-	-	(14,004)
Effect of foreign currency exchange difference	-	-	(32,139)	(222,313)	(336,078)	(15,280)	-	-	-	(605,810)
Balance at March 31, 2015	<u>\$ 25,546</u>	<u>\$ 4,436,898</u>	<u>\$ 38,175,021</u>	<u>\$ 331,876,893</u>	<u>\$ 14,010,355</u>	<u>\$ 10,954,864</u>	<u>\$ 4,256,488</u>	<u>\$ 3,522</u>	<u>\$ -</u>	<u>\$ 403,739,587</u>
Carrying amount at March 31, 2015	<u>\$ 61,305,982</u>	<u>\$ 440,799</u>	<u>\$ 74,536,112</u>	<u>\$ 257,985,029</u>	<u>\$ 15,036,041</u>	<u>\$ 5,199,431</u>	<u>\$ 6,287,708</u>	<u>\$ 318,748</u>	<u>\$ 34,785,914</u>	<u>\$ 455,895,764</u>

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

Land improvements

Drainage system	40 years
Wharf	20-40 years
Wall	20-40 years
Others	5-15 years

Buildings

Main structure	10-60 years
Facility	15-40 years
Mechanical and electrical facilities	7-20 years
Trellis and corrugated iron building	7-10 years
Others	3-10 years

Machinery and equipment

Power equipment	15-25 years
Process equipment	8-25 years
Lifting equipment	8-25 years

(Continued)

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

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

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

18. INVESTMENT PROPERTIES

For the three months ended March 31, 2016

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2016	\$ 8,220,781	\$ 2,963,556	\$ 11,184,337
Additions	-	52,383	52,383
Transfer from (to) property, plant and equipment	534,454	(81,812)	452,642
Effect of foreign currency exchange difference	<u>7,725</u>	<u>17,337</u>	<u>25,062</u>
Balance at March 31, 2016	<u>\$ 8,762,960</u>	<u>\$ 2,951,464</u>	<u>\$ 11,714,424</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2016	\$ 222,057	\$ 854,091	\$ 1,076,148
Depreciation	-	21,412	21,412
Transfer to property, plant and equipment	-	(11,430)	(11,430)
Effect of foreign currency exchange difference	<u>-</u>	<u>1,439</u>	<u>1,439</u>
Balance at March 31, 2016	<u>\$ 222,057</u>	<u>\$ 865,512</u>	<u>\$ 1,087,569</u>

(Continued)

	Land	Buildings	Total
Carrying amount at December 31, 2015	<u>\$ 7,998,724</u>	<u>\$ 2,109,465</u>	<u>\$ 10,108,189</u>
Carrying amount at March 31, 2016	<u>\$ 8,540,903</u>	<u>\$ 2,085,952</u>	<u>\$ 10,626,855</u>
			(Concluded)

For the three months ended March 31, 2015

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2015	\$ 8,344,056	\$ 2,740,155	\$ 11,084,211
Reclassification	-	63	63
Effect of foreign currency exchange difference	<u>(2,387)</u>	<u>(5,937)</u>	<u>(8,324)</u>
Balance at March 31, 2015	<u>\$ 8,341,669</u>	<u>\$ 2,734,281</u>	<u>\$ 11,075,950</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2015	\$ 1,891,031	\$ 757,082	\$ 2,648,113
Depreciation	-	20,106	20,106
Effect of foreign currency exchange difference	<u>-</u>	<u>(589)</u>	<u>(589)</u>
Balance at March 31, 2015	<u>\$ 1,891,031</u>	<u>\$ 776,599</u>	<u>\$ 2,667,630</u>
Carrying amount at March 31, 2015	<u>\$ 6,450,638</u>	<u>\$ 1,957,682</u>	<u>\$ 8,408,320</u>

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

Buildings	
Main structure	50-60 years
Mechanical and electrical facilities	8-20 years

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

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

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

	March 31, 2016	December 31, 2015	March 31, 2015
Fair value	<u>\$ 25,222,281</u>	<u>\$ 25,043,429</u>	<u>\$ 13,613,334</u>
Depreciation rate (%)	1.20-2.00	1.20-2.00	1.20-2.00
Discount rate (%)	1.55-4.14	1.55-4.14	1.30-5.50

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

19. BORROWINGS

a. Short-term borrowings and bank overdraft

	March 31, 2016	December 31, 2015	March 31, 2015
Unsecured loans - interest at 0.43%-9.50% p.a., 0.42%-9.40% p.a. and 0.64%-9.75% p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	\$ 25,057,867	\$ 28,700,798	\$ 28,971,362
Letters of credit - interest at 0.16%-1.48% p.a., 0.45%-1.48% p.a. and 0.26%-1.56% p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	2,252,690	2,378,709	3,712,951
Bank overdraft - interest at 0.28%-7.60% p.a., 0.35%-2.75% p.a. and 0.43%-7.60% p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	1,543,093	3,279,883	3,095,786
Secured loans (Note 34) - interest at 5.5% p.a. and 5.88%-6.16% p.a. as of December 31, 2015 and March 31, 2015, respectively	<u>-</u>	<u>27,557</u>	<u>106,052</u>
	<u>\$ 28,853,650</u>	<u>\$ 34,386,947</u>	<u>\$ 35,886,151</u>

Starting from April 2015, the subsidiary CCSPMC entered into several credit facility agreements with Chinatrust Commercial Bank, Taipei Fubon Bank and several banks for total amount of US\$83,000 thousand and RMB170,000 thousand, respectively. Under the agreements, the Corporation and its subsidiaries should collectively hold 70% of the CCSPMC's equity and 75% of the seats in the board of directors and supervisors. As of March 31, 2016, the subsidiary CSAPH held 70% equity of CCSPMC and three-quarters of the seats in the board of directors and supervisors.

In May 2014 and March 2014, the subsidiary CSCI entered into short-term financing contracts with CTBC Bank for USD27,000 thousand and INR0.4 billion credit lines and with Credit Agricole Corporate and Investment Bank for USD25,000 thousand credit lines. Under the agreement, the Corporation and its related parties should collectively hold at least 75% and 60% of CSCI's issued shares and hold two-thirds and half or more of the seats in the board of directors. If CSCI expands or invites new strategic investors, the Corporation and its related parties should collectively hold at least 60% of CSCI's issued shares and hold half or more of the seats in the board of directors. As of March 31, 2016, the Corporation held 100% equity of CSCI and all of the seats in the board of directors.

Starting from March 2015, the subsidiary United Steel Engineering and Construction Co., Ltd. entered into short-term financing contract with CTBC Bank, HSBC Bank (Taiwan), Standard Chartered Bank (China) and ANZ Bank (China) for USD10,000 thousand, USD10,000 thousand, USD8,000 thousand (Increased the equal amount in RMB in October 2015, the credit line remained unchanged) and USD10,000 thousand credit line. Under the agreements, the Corporation and its subsidiaries should directly or indirectly hold 100% of United Steel Engineering and Construction Co., Ltd.'s issued shares and all of the seats in the board of directors. As of March 31, 2016, the subsidiary CSAPH and Chung Mao collectively held 100% equity of United Steel Engineering and Construction Co., Ltd. and all of the seats in the board of directors.

b. Short-term bills payable

	March 31, 2016	December 31, 2015	March 31, 2015
Commercial paper - interest at 0.27%-1.00% p.a., 0.29%-1.10% p.a. and 0.55%-1.35% p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	\$ 48,447,000	\$ 31,650,000	\$ 25,087,000
Less: Unamortized discounts	<u>12,364</u>	<u>8,714</u>	<u>6,609</u>
	<u>\$ 48,434,636</u>	<u>\$ 31,641,286</u>	<u>\$ 25,080,391</u>

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

c. Long-term borrowings

	March 31, 2016	December 31, 2015	March 31, 2015
Syndicated bank loans			
Bank of Taiwan and other banks loan to CHSC			
Repayable in 13 equal semiannual installments from March 2013 to March 2019, interest all at 1.58% p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	\$ 3,210,769	\$ 3,749,231	\$ 4,287,692
Repayable in March 2019 with a revolving credit, interest all at 1.58% p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	2,250,000	6,750,000	4,500,000
Bank of Taiwan and other banks loan to DSC			
Repayable in 14 equal semiannual installments from January 2012 to July 2018, interest at 1.18% p.a., 1.24% p.a. and 1.35% p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	16,318,540	19,583,540	22,848,540
			(Continued)

	March 31, 2016	December 31, 2015	March 31, 2015
Repayable in 10 equal semiannual installments from June 2015 to December 2019, interest all at 1.58% p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	\$ 8,624,000	\$ 8,624,000	\$ 23,280,000
Chinatrust Commercial Bank and other banks loan to CSCI			
Repayable in 5 semiannual installments from June 2017 to June 2019, interest at 2.24% p.a., 2.13% and 2.10% p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	3,548,346	3,618,747	3,617,079
Bank of Taiwan and other banks loan to the Corporation			
Repayable in several installments from February 2020, interest at 1.97% p.a., 1.72% p.a. as of March 31, 2016 and December 31, 2015, respectively	16,092,500	5,908,500	-
Mizuho Bank and other banks loan to the Corporation			
Repayable in August 2018, interest at 1.66%-1.67% p.a. and 1.38%-1.42% p.a. as of March 31, 2016 and December 31, 2015, respectively	4,827,750	4,923,750	-
Mega International Commercial Bank and other banks loan to CSVC			
Repayable in 10 semiannual installments from September 2015 to March 2020, interest all at 2.25% p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	3,649,779	3,929,152	3,943,800
Mortgage loans (Note 34)			
Due on various dates through April 2032, interest at 0.89%-1.72% p.a., 0.84%-1.67% p.a. and 0.84%-1.67 % p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	9,071,974	9,626,064	6,992,111
Unsecured loans			
Due on various dates through June 2022, interest at 0.31%-3.42% p.a., 0.40%-3.59% p.a. and 0.34%-3.93% p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	28,728,207	40,069,787	28,219,838
	96,321,865	106,782,771	97,689,060
Less: Syndicated loan fee	85,655	93,015	86,731
Current portion	19,414,134	23,561,520	20,226,426
	<u>\$ 76,822,076</u>	<u>\$ 83,128,236</u>	<u>\$ 77,375,903</u>
			(Concluded)

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

The amounts referring to the above financial ratios and criteria should be based on audited annual financial statements. If CHSC breaches the agreements, it should take remedial measures within half a year from the next day of the financial statements' declaration date; otherwise, the interest rate needs to be adjusted in accordance with the agreement. The tangible net worth of CHSC 2015 standalone financial statements is lower than 50% of its share capital-outstanding ordinary shares, it should take remedial measures within half year from the next day of the financial statements issued; otherwise, the interest rate needs to be adjusted in accordance with the agreement. If the remedial measure can't be done within half year, the adjusted interest rate is still lower than 1.58%, which is the lowest interest rate of the agreement. As a result, the impact is immaterial to CHSC. As of March 31, 2016, the Corporation directly held 41% equity of CHSC and held half of the seats in the board of directors and controlled its operation.

- 2) In July 2012, the subsidiary DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 17 other banks for a NT\$35 billion credit line, which consists of NT\$30 billion secured loans with a non-revolving credit line and NT\$5 billion secured commercial paper with a revolving credit line; in February 2008, DSC entered into a syndicated credit facility agreement with Bank of Taiwan and 13 other banks for a NT\$51.7 billion credit line. As of March 31, 2016, all secured commercial paper (recognized as long-term bills payable) were used. Under the agreements, the Corporation and its associates should collectively hold at least 80% and 40% of DSC's issued shares and hold half or more of the seats in the board of directors. Starting from 2012, DSC should meet some financial ratios and criteria.

The amounts referring to the above financial ratios and criteria should be based on audited annual financial statements. If DSC breaches the financial ratios or the agreements, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare DSC's outstanding principal and interest to maturity as due, and request DSC to settle immediately. DSC was in compliance with the syndicated credit facility agreement based on its financial statements of 2015 and 2014. As of March 31, 2016, the Corporation held 100% equity of DSC and all of the seats in the board of directors.

- 3) In October 2012, the subsidiary CSVC entered into a syndicated credit facility agreement with Mega International Commercial Bank and 11 other banks for a USD246,000 thousand credit line, which consists of USD126,000 thousand long-term borrowings with a non-revolving credit line and USD120,000 thousand short-term borrowings for operation with a revolving credit line. In addition, starting from August 2013, the subsidiary CSVC continuously entered into short-term financing contracts with Standard Chartered Bank and other banks for USD56,000 thousand credit lines. Under the agreements, the Corporation should hold at least 51% of CSVC's issued shares and majority of the seats in the board of directors. Starting from 2015, CSVC should meet some financial ratios and criteria based on the syndicated credit facility agreement amended in March 2014. CSVC was not in compliance with the syndicated credit facility agreement based on its 2015 audited financial statements; however, the syndicated loan agreement had been revised and the interest rate will be adjusted in accordance with revised agreement. As a result, the impact is immaterial to CSVC. As of March 31, 2016, the Corporation held 56% equity of CSVC and over half of the seats in the board of directors.
- 4) In January 2013, the subsidiary CSCI entered into a syndicated credit facility agreement with CTBC Bank and 9 other banks for a USD110,000 thousand credit line. Under the agreement, the Corporation should collectively hold at least 75% of CSCI's issued shares and hold two-thirds or more of the seats in the board of directors. If CSCI expands or invites new strategic investors, the

Corporation should collectively hold at least 60% of CSCI's issued shares and hold two-thirds or more of the seats in the board of directors. CSCI should meet some financial ratios and criteria required by the syndicated credit facility agreement based on unreviewed financial statements for the six months ended September 30 and audited annual financial statements. The unreviewed financial statements (the reporting period from April 1, 2015 to March 31, 2016) of subsidiary CSCI breached the agreements; however, CSCI had received the written agreement from syndicated banks to waive the related responsibility on violation of financial covenants on March 31, 2016. As of March 31, 2016, the Corporation held 100% equity of CSCI and held all of the seats in the board of directors.

- 5) In July and August 2015, the Corporation entered into a syndicated credit facility agreement with Bank of Taiwan along with 11 other banks and Mizuho bank with 6 other banks for a USD500,000 thousand and USD150,000 thousand unsecured non-revolving credit line, respectively. Under the agreements, the Corporation should meet some financial ratios and criteria which were based on reviewed consolidated financial statements for the six months ended June 30 and audited annual consolidated financial statements. If the Corporation breaches the financial ratios or the agreements, the management bank can, based on the decision by majority of banks, immediately terminate the credit line, declare the Corporation's outstanding principal and interest to maturity as due, and request the Corporation to settle immediately.

The Corporation was in compliance with the syndicated credit facility agreements based on its consolidated financial statements of 2015 and 2014.

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

d. Long-term bills payable

	March 31, 2016	December 31, 2015	March 31, 2015
Commercial paper - interest at 0.42%-1.07% p.a., 0.45%-1.16% p.a. and 0.78%-1.34% p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	\$ 12,490,000	\$ 19,470,000	\$ 12,090,000
Secured commercial paper in syndicated bank loans - interest at 1.00% p.a., 1.05% p.a. and 1.17% p.a. as of March 31, 2016, December 31, 2015 and March 31, 2015, respectively	<u>5,000,000</u> 17,490,000	<u>5,000,000</u> 24,470,000	<u>5,000,000</u> 17,090,000
Less: Unamortized discounts	<u>10,339</u>	<u>10,121</u>	<u>7,256</u>
	<u>\$ 17,479,661</u>	<u>\$ 24,459,879</u>	<u>\$ 17,082,744</u>

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

The subsidiary DSC issued secured commercial paper in syndicated bank loans with the duration of seven years. Refer to c. 2) for details.

The above commercial paper was secured by Mega International Commercial Bank, Agricultural Bank of Taiwan, Taichung Bank and ANZ Bank (Taiwan).

20. BONDS PAYABLE

	March 31, 2016	December 31, 2015	March 31, 2015
5-year unsecured bonds - issued at par by the Corporation in: October 2011; repayable in October 2015 and October 2016; interest at 1.36% p.a., payable annually	\$ 4,650,000	\$ 4,650,000	\$ 9,300,000
5-year unsecured bonds - issued at par by DSC in: June 2014; repayable in June 2018 and June 2019; interest at 1.4% p.a., payable annually	7,000,000	7,000,000	7,000,000
June 2015; repayable in June 2019 and June 2020; interest at 1.45% p.a., payable annually	7,500,000	7,500,000	-
7-year unsecured bonds - issued at par by the Corporation in: December 2008; repayable in December 2014 and December 2015; interest at 2.30% p.a., payable annually	-	-	3,500,000
October 2011; repayable in October 2017 and October 2018; interest at 1.57% p.a., payable annually	10,400,000	10,400,000	10,400,000
August 2012; repayable in August 2018 and August 2019; interest at 1.37% p.a., payable annually	5,000,000	5,000,000	5,000,000
July 2013; repayable in July 2019 and July 2020; interest at 1.44% p.a., payable annually	6,300,000	6,300,000	6,300,000
January 2014; repayable in January 2020 and January 2021; interest at 1.75% p.a., payable annually	6,900,000	6,900,000	6,900,000
7-year unsecured bonds - issued at par by DSC in: June 2014; repayable in June 2020 and September 2021; interest at 1.75% p.a., payable annually	5,000,000	5,000,000	5,000,000
June 2015; repayable in June 2021 and June 2022; interest at 1.72% p.a., payable annually	2,500,000	2,500,000	-
10-year unsecured bonds - issued at par by the Corporation in: August 2012; repayable in August 2021 and August 2022; interest at 1.50% p.a., payable annually	15,000,000	15,000,000	15,000,000
July 2013; repayable in July 2022 and July 2023; interest at 1.60% p.a., payable annually	9,700,000	9,700,000	9,700,000
January 2014; repayable in January 2023 and January 2024; interest at 1.95% p.a., payable annually	7,000,000	7,000,000	7,000,000
			(Continued)

	March 31, 2016	December 31, 2015	March 31, 2015
15-year unsecured bonds - issued at par by the Corporation in:			
July 2013; repayable 30% in July 2026 and July 2027, and 40% in July 2028; interest at 1.88% p.a., payable annually	\$ 3,600,000	\$ 3,600,000	\$ 3,600,000
January 2014; repayable 30% in January 2027 and January 2028, and 40% in January 2029; interest at 2.15% p.a., payable annually	9,000,000	9,000,000	9,000,000
Liability component of secured domestic convertible bonds - issued by TMTC	48,300	48,300	185,700
Liability component of unsecured domestic convertible bonds - issued by TMTC	<u>15,000</u>	<u>15,000</u>	<u>45,500</u>
	99,613,300	99,613,300	97,931,200
Less: Issuance cost of bonds payable	50,567	53,865	63,072
Unamortized discount on bonds payable	18,732	20,090	20,345
Current portion	<u>4,711,859</u>	<u>4,696,735</u>	<u>8,148,837</u>
	<u>\$ 94,832,142</u>	<u>\$ 94,842,610</u>	<u>\$ 89,698,946</u>
			(Concluded)

In September 2013, the subsidiary TMTC issued NT\$200,000 thousand of 3-year secured domestic convertible bonds at par from September 2013 to September 2016 which were secured by Hua Nan Commercial Bank. From one month after the issuance date to 10 days before the maturity date, bondholders may request TMTC to convert the bonds into its ordinary shares (except for the related book closure period). On the repurchase date, two years after the issuance date, bondholders may request TMTC to repurchase the bonds at their face value plus interest (1.9090% of face value, yield to put 0.95%) by cash in five trading days. From one month after the issuance date to 40 days before the maturity date, if the closing price of TMTC's shares on the Taipei Exchange is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of initial issued bonds, TMTC may redeem the remaining bonds at their face value by cash in five trading days after the redemption date. As of March 31, 2016, the convertible bonds with NT\$151,700 thousand face value have been converted and redeemed into NT\$5,766 thousand ordinary share capital.

In September 2013, the subsidiary TMTC issued NT\$100,000 thousand of 5-year unsecured domestic convertible bonds at par from September 2013 to September 2018. From one month after the issuance date to 10 days before the maturity date, bondholders may request TMTC to convert the bonds into its ordinary shares (except for the related book closure period). On the repurchase dates, two years, three years and four years after the issuance date, bondholders may request TMTC to repurchase the bonds at their face value plus interest (2.5156%, 3.7971% and 5.0945% of face value for two years, three years and four years, respectively, yield to put 1.25%) by cash in five trading days. From one month after the issuance date to 40 days before the maturity date, if the closing price of TMTC's shares on the Taipei Exchange is higher than 130% of the conversion price for 30 consecutive trading days or when the outstanding convertible bonds are less than 10% of initial issued bonds, TMTC may redeem the remaining bonds at their face value by cash in five trading days after the redemption date. As of March 31, 2016, the convertible bonds with NT\$85,000 thousand face value have been converted into NT\$21,975 thousand ordinary share capital.

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

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

21. ACCOUNTS PAYABLE (INCLUDING RELATED PARTIES)

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

22. OTHER PAYABLES

	March 31, 2016	December 31, 2015	March 31, 2015
Purchase of equipment	\$ 3,997,324	\$ 3,311,688	\$ 6,381,381
Salaries and incentive bonus	3,448,861	6,573,677	4,625,625
Sales returns and discounts	1,636,518	1,631,598	1,401,682
Interest payable	1,041,951	1,079,578	951,392
Outsourced repair and construction	879,638	1,047,075	1,174,877
Employee remuneration and remuneration to directors and supervisors	800,445	680,799	2,776,420
Others	<u>4,733,474</u>	<u>5,027,284</u>	<u>4,593,249</u>
	<u>\$ 16,538,211</u>	<u>\$ 19,351,699</u>	<u>\$ 21,904,626</u>

23. PROVISIONS

	March 31, 2016	December 31, 2015	March 31, 2015
Current			
Onerous contracts (a)	\$ 2,776,211	\$ 2,611,156	\$ 2,927,313
Construction warranties (b)	473,856	491,899	573,840
Sale returns and discounts (c)	255,566	-	260,985
Others	<u>66,623</u>	<u>55,314</u>	<u>38,953</u>
	<u>\$ 3,572,256</u>	<u>\$ 3,158,369</u>	<u>\$ 3,801,091</u>
Noncurrent			
Provision for stabilization funds (d)	\$ 794,748	\$ 793,851	\$ 985,073
Others	<u>26,629</u>	<u>35,072</u>	<u>43,917</u>
	<u>\$ 821,377</u>	<u>\$ 828,923</u>	<u>\$ 1,028,990</u>

	Onerous Contracts	Construction Warranties	Sale Returns and Discounts	Provision for Stabilization Funds	Others	Total
Balance at January 1, 2016	\$ 2,611,156	\$ 491,899	\$ -	\$ 793,851	\$ 90,386	\$ 3,987,292
Recognized	2,489,632	-	255,566	897	5,572	2,751,667
Paid	(2,324,577)	(18,043)	-	-	(2,706)	(2,345,326)
Balance at March 31, 2016	<u>\$ 2,776,211</u>	<u>\$ 473,856</u>	<u>\$ 255,566</u>	<u>\$ 794,748</u>	<u>\$ 93,252</u>	<u>\$ 4,393,633</u>
Balance at January 1, 2015	\$ 3,177,583	\$ 582,371	\$ 586	\$ 983,466	\$ 83,506	\$ 4,827,512
Recognized (reversed)	2,504,092	(8,476)	260,399	1,607	3,938	2,761,560
Paid	(2,754,362)	(55)	-	-	(4,574)	(2,758,991)
Balance at March 31, 2015	<u>\$ 2,927,313</u>	<u>\$ 573,840</u>	<u>\$ 260,985</u>	<u>\$ 985,073</u>	<u>\$ 82,870</u>	<u>\$ 4,830,081</u>

- The provision for onerous contracts represents the present value of the future payments that the Corporation and its subsidiaries were presently obligated to make under non-cancellable onerous purchase and service contracts, less revenue expected to be earned on the contracts.
- The provision for construction warranties represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Corporation and its subsidiaries' obligations for warranties. The estimate had been made on the basis of historical warranty trends.
- The provision for sales returns and discounts, recognized as a reduction of operating revenues, represents the annual rewards estimated on the basis of historical experience, management's judgments and other known reasons.
- The provision for stabilization funds represents the provision recognized in accordance with the build-operate-transfer contract by the subsidiary KRTC. The provision was used for capital demand due to force majeure, exceptional events, operating deficits, etc. The provision for stabilization funds was recognized based on increase in stabilization funds.

24. RETIREMENT BENEFIT PLANS

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

	For the Three Months Ended March 31	
	2016	2015
Operating costs	\$ 155,892	\$ 158,028
Operating expenses	58,087	61,912
Others	<u>571</u>	<u>710</u>
	<u>\$ 214,550</u>	<u>\$ 220,650</u>

25. EQUITY

a. Share capital

	March 31, 2016	December 31, 2015	March 31, 2015
Numbers of shares authorized (in thousands)	<u>17,000,000</u>	<u>17,000,000</u>	<u>17,000,000</u>
Shares authorized	<u>\$ 170,000,000</u>	<u>\$ 170,000,000</u>	<u>\$ 170,000,000</u>
Numbers of shares issued and fully paid (in thousands)			
Ordinary shares (in thousands)	15,734,861	15,734,861	15,734,861
Preference shares (in thousands)	<u>38,268</u>	<u>38,268</u>	<u>38,268</u>
	<u>15,773,129</u>	<u>15,773,129</u>	<u>15,773,129</u>
Shares issued			
Ordinary shares	\$ 157,348,610	\$ 157,348,610	\$ 157,348,610
Preference shares	<u>382,680</u>	<u>382,680</u>	<u>382,680</u>
	<u>\$ 157,731,290</u>	<u>\$ 157,731,290</u>	<u>\$ 157,731,290</u>

1) Ordinary shares

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

2) Preference shares

Preference shareholders have the following entitlements or rights:

- a) 14% annual dividends, with dividend payments ahead of those to ordinary shareholders;
- b) Preference over ordinary shares in future payment of dividends in arrears;
- c) The sequence and percentage of appropriation of residual property are the same with ordinary shares;
- d) The same rights as ordinary shareholders, except the right to vote for directors and supervisors; and
- e) Redeemable by the Corporation and convertible to ordinary shares by preference shareholders with the ratio of 1:1.

3) Overseas depositary receipts

In May 1992, February 1997, October 2003 and August 2011, for the purpose of working capital expansion and in accordance with the instruction of the MOEA, the largest shareholder of the Corporation, the Corporation issued 126,512,550 units of GDR. The depositary receipts then increased by 6,924,354 units resulting from the capital increase out of retained earnings. Each unit represents 20 shares of the Corporation's ordinary shares and the issued GDRs account for the Corporation's ordinary shares totaling 2,668,738,370 shares (including 290 fractional shares). Under relevant regulations, the GDR holders may also request the conversion to the shares represented by the GDR. The foreign investors may also request the reissuance of such depositary receipts within the originally approved units. As of March 31, 2016, December 31, 2015, and

March 31, 2015, the outstanding depositary receipts were 1,321,343 units, 1,323,346 units and 1,329,173 units, equivalent to 26,427,170 ordinary shares (including 310 fractional shares), 26,467,230 ordinary shares (including 310 fractional shares), and 26,583,770 ordinary shares (including 310 fractional shares), which represented 0.17% of the outstanding ordinary shares.

b. Capital surplus

	March 31, 2016	December 31, 2015	March 31, 2015
May be used to offset deficits, distribute cash or transfer to share capital (see 1 below)			
Additional paid-in capital	\$ 31,154,766	\$ 31,154,766	\$ 31,154,766
Treasury share transactions	6,022,977	6,022,977	5,704,956
Others	8,099	8,099	8,099
	<u>37,185,842</u>	<u>37,185,842</u>	<u>36,867,821</u>
May be used to offset deficits only (see 2 below)			
Share of change in equity of subsidiaries	432,578	418,043	351,504
Share of change in equity of associates	8,142	8,142	3,770
	<u>440,720</u>	<u>426,185</u>	<u>355,274</u>
	<u>\$ 37,626,562</u>	<u>\$ 37,612,027</u>	<u>\$ 37,223,095</u>

- 1) The capital surplus could be used to offset a deficit and distribute as cash dividends or transferred to capital when the Corporation has no deficit (limited to a certain percentage of the Corporation's paid-in capital and once a year).
- 2) The capital surplus included the share of change in equity of subsidiaries recognized without any actual acquisition or disposal of subsidiaries' share by the Corporation or the adjustments to capital surplus of subsidiaries under equity method.

c. Retained earnings and dividend policy

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

- 1) 10% as legal reserve;
- 2) Preference share dividends at 14% of par value;
- 3) Of the remainder, 0.15% as remuneration to directors and supervisors and 8% as bonus to employees;
- 4) Ordinary share dividends at 14% of par value; and
- 5) The remainder, if any, as additional dividends divided equally between the holders of preference and ordinary shares.

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

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Corporation's board of directors in December 2015 and are subject to the resolution of the shareholders in their meeting to be held in June 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to f. Employee benefits in Note 27.

Appropriation of earnings to legal reserve could be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865, Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Corporation should appropriate or reverse a special reserve. Under Rule 89 No. 05044 and Rule 91 No. 170010 issued by Securities and Futures Bureau of the FSC, if the market price of the Corporation's ordinary shares held by subsidiaries is lower than the carrying value of the Corporation's shares held by subsidiaries, the Corporation should appropriate a special reserve equal to the difference between market price and carrying value multiplied by the percentage of ownership. Any special reserve appropriated may be reversed to the extent of the increase in valuation.

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

The appropriations of earnings for 2015 and 2014 had been proposed by the board of directors in March 2016 and approved in the shareholders' meeting in June 2015, respectively. The appropriations and dividends per share were as follows:

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

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

d. Special reserves

The Corporation did not appropriate and reverse the special reserve for the three months ended March 31, 2016 and 2015.

e. Other equity items

1) Exchange differences on translating foreign operations

	For the Three Months Ended March 31	
	2016	2015
Balance, beginning of period	\$ 1,198,796	\$ 732,469
Exchange differences arising on translating foreign operations	(685,265)	(1,827,639)
Income tax relating to exchange differences arising on translating the net assets of foreign operations	15,723	6,685
Gains and losses on hedging instruments designated in hedges of the net assets of foreign operations	707,982	697,851
Share of exchange difference of associates accounted for using the equity method	<u>(396,699)</u>	<u>596,348</u>
Balance, end of period	<u>\$ 840,537</u>	<u>\$ 205,714</u>

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

	For the Three Months Ended March 31	
	2016	2015
Balance, beginning of period	\$ 6,573,348	\$ 9,283,354
Unrealized gains and losses on available-for-sale financial assets	918,046	274,319
Income tax relating to unrealized gains and losses on available-for-sale financial assets	9,283	(1,993)
Reclassified to profit or loss on disposal of available-for-sale financial assets	(717,860)	-
Impairment on available-for-sale financial assets	3,053	-
Share of unrealized gains and losses on available-for-sale financial assets of associates accounted for using the equity method	<u>(84,558)</u>	<u>5,265</u>
Balance, end of period	<u>\$ 6,701,312</u>	<u>\$ 9,560,945</u>

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

	For the Three Months Ended March 31	
	2016	2015
Balance, beginning of period	\$ 152,264	\$ 146,192
Fair value changes of hedging instrument	(79,282)	(184,945)
Income tax relating to fair value changes	7,323	30,860
Fair value changes of hedging instruments transferred to profit or loss	2,458	(1,340)
Income tax relating to amounts transferred to profit or loss	(418)	227
Fair value changes of hedging instruments transferred to adjust carrying amount of hedged items	34,371	3,546
		(Continued)

	For the Three Months Ended March 31	
	2016	2015
Income tax relating to amounts transferred to adjust carrying amount of hedged items	\$ (5,843)	\$ (602)
Balance, end of period	<u>\$ 110,873</u>	<u>\$ (6,062)</u> (Concluded)

f. Treasury shares

Purpose of Treasury Shares	Thousand Shares			March 31	
	Beginning of Period	Addition	Reduction	Thousand Shares	Book Value
For the three months ended March 31, 2016					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	<u>318,036</u>	<u>-</u>	<u>29</u>	<u>318,007</u>	<u>\$ 8,576,842</u>
For the three months ended March 31, 2015					
Shares held by subsidiaries reclassified from investments accounted for using equity method to treasury shares	<u>318,369</u>	<u>-</u>	<u>353</u>	<u>318,016</u>	<u>\$ 8,577,748</u>

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

For the three months ended March 31, 2015, a total of 523 thousand shares of the Corporation held by its subsidiaries were sold for proceeds of NT\$13,325 thousand. The proceeds of treasury shares sold, calculated by shareholding percentage, amounted to NT\$8,556 thousand, and after deducting book values, resulted in the amounts of NT\$707 thousand, recorded as deduction of capital surplus. As of March 31, 2016, December 31, 2015, and March 31, 2015, the market values of the treasury shares calculated by combined holding percentage were NT\$7,124,560 thousand, NT\$5,710,213 thousand, and NT\$8,272,017 thousand, respectively.

g. Non-controlling interests

	For the Three Months Ended March 31	
	2016	2015
Balance, beginning of period	\$ 26,404,014	\$ 29,969,636
Attributable to non-controlling interests:		
Share of net profit (loss) for the period	248,201	(731,642)
Exchange difference on translating foreign operations	13,850	(359,514)
		(Continued)

	For the Three Months Ended March 31	
	2016	2015
Income tax relating to exchange difference on translating foreign operations	\$ 4,637	\$ 9
Unrealized losses on available-for-sale financial assets	(217,547)	(10,502)
Income tax relating to unrealized gains and losses on available-for-sale financial assets	15,958	(2,260)
Fair value changes of cash flow hedges	(8,594)	(6,986)
Income tax relating to cash flow hedges	6,246	1,496
Fair value changes of hedging instruments transferred to adjust the carrying amount of hedged items	5	-
Share of other comprehensive income of associates accounted for using the equity method	(6,347)	(2,249)
Non-controlling interest arising from acquisition of subsidiaries	334,400	1
Dividend distributed by subsidiaries	-	(5,511)
Disposal of the Corporation's shares by subsidiaries	-	4,768
Others	<u>67,873</u>	<u>(74,877)</u>
Balance, end of period	<u>\$ 26,862,696</u>	<u>\$ 28,782,369</u> (Concluded)

26. OPERATING REVENUES

	For the Three Months Ended March 31	
	2016	2015
Revenue from the sale of goods	\$ 58,234,868	\$ 73,615,679
Construction contract revenue	4,799,283	4,987,868
Freight and service revenues	1,496,898	1,489,419
Other revenues	<u>427,494</u>	<u>710,736</u>
	<u>\$ 64,958,543</u>	<u>\$ 80,803,702</u>

27. PROFIT BEFORE INCOME TAX

The following items were included in profit before income tax:

- a. Other income

	For the Three Months Ended March 31	
	2016	2015
Interest income	\$ 75,029	\$ 119,104
Rental income	34,010	32,796
Insurance claim income	9,031	7,782
Others	<u>103,411</u>	<u>202,316</u>
	<u>\$ 221,481</u>	<u>\$ 361,998</u>

b. Other gains and losses

	For the Three Months Ended March 31	
	2016	2015
Gain on disposal of investments	\$ 753,224	\$ 1,969
Net foreign exchange gain	59,927	76,432
Gain arising on financial assets at fair value through profit or loss	11,640	7,419
Loss on disposal of property, plant and equipment	(117,203)	(6,335)
Other losses	<u>(79,931)</u>	<u>(82,503)</u>
	<u>\$ 627,657</u>	<u>\$ (3,018)</u>

The components of net foreign exchange gain were as follows:

	For the Three Months Ended March 31	
	2016	2015
Foreign exchange gain	\$ 462,356	\$ 528,543
Foreign exchange loss	<u>(402,429)</u>	<u>(452,111)</u>
Net exchange gain	<u>\$ 59,927</u>	<u>\$ 76,432</u>

c. Finance costs

	For the Three Months Ended March 31	
	2016	2015
Total interest expense	\$ 1,044,048	\$ 1,001,105
Less: Amounts included in the cost of qualifying assets	<u>57,693</u>	<u>92,648</u>
	<u>\$ 986,355</u>	<u>\$ 908,457</u>

Information about capitalized interest was as follows:

	For the Three Months Ended March 31	
	2016	2015
Capitalized amounts	\$ 57,693	\$ 92,648
Capitalized annual rates (%)	0.59-1.38	1.01-1.62

d. Depreciation and amortization

	For the Three Months Ended March 31	
	2016	2015
Property, plant and equipment	\$ 8,946,951	\$ 8,991,038
Investment properties	21,412	20,106
		(Continued)

For the Three Months Ended March 31		
	2016	2015
Intangible assets	\$ 75,350	\$ 54,560
Others	<u>20,758</u>	<u>23,796</u>
	<u>\$ 9,064,471</u>	<u>\$ 9,089,500</u>
Analysis of depreciation by function		
Operating costs	\$ 8,592,126	\$ 8,666,256
Operating expenses	370,460	337,944
Others	<u>5,777</u>	<u>6,944</u>
	<u>\$ 8,968,363</u>	<u>\$ 9,011,144</u>
Analysis of amortization by function		
Operating costs	\$ 58,036	\$ 48,429
Operating expenses	37,665	29,692
Others	<u>407</u>	<u>235</u>
	<u>\$ 96,108</u>	<u>\$ 78,356</u>
		(Concluded)

g. Operating expenses directly related to investment properties

For the Three Months Ended March 31		
	2016	2015
Direct operating expenses of investment properties that generated rental income	<u>\$ 39,867</u>	<u>\$ 36,629</u>

h. Employee benefits

For the Three Months Ended March 31		
	2016	2015
Short-term employee benefits		
Salaries	\$ 6,310,574	\$ 7,519,014
Labor and health insurance	481,662	485,871
Others	<u>274,678</u>	<u>315,186</u>
	<u>7,066,914</u>	<u>8,320,071</u>
Post-employment benefits		
Defined contribution plans	172,138	150,952
Defined benefit plans (Note 24)	<u>214,550</u>	<u>220,650</u>
	<u>386,688</u>	<u>371,602</u>
Termination benefits	<u>23,006</u>	<u>18,205</u>
	<u>\$ 7,476,608</u>	<u>\$ 8,709,878</u>

(Continued)

	For the Three Months Ended March 31	
	2016	2015
Analysis of employee benefits by function		
Operating costs	\$ 5,983,335	\$ 6,935,645
Operating expenses	1,367,034	1,637,200
Others	<u>126,239</u>	<u>137,033</u>
	<u>\$ 7,476,608</u>	<u>\$ 8,709,878</u>
		(Concluded)

The Articles of Incorporation of the Corporation in effect in 2014 stipulate to distribute bonus to employees and remuneration to directors and supervisors at a certain rate after offsetting deficit, if any. For the three months ended March 31, 2015, the bonus to employees and the remuneration to directors and supervisors amounted to NT\$391,858 thousand and NT\$7,351 thousand, respectively. To be in compliance with the Company Act amended in May 2015, and the amended Articles of Incorporation of the Corporation proposed in December 2015 stipulate the Corporation distributed employees' compensation and remuneration to directors and supervisors at the rates no less than 0.1% and no higher than 0.15%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the three months ended March 31, 2016, the employees' compensation and the remuneration to directors and supervisors amounted to NT\$73,628 thousand and NT\$1,381 thousand, respectively.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The appropriations of employees' compensation and remuneration to directors and supervisors for 2015 having been resolved by the board of directors in March 2016, and the appropriations of bonus to employees and remuneration to directors and supervisors for 2014 having been approved in the shareholders' meetings in June 2015, respectively, were stated as below. The employees' compensation and remuneration to directors and supervisors for 2015 are subject to the resolution of the amendments to the Company's Articles of Incorporation for adoption by the shareholders in their meeting to be held in June 2016, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

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

Information on the employees' compensation and remuneration to directors and supervisors for 2015 resolved by the Corporation's board of directors in 2016 and bonus to employees, directors and supervisors for 2014 resolved by the shareholders' meeting in 2015 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

The numbers of employees of the Corporation and its subsidiaries combined were about 26,236 and 25,200 as of March 31, 2016 and 2015, respectively.

28. INCOME TAX

a. Income tax recognized in profit or loss

	For the Three Months Ended March 31	
	2016	2015
Current tax		
In respect of the current period	\$ 212,697	\$ 1,491,623
In respect of prior years	47,228	3,410
Deferred tax		
In respect of the current period	(165,101)	(250,343)
In respect of prior years	<u>5,768</u>	<u>-</u>
	<u>\$ 100,592</u>	<u>\$ 1,244,690</u>

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

	For the Three Months Ended March 31	
	2016	2015
Recognized in other comprehensive income:		
Translation of foreign operations	\$ 20,360	\$ 6,694
Unrealized gains and losses on available-for-sale financial asset	25,241	(4,253)
Fair value changes of cash flow hedges	13,569	32,356
Fair value changes of hedging instruments in cash flow hedges transferred to adjust carrying amounts of hedged items	(418)	227
Fair value changes of hedging instrument in cash flow hedges transferred to profit or loss	<u>(5,843)</u>	<u>(602)</u>
	<u>\$ 52,909</u>	<u>\$ 34,422</u>

c. Integrated income tax

	March 31, 2016	December 31, 2015	March 31, 2015
Unappropriated earnings			
Before January 1, 1998	\$ 15,954	\$ 15,954	\$ 15,954
On and after January 1, 1998	<u>13,803,022</u>	<u>13,307,894</u>	<u>29,617,032</u>
	<u>\$ 13,818,976</u>	<u>\$ 13,323,848</u>	<u>\$ 29,632,986</u>
Imputation credits accounts ("ICA")	<u>\$ 1,247,908</u>	<u>\$ 1,247,908</u>	<u>\$ 947,748</u>

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to shareholders of the Corporation, excluding non-ROC resident, is based on the balance of the ICA as of the date of dividend distribution.

The creditable ratio of the Corporation for the distribution of 2015 and 2014 earnings was 15.75% (estimated) and 20.03%, respectively. The actual imputation credits allocated to shareholders of the Corporation was based on the balance of the ICA as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

d. Income tax assessments

The Corporation's income tax returns through 2010 and the subsidiaries' income tax returns through 2010 to 2015 have been assessed by the tax authorities. The Corporation disagreed with the tax authorities' assessment of its 2010 tax return and filed for administrative appeal. In February 2016, the Corporation's administrative appeal was dismissed by the Kaohsiung High Administrative Court and the Corporation filed an appeal to the Supreme Administrative Court against the judgment. However, the Corporation had recognized the related additional tax payable in prior year.

29. EARNINGS PER SHARE

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

Net profit for the period

	For the Three Months Ended March 31	
	2016	2015
Net profit for the period attributable to owners of the Corporation	\$ 482,146	\$ 5,526,271
Less: Dividends on preference shares	<u>13,394</u>	<u>13,394</u>
Net profit used in computation of basic earnings per share	468,752	5,512,877
Add: Dividends on preference shares	<u>-</u>	<u>13,394</u>
Net profit used in computation of diluted earnings per share	<u>\$ 468,752</u>	<u>\$ 5,526,271</u>

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

	For the Three Months Ended March 31	
	2016	2015
Weighted average number of ordinary shares in computation of basic earnings per share	15,416,854	15,416,727
Effect of dilutive potential ordinary shares:		
Employees' compensation	17,153	79,174
Convertible preference shares	<u>-</u>	<u>38,268</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>15,434,007</u>	<u>15,534,169</u>

Preference shares were not included in the calculation of diluted earnings per share for the three months ended March 31, 2016 because of their anti-dilutive effect.

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

30. BUSINESS COMBINATIONS

a. Subsidiaries acquired

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

The Corporation acquired WBC participating in its capital increase in 2015, which increased the Corporation's total equity in White Biotech Corporation from 18% to 87%.

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

Assets

Current assets

Cash and cash equivalents	\$ 826,586
Other current assets	5,220

Noncurrent assets

Property, plant and equipment	66,677
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Liabilities

Current liabilities

Other payables	(44)
Other current liabilities	<u>(6,782)</u>

\$ 891,657

c. Non-controlling interests

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

d. Intangible assets arising on acquisition

Consideration transferred	\$ 800,000
Plus: Fair value of WBC's shares held by the Corporation before the date of acquisition	16,498
Non-controlling interests (13% ownership in WBC)	115,470
Less: Fair value of identifiable net assets acquired	<u>891,657</u>
Intangible assets arising on acquisition	<u>\$ 40,311</u>

31. CAPITAL MANAGEMENT

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

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

32. FINANCIAL INSTRUMENTS

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

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

	<u>March 31, 2016</u>		<u>December 31, 2015</u>		<u>March 31, 2015</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial assets</u>						
Held-to-maturity investments	<u>\$ 281,202</u>	<u>\$ 258,448</u>	<u>\$ 285,963</u>	<u>\$ 261,745</u>	<u>\$ 250,788</u>	<u>\$ 233,362</u>

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

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

1) Fair value hierarchy

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>March 31, 2016</u>				
Financial assets at fair value through profit or loss				
Mutual funds	\$ 2,882,865	\$ -	\$ -	\$ 2,882,865
Listed shares	888,849	-	-	888,849
Emerging market shares	-	-	243,378	243,378
Convertible bonds	236,720	-	-	236,720
Structure notes	-	30,104	-	30,104
Foreign exchange forward contracts	-	2,383	-	2,383
	<u>\$ 4,008,434</u>	<u>\$ 32,487</u>	<u>\$ 243,378</u>	<u>\$ 4,284,299</u>
Available-for-sale financial assets				
Foreign unlisted shares	\$ -	\$ -	\$ 13,173,954	\$ 13,173,954
Domestic emerging market shares and unlisted shares	-	-	6,443,566	6,443,566
Domestic listed shares	4,913,997	-	-	4,913,997

(Continued)

	Level 1	Level 2	Level 3	Total
Foreign listed shares	\$ 2,065,566	\$ -	\$ -	\$ 2,065,566
Mutual funds	1,100,392	-	-	1,100,392
Certificate of entitlement	-	-	823,157	823,157
Private-placement shares of listed companies	<u>-</u>	<u>229,219</u>	<u>-</u>	<u>229,219</u>
	<u>\$ 8,079,955</u>	<u>\$ 229,219</u>	<u>\$ 20,440,677</u>	<u>\$ 28,749,851</u>
Derivative financial assets for hedging				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 105,921</u>	<u>\$ -</u>	<u>\$ 105,921</u>
Financial liabilities at fair value through profit or loss				
Call and put options	\$ -	\$ 492	\$ -	\$ 492
Future contract	-	233	-	233
Foreign exchange forward contracts	<u>-</u>	<u>42</u>	<u>-</u>	<u>42</u>
	<u>\$ -</u>	<u>\$ 767</u>	<u>\$ -</u>	<u>\$ 767</u>
Derivative financial liabilities for hedging				
Interest rate swap contracts	\$ -	\$ 58,947	\$ -	\$ 58,947
Foreign exchange forward contracts	<u>-</u>	<u>28,957</u>	<u>-</u>	<u>28,957</u>
	<u>\$ -</u>	<u>\$ 87,904</u>	<u>\$ -</u>	<u>\$ 87,904</u>
December 31, 2015				
Financial assets at fair value through profit or loss				
Mutual funds	\$ 2,303,771	\$ -	\$ -	\$ 2,303,771
Listed shares	561,512	-	-	561,512
Convertible bonds	264,480	-	-	264,480
Emerging market shares	-	-	245,455	245,455
Structure notes	-	66,221	-	66,221
Foreign exchange forward contract	<u>-</u>	<u>446</u>	<u>-</u>	<u>446</u>
	<u>\$ 3,129,763</u>	<u>\$ 66,667</u>	<u>\$ 245,455</u>	<u>\$ 3,441,885</u>
Available-for-sale financial assets				
Foreign unlisted shares	\$ -	\$ -	\$ 39,494,304	\$ 39,494,304
Domestic emerging market shares and unlisted shares	-	-	5,635,664	5,635,664
Domestic listed shares	5,404,294	-	-	5,404,294
Foreign listed shares	2,251,430	-	-	2,251,430
Mutual funds	1,076,845	-	-	1,076,845
Private-placement shares of listed companies	<u>-</u>	<u>261,958</u>	<u>-</u>	<u>261,958</u>
	<u>\$ 8,732,569</u>	<u>\$ 261,958</u>	<u>\$ 45,129,968</u>	<u>\$ 54,124,495</u>

(Continued)

	Level 1	Level 2	Level 3	Total
Derivative financial assets for hedging				
Foreign exchange forward contracts	\$ -	\$ 165,541	\$ -	\$ 165,541
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts	\$ -	\$ 613	\$ -	\$ 613
Call and put options	-	483	-	483
Futures contracts	-	429	-	429
	\$ -	\$ 1,525	\$ -	\$ 1,525
Derivative financial liabilities for hedging				
Interest rate swap contracts	\$ -	\$ 56,900	\$ -	\$ 56,900
Foreign exchange forward contracts	-	29,940	-	29,940
	\$ -	\$ 86,840	\$ -	\$ 86,840
March 31, 2015				
Financial assets at fair value through profit or loss				
Mutual funds	\$ 3,838,476	\$ -	\$ -	\$ 3,838,476
Listed shares	1,027,908	-	-	1,027,908
Emerging market shares	-	-	270,381	270,381
Convertible bonds	169,816	-	-	169,816
Structure notes	-	41,502	-	41,502
Foreign exchange forward contracts	-	12,105	-	12,105
Futures contracts	-	15	-	15
	\$ 5,036,200	\$ 53,622	\$ 270,381	\$ 5,360,203
Available-for-sale financial assets				
Foreign unlisted shares	\$ -	\$ -	\$ 12,890,766	\$ 12,890,766
Domestic listed shares	8,229,725	-	-	8,229,725
Domestic emerging market shares and unlisted shares	-	-	6,813,638	6,813,638
Certificate of entitlement	-	-	6,411,010	6,411,010
Foreign listed shares	1,765,360	-	-	1,765,360
Mutual funds	1,097,538	-	-	1,097,538
Private-placement shares of listed companies	-	70,431	-	70,431
	\$ 11,092,623	\$ 70,431	\$ 26,115,414	\$ 37,278,468
Derivative financial assets for hedging				
Foreign exchange forward contracts	\$ -	\$ 111,494	\$ -	\$ 111,494

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Call and put options	\$ -	\$ 2,443	\$ -	\$ 2,443
Foreign exchange forward contracts	<u>-</u>	<u>337</u>	<u>-</u>	<u>337</u>
	<u>\$ -</u>	<u>\$ 2,780</u>	<u>\$ -</u>	<u>\$ 2,780</u>
Derivative financial liabilities for hedging				
Foreign exchange forward contracts	\$ -	\$ 143,507	\$ -	\$ 143,507
Interest rate swap contracts	<u>-</u>	<u>20,013</u>	<u>-</u>	<u>20,013</u>
	<u>\$ -</u>	<u>\$ 163,520</u>	<u>\$ -</u>	<u>\$ 163,520</u>
				(Concluded)

There was no transfer between Level 1 and Level 2 for the three months ended March 31, 2016 and 2015.

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

	Financial Assets at Fair Value Through Profit or Loss	Available-for- sale Financial Assets	Total
For the three months ended March 31, 2016			
Balance, beginning of period	\$ 245,455	\$ 45,129,968	\$ 45,375,423
Recognized in profit or loss (included in other gains and losses)	(2,077)	165,399	163,322
Recognized in other comprehensive income (included in unrealized gains and losses on available-for-sale financial assets)	-	811,995	811,995
Purchases	-	116,291	116,291
Reclassification	-	(25,908,765)	(25,908,765)
Disposal	-	(299,382)	(299,382)
Effect of foreign currency exchange difference	<u>-</u>	<u>425,171</u>	<u>425,171</u>
Balance, end of period	<u>\$ 243,378</u>	<u>\$ 20,440,677</u>	<u>\$ 20,684,055</u>
For the three months ended March 31, 2015			
Balance, beginning of period	\$ 276,613	\$ 26,629,214	\$ 26,905,827
Recognized in profit or loss (included in other gains and losses)	(6,232)	(6,943)	(13,175)
			(Continued)

	Financial Assets at Fair Value Through Profit or Loss	Available-for- sale Financial Assets	Total
Recognized in other comprehensive income (included in unrealized gains and losses on available-for-sale financial assets)	\$ -	\$ 184,781	\$ 184,781
Purchases	-	51,722	51,722
Transfer into Level 3	-	30,020	30,020
Capital reduction	-	(85,426)	(85,426)
Disposal	-	(17,423)	(17,423)
Effect of foreign currency exchange difference	-	(670,531)	(670,531)
Balance, end of period	<u>\$ 270,381</u>	<u>\$ 26,115,414</u>	<u>\$ 26,385,795</u> (Concluded)

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

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

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

- For emerging market shares, fair values were estimated on the basis of the closing price and liquidity.
- For domestic unlisted shares, some foreign unlisted shares and certificate of entitlement, fair values were determined based on industry types, valuations of similar companies and operations, or by using the net worth of companies.
- For other foreign unlisted shares, fair values were measured under income approach and calculated by the present value of the expected return present value by using a discounted cash flow model. Significant unobservable inputs were as follows; if the long-term revenue growth rate increased, long-term pre-tax operating income rate increased or discount rate decreased, the fair value of the investments would increase.

	March 31, 2016	December 31, 2015	March 31, 2015
Long-term revenue growth rate (%)	-	-	-
Long-term pre-tax operating income rate (%)	22.73~51.68	22.60	16.80
Discount rate (%)	7.94~8.00	8.00	10.18

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

	March 31, 2016	December 31, 2015	March 31, 2015
Discount rate			
Increase 1%	<u>\$ (480,182)</u>	<u>\$ (186,562)</u>	<u>\$ (126,335)</u>
Decrease 1%	<u>\$ 601,428</u>	<u>\$ 238,551</u>	<u>\$ 153,096</u>

c. Categories of financial instruments

	March 31, 2016	December 31, 2015	March 31, 2015
Financial assets			
Fair value through profit or loss			
Designated as at fair value through profit or loss	\$ 2,054,238	\$ 1,850,000	\$ 2,901,600
Held for trading	2,230,061	1,591,885	2,458,603
Derivative instruments in designated hedge accounting relationships	105,921	165,541	111,494
Held-to-maturity investments	281,202	285,963	250,788
Loans and receivables (see 1 below)	44,709,132	51,628,094	46,823,661
Available-for-sale financial assets	28,749,851	54,124,495	37,278,468
Financial liabilities			
Fair value through profit or loss			
Designated as at fair value through profit or loss	492	483	2,443
Held for trading	275	1,042	337
Derivative instruments in designated hedge accounting relationships	87,904	86,840	163,520
Measured at amortized cost (see 2 below)	317,455,988	325,253,462	306,603,035

- 1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes and accounts receivable (including related parties), other receivables, debt investments with no active market, refundable deposits and other financial assets.
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term borrowings and bank overdraft, short-term bills payable, notes and accounts payable (including related parties), other payables, bonds payable, long-term borrowings, long-term bills payable and deposits received.

d. Financial risk management objectives and policies

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

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

1) Market risk

a) Foreign currency risk

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

The carrying amounts of the significant non-functional currency monetary assets and liabilities (including those eliminated on consolidation) at the balance sheet date were referred to Note 37.

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

	USD Impact		JPY Impact	
	For the Three Months Ended		For the Three Months Ended	
	March 31		March 31	
	2016	2015	2016	2015
Pre-tax profit or loss	\$ 16,017	\$ (1,682) i	\$ 10,240	\$ 9,119 i
Pre-tax equity	309,955	85,352 ii	(2,661)	(740) ii
	AUD Impact		RMB Impact	
	For the Three Months Ended		For the Three Months Ended	
	March 31		March 31	
	2016	2015	2016	2015
Pre-tax profit or loss	\$ (116)	\$ (84) i	\$ (14,187)	\$ (8,479) i
Pre-tax equity	44,319	67,843 ii	(2,149)	(3,278) ii

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

ii. This was attributable to other financial assets, which were designated as hedging instruments in cash flow hedges, and borrowings, which were designated as hedging instruments in net investments in foreign operations hedges.

In management's opinion, the sensitivity analysis was unrepresentative of the inherent foreign exchange risk because the exposure at the balance sheet date did not reflect the exposure during the period.

b) Interest rate risk

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

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

	March 31, 2016	December 31, 2015	March 31, 2015
Fair value interest rate risk			
Financial liabilities	\$ 147,978,637	\$ 131,180,631	\$ 122,928,174
Cash flow interest rate risk			
Financial liabilities	142,569,521	165,536,582	150,571,224

If interest rates had been 1% higher/lower and all other variables were held constant, the Corporation and its subsidiaries' pre-tax profit for the three months ended March 31, 2016 and 2015 would have been lower/higher by NT\$356,424 thousand and NT\$376,428 thousand, respectively.

c) Other price risk

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

If equity prices had been 1% higher/lower, the pre-tax profit for the three months ended March 31, 2016 and 2015 would have been higher/lower by NT\$37,717 thousand and NT\$48,664 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 three months ended March 31, 2016 and 2015 would have been higher/lower by NT\$83,092 thousand and NT\$111,631 thousand, respectively, as a result of the changes in fair value of available-for-sale financial assets.

2) Credit risk

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

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

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

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

As of March 31, 2016, the maximum credit risk of off-balance-sheet guarantees provided to investees of co-investment for procurement compliance was NT\$2,510,913 thousand.

3) Liquidity risk

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

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

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

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
<u>March 31, 2016</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 25,133,987	\$ 252,969	\$ -	\$ 25,386,956
Variable interest rate liabilities	54,166,854	88,828,756	3,722,397	146,718,007
Fixed interest rate liabilities	54,754,814	50,810,607	51,961,874	157,527,295
Financial guarantee liabilities	<u>2,304,902</u>	<u>206,011</u>	<u>-</u>	<u>2,510,913</u>
	<u>\$ 136,360,557</u>	<u>\$ 140,098,343</u>	<u>\$ 55,684,271</u>	<u>\$ 332,143,171</u>
<u>December 31, 2015</u>				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 26,716,047	\$ 266,151	\$ -	\$ 26,982,198
Variable interest rate liabilities	60,868,212	104,633,944	4,326,170	169,828,326
Fixed interest rate liabilities	38,695,303	47,483,128	55,609,781	141,788,212
Financial guarantee liabilities	<u>2,491,772</u>	<u>-</u>	<u>-</u>	<u>2,491,772</u>
	<u>\$ 128,771,334</u>	<u>\$ 152,383,223</u>	<u>\$ 59,935,951</u>	<u>\$ 341,090,508</u>

(Continued)

	Less Than 1 Year	1-5 Years	Over 5 Years	Total
March 31, 2015				
Non-derivative financial liabilities				
Non-interest bearing liabilities	\$ 31,405,258	\$ 272,863	\$ -	\$ 31,678,121
Variable interest rate liabilities	59,393,794	90,294,974	5,224,706	154,913,474
Fixed interest rate liabilities	35,457,693	39,058,569	59,427,268	133,943,530
Financial guarantee liabilities	<u>2,362,152</u>	<u>-</u>	<u>-</u>	<u>2,362,152</u>
	<u>\$ 128,618,897</u>	<u>\$ 129,626,406</u>	<u>\$ 64,651,974</u>	<u>\$ 322,897,277</u> (Concluded)

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

33. TRANSACTIONS WITH RELATED PARTIES

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

a. Operating revenues

Account Items	Related Parties Types	For the Three Months Ended March 31	
		2016	2015
Revenue from sales of goods	Associates	\$ 1,170,588	\$ 171,611
	The Corporation and its subsidiaries as key management personnel of other related parties	605,278	1,006,804
	Other related parties as key management personnel of subsidiaries	373,595	515,945
	Other related parties as supervisors of the Corporation and its subsidiaries	372,190	411,661
	Others	<u>3,236</u>	<u>114,422</u>
		<u>\$ 2,524,887</u>	<u>\$ 2,220,443</u>
Construction contract revenue	Associates	\$ 332,285	\$ 54,918
	The Corporation and its subsidiaries as key management personnel of other related parties	6,569	388,133

(Continued)

Account Items	Related Parties Types	For the Three Months Ended March 31	
		2016	2015
	Other related parties as key management personnel of subsidiaries	\$ 67,988	\$ 125,931
		<u>406,842</u>	<u>568,982</u> (Concluded)

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

b. Purchase of goods

Related Parties Types	For the Three Months Ended March 31	
	2016	2015
Companies with significant influence over subsidiaries	\$ 468,709	\$ 251,501
Other related parties as key management personnel of subsidiaries	54,497	57,330
Associates	43,928	48,377
Others	<u>2,104</u>	<u>18,914</u>
	<u>\$ 569,238</u>	<u>\$ 376,122</u>

Purchases from related parties were made under normal terms.

c. Receivables from related parties

Account Items	Related Parties Types	March 31, 2016	December 31, 2015	March 31, 2015
Notes and accounts receivable	The Corporation and its subsidiaries as key management personnel of other related parties	\$ 384,339	\$ 353,971	\$ 566,477
	Other related parties as key management personnel of subsidiaries	232,293	290,424	365,899
	Associates	72,050	45,258	173,743
	Others	<u>7,759</u>	<u>16,549</u>	<u>59,099</u>
		<u>\$ 696,441</u>	<u>\$ 706,202</u>	<u>\$ 1,165,218</u>

The subsidiary Chin Ecotek Corporation recognized the allowance for doubtful accounts in the amount of NT\$396 thousand and NT\$414 thousand for the three months ended March 31, 2016 and 2015, respectively. As of March 31, 2016 and 2015, the allowance for doubtful accounts amounted to NT\$1,733 thousand and NT\$5,392 thousand, respectively.

d. Payables to related parties

Account Items	Related Parties Types	March 31, 2016	December 31, 2015	March 31, 2015
Notes and accounts payable	Companies with significant influence over subsidiaries	\$ 372,272	\$ 199,274	\$ 120,489
	Associates	43,599	27,588	43,442
	Other related parties as key management personnel of subsidiaries	15,694	21,696	15,417
	Others	<u>7,606</u>	<u>7,573</u>	<u>10,222</u>
		<u>\$ 439,171</u>	<u>\$ 256,131</u>	<u>\$ 189,570</u>

The outstanding payables to related parties were unsecured.

e. Others

Account Items	Related Parties Types	For the Three Months Ended March 31	
		2016	2015
Service and other revenues	Associates	\$ 106,271	\$ 4,631
	Other related parties as key management personnel of subsidiaries	19,474	26,808
	The Corporation and its subsidiaries as key management personnel of other related parties	404	135,683
	Others	<u>1,819</u>	<u>1,821</u>
		<u>\$ 127,968</u>	<u>\$ 168,943</u>

Account Items	Related Parties Types	March 31, 2016	December 31, 2015	March 31, 2015
Other receivables	Associates	\$ 225,301	\$ 9,068	\$ 15,116
	Others	<u>180</u>	<u>-</u>	<u>1,251</u>
		<u>\$ 225,481</u>	<u>\$ 9,068</u>	<u>\$ 16,367</u>
Other payables	Associates	\$ 595,936	\$ 6	\$ 1,700
	Companies with significant influence over subsidiaries	17,865	23,194	44,758
	Other related parties as key management personnel of subsidiaries	7,263	12,839	7,922
	Others	<u>4,391</u>	<u>9,094</u>	<u>21,487</u>
		<u>\$ 625,455</u>	<u>\$ 45,133</u>	<u>\$ 75,867</u>

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

Related Party Types	March 31, 2016	December 31, 2015	March 31, 2015
The Corporation as key management personnel of others			
Amount endorsed	\$ 2,510,913	\$ 2,491,772	\$ 2,362,152
Amount utilized	<u>(2,510,913)</u>	<u>(2,491,772)</u>	<u>(2,362,152)</u>
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

g. Compensation of key management personnel

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

	For the Three Months Ended March 31	
	2016	2015
Short-term employee benefits	\$ 15,474	\$ 25,757
Post-employment benefits	<u>277</u>	<u>571</u>
	<u>\$ 15,751</u>	<u>\$ 26,328</u>

34. ASSETS PLEDGED AS COLLATERAL OR SECURITY

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

	March 31, 2016	December 31, 2015	March 31, 2015
Net property, plant and equipment	\$ 119,760,597	\$ 121,602,388	\$ 118,064,839
Time deposits (Note 16)	6,922,082	6,986,935	6,904,718
Shares (see a. below)	5,284,160	3,875,405	6,913,400
Pledged receivables (Note 16) (see b. below)	2,000,000	2,000,000	2,000,000
Net investment properties	<u>1,553,554</u>	<u>1,537,613</u>	<u>1,535,245</u>
	<u>\$ 135,520,393</u>	<u>\$ 136,002,341</u>	<u>\$ 135,418,202</u>

- Shares of the Corporation were pledged by the subsidiaries WIC and TIC and were recorded as treasury shares in the consolidated financial statements.
- In accordance with revised agreements of build-operate-transfer contract in 2013, the subsidiary KRTC reclassified NT\$2,000,000 thousand including arbitration receivable - Kaohsiung City Government and part of the consideration of transferred assets to operating performance guarantees.

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in Note 19, significant commitments and contingencies of the Corporation and its subsidiaries as of March 31, 2016 were as follows:

- a. The Corporation and its subsidiaries provided letters of credits for NT\$5.1 billion guaranteed by financial institutions for several construction lease, contracts and payment. Guarantee notes for NT\$64.6 billion were provided to banks and owners for loans, purchase agreements and warranties.
- b. Unused letters of credit for importation of materials and machinery amounted to NT\$8 billion.
- c. Property purchase and construction contracts for NT\$7.6 billion were signed but not yet recorded.
- d. Construction contracts for NT\$38.1 billion were not yet being completed.
- e. The Corporation and its subsidiaries entered into raw material purchase contracts with suppliers in Australia, Brazil, Canada, Mozambique, Russia, Japan, Philippines, Vietnam, Indonesia and domestic companies with contract terms of 1 to 10 years. Contracted annual purchases of 10,120,000 metric tons of coal, 23,560,000 metric tons of iron ore, and 3,340,000 metric tons of limestone are at prices negotiable with the counterparties. Purchase commitments as of March 31, 2016 were USD2.7 billion (including 14,780,000 metric tons of coal, 28,680,000 metric tons of iron ore, and 510,000 metric tons of limestone).
- f. In August 2014 and January 2016, the associate Chang-Chun Ceck Auto. Parts Co., Ltd. (CCCA) entered into credit facility agreements with Chinatrust Commercial Bank for a EUR2,000 thousand import loan commitment and with Taipei Fubon Bank for a USD10,000 thousand import loan commitment. Under the agreement, the Corporation and its associates should collectively hold at least 30% and 38% of CCCA's issued shares and one seat in the board of directors. As of March 31, 2016, the Corporation indirectly held 38% equity of CCCA and one seat in the board of directors.
- g. In November 2014, the associate Honley Auto. Parts Co., Ltd. (HAPC) entered into credit facility agreements for a NT\$225,000 thousand factory building loan commitment and a JPY56,500 thousand import letter of credit loan commitment with Shanghai Commercial & Savings Bank. Under the agreement, the Corporation and its associates should collectively hold at least 30% of HAPC's issued shares and two seats in the board of directors. As of March 31, 2016, the Corporation held 49% equity of HAPC and two seats in the board of directors.
- h. Endorsements/guarantees provided to the unconsolidated entities as of March 31, 2016 were as follows:

Endorsement/Guarantee Provider	Counterparty	Ending Balance
China Steel Corporation	Sakura Ferroalloys Sdn. Bhd.	NT\$ 2,510,913 thousand

36. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

In March 2016, the Corporation's board of directors approved to provide endorsement/guarantee to the associate, Formosa Ha Tinh (Cayman) Limited, with the amount of USD875,000 thousand. Starting from May 2016, the Corporation enters into endorsement/guarantee contracts with Hua Nan Bank, Sumitomo Mitsui Bank and several banks.

37. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	Foreign Currencies (In Thousands)	Exchange Rate		Carrying Amount (In Thousands of New Taiwan Dollars)
March 31, 2016				
Monetary financial assets				
USD	\$ 254,808	32.1850	(USD : NTD)	\$ 8,200,990
USD	19,912	6.4733	(USD : RMB)	640,864
USD	5,584	1.3086	(USD : AUD)	179,729
USD	3,753	24,757.6923	(USD : VND)	120,793
JPY	8,038,209	0.2863	(JPY : NTD)	2,301,339
VND	316,437,695	0.00004	(VND : USD)	417,699
RMB	314,308	4.9720	(RMB : NTD)	1,562,739
EUR	6,054	36.5100	(EUR : NTD)	221,016
HKD	29,947	4.1500	(HKD : NTD)	124,280
Non-monetary financial assets				
Available-for-sales financial assets				
USD	262,901	32.1850	(USD : NTD)	8,461,482
JPY	7,125,600	0.2863	(JPY : NTD)	2,040,059
MYR	246,807	7.8955	(MYR : NTD)	1,948,664
VND	509,104,157	0.00004	(VND : USD)	672,017
RMB	99,291	4.9720	(RMB : NTD)	493,674
KRW	36,337,771	0.0284	(KRW : NTD)	1,031,993
HKD	26,839	4.1500	(HKD : NTD)	111,384
Associate accounted for using equity method				
USD	270,333	1.3086	(USD : AUD)	8,700,665
Monetary financial liabilities				
USD	1,107,821	32.1850	(USD : NTD)	35,655,234
USD	110,000	32.1850	(USD : INR)	3,540,350
USD	67,666	6.4733	(USD : RMB)	2,177,846
USD	13,644	24,757.6923	(USD : VND)	439,134
JPY	10,759,312	0.2863	(JPY : NTD)	3,080,391
AUD	180,194	24.5950	(AUD : NTD)	4,431,880
December 31, 2015				
Monetary financial assets				
USD	417,063	32.8250	(USD:NTD)	13,690,091
USD	23,966	1.3686	(USD:AUD)	786,676
USD	18,055	6.5716	(USD:RMB)	592,644
USD	4,301	23,446.4286	(USD:VND)	141,177
USD	3,441	4.4705	(USD:MYR)	112,941
JPY	7,595,738	0.2727	(JPY:NTD)	2,071,358
RMB	252,243	4.9950	(RMB:NTD)	1,259,956
EUR	13,209	35.8800	(EUR:NTD)	473,938
VND	231,629,211	0.00004	(VND:USD)	325,439
(Continued)				

(Continued)

	Foreign Currencies (In Thousands)		Exchange Rate	Carrying Amount (In Thousands of New Taiwan Dollars)
Non-monetary financial assets				
Available-for-sales financial assets				
USD	\$ 70,331	32.8250	(USD:NTD)	\$ 2,308,609
JPY	8,154,800	0.2727	(JPY:NTD)	2,223,814
MYR	236,080	7.3425	(MYR:NTD)	1,733,416
KRW	36,337,771	0.0281	(KRW:NTD)	1,021,091
Associate accounted for using equity method				
USD	268,800	1.3686	(USD:AUD)	8,823,606
Monetary financial liabilities				
USD	804,600	32.8250	(USD:NTD)	26,411,008
USD	92,033	6.5716	(USD:RMB)	3,020,980
USD	110,000	66.1794	(USD:INR)	3,610,750
USD	18,368	23,446.4286	(USD:VND)	602,945
AUD	319,876	23.9850	(AUD:NTD)	7,672,234
JPY	10,718,095	0.2727	(JPY:NTD)	2,922,824
March 31, 2015				
Monetary financial assets				
USD	317,647	31.3000	(USD : NTD)	9,942,347
USD	26,740	6.2054	(USD : RMB)	836,959
USD	14,814	1.3143	(USD : AUD)	463,688
USD	3,983	22,357.1429	(USD : VND)	124,679
USD	3,453	3.8568	(USD : MYR)	108,087
JPY	11,036,455	0.2604	(JPY : NTD)	2,873,893
RMB	205,763	5.0440	(RMB : NTD)	1,037,867
RMB	29,157	0.1612	(RMB : USD)	147,070
VND	314,506,319	0.00004	(VND : USD)	441,881
Non-monetary financial assets				
Available-for-sales financial assets				
USD	264,605	31.3000	(USD : NTD)	8,282,128
JPY	6,644,000	0.2604	(JPY : NTD)	1,730,098
MYR	178,360	8.1155	(MYR : NTD)	1,447,479
Associate accounted for using equity method				
USD	276,300	1.3143	(USD : AUD)	8,648,206
Monetary financial liabilities				
USD	445,811	31.3000	(USD : NTD)	13,953,890
USD	110,000	62.5750	(USD : INR)	3,443,000
USD	51,778	6.2054	(USD : RMB)	1,620,663
USD	23,715	22,357.1429	(USD : VND)	742,289
USD	4,580	3.8568	(USD : MYR)	143,343
AUD	284,876	23.8150	(AUD : NTD)	6,784,330
JPY	14,365,450	0.2604	(JPY : NTD)	3,740,763
(Concluded)				

For the three months ended March 31, 2016 and 2015, realized and unrealized net foreign exchange gains were \$59,927 thousand and \$76,432 thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the each entity.

38. SEGMENT INFORMATION

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

- Steel - manufacture and sell steel products, including the Corporation, DSC, CHSC, CSCSSB, CSVC, CSCI, HLSC and TSC.
- Ocean freight forwarding - ship bulk merchandise, such as iron ore and coal, including CSE, TSP, CSEP and CSEIP.

a. Segment revenues and operating results

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

	Steel	Ocean Freight Forwarding	Others	Adjustment and Elimination	Total
<u>For the three months ended March 31, 2016</u>					
Revenues from external customers	\$ 50,474,417	\$ 103,577	\$ 14,380,549	\$ -	\$ 64,958,543
Inter-segment revenues	<u>12,428,401</u>	<u>2,441,628</u>	<u>6,870,171</u>	<u>(21,740,200)</u>	<u>-</u>
Segment revenues	<u>\$ 62,902,818</u>	<u>\$ 2,545,205</u>	<u>\$ 21,250,720</u>	<u>\$ (21,740,200)</u>	<u>\$ 64,958,543</u>
Segment profit (loss)	\$ (564,136)	\$ 374,855	\$ 1,180,832	\$ (52,032)	\$ 939,519
Interest income	44,005	643	44,910	(14,529)	75,029
Financial costs	(876,520)	(34,674)	(83,416)	8,255	(986,355)
Share of the profit of associates	339,130	(106,569)	294,651	(498,575)	28,637
Other non-operating income and expenses	<u>736,078</u>	<u>21,167</u>	<u>165,537</u>	<u>(148,673)</u>	<u>774,109</u>
Profit (loss) before income tax	(321,443)	255,422	1,602,514	(705,554)	830,939
Income tax (benefit)	<u>(142,078)</u>	<u>(6,773)</u>	<u>262,423</u>	<u>(12,980)</u>	<u>100,592</u>
Net profit (loss) for the period	<u>\$ (179,365)</u>	<u>\$ 262,195</u>	<u>\$ 1,340,091</u>	<u>\$ (692,574)</u>	<u>\$ 730,347</u>
<u>For the three months ended March 31, 2015</u>					
Revenues from external customers	\$ 64,274,984	\$ 227,346	\$ 16,301,372	\$ -	\$ 80,803,702
Inter-segment revenues	<u>13,734,426</u>	<u>3,442,078</u>	<u>6,784,583</u>	<u>(23,961,087)</u>	<u>-</u>
Segment revenues	<u>\$ 78,009,410</u>	<u>\$ 3,669,424</u>	<u>\$ 23,085,955</u>	<u>\$ (23,961,087)</u>	<u>\$ 80,803,702</u>
Segment profit	\$ 5,009,845	\$ 500,236	\$ 1,458,695	\$ (556,997)	\$ 6,411,779
Interest income	70,255	1,250	65,670	(18,071)	119,104
Financial costs	(834,503)	(21,036)	(63,134)	10,216	(908,457)
Share of the profit of associates	1,647,736	(14,322)	502,750	(1,959,147)	177,017
Other non-operating income and expenses	<u>319,476</u>	<u>5,693</u>	<u>86,561</u>	<u>(171,854)</u>	<u>239,876</u>
Profit before income tax	6,212,809	471,821	2,050,542	(2,695,853)	6,039,319
Income tax	<u>1,124,192</u>	<u>4,436</u>	<u>224,049</u>	<u>(107,987)</u>	<u>1,244,690</u>
Net profit for the period	<u>\$ 5,088,617</u>	<u>\$ 467,385</u>	<u>\$ 1,826,493</u>	<u>\$ (2,587,866)</u>	<u>\$ 4,794,629</u>

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

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

b. Segment total assets and liabilities

	March 31, 2016	December 31, 2015	March 31, 2015
<u>Segment assets</u>			
Steel	\$ 726,787,817	\$ 725,576,274	\$ 747,571,081
Ocean freight forwarding	25,613,300	25,116,639	25,366,102
Others	213,484,269	200,596,436	182,015,483
Adjustment and elimination	<u>(294,943,226)</u>	<u>(273,150,333)</u>	<u>(272,477,222)</u>
Consolidated total assets	<u>\$ 670,942,160</u>	<u>\$ 678,139,016</u>	<u>\$ 682,475,444</u>
<u>Segment liabilities</u>			
Steel	\$ 303,883,553	\$ 302,903,168	\$ 300,583,361
Ocean Freight Forwarding	12,971,800	11,813,144	12,674,258
Others	56,941,843	58,385,962	57,547,923
Adjustment and Elimination	<u>(24,277,330)</u>	<u>(15,688,091)</u>	<u>(26,926,850)</u>
Consolidated total liabilities	<u>\$ 349,519,866</u>	<u>\$ 357,414,183</u>	<u>\$ 343,878,692</u>